LA.00
Maryland Department of Agriculture

Operating Budget Data

($ in Thousands)

	FY 00 Actual	FY 01 Working	FY 02 Allowance	Change	% Change Prior Year
General Fund	$25,038	$25,913	$28,065	$2,152	8.3%
Special Fund	13,456	18,011	16,394	(1,617)	(9.0%)
Federal Fund	1,541	1,570	1,905	335	21.3%
Reimbursable Fund	3,118	2,982	2,968	(14)	(0.5%)
Total Funds	**$43,152**	**$48,476**	**$49,332**	**$856**	**1.8%**

- The Maryland Department of Agriculture (MDA) received a deficiency of $770,000 in the Governor's allowance to provide funds to spray additional acres necessary to reduce gypsy moth defoliation of forest land under the Cooperative Gypsy Moth Suppression Program. The agency received $250,000 in general funds, $170,000 in special funds, and $350,000 in federal funds.

- MDA also received a deficiency of $190,000 in general funds in the Governor's allowance to control increasing mosquito populations resulting, in part, from higher-than-normal rainfall. In addition to this deficiency appropriation, the Mosquito Control Program's fiscal 2001 budget was also enhanced by a contingency item brought before the Board of Public Works for $190,000 in general funds.

- MDA's decrease in special fund attainment is largely due to the agency receiving $2.7 million less in Cigarette Restitution Funds for crop conversion than it received in fiscal 2001.

- The agency received $550,000 in general funds to establish the Maryland Crop Insurance Premium Program created by Chapter 689, Acts of 2000 Laws of Maryland. The program is designed to encourage farmers to participate in the Federal Crop Insurance Program by paying an eligible farmer up to $2 an acre for any federal crop insurance premium paid by the farmer.

Note: Numbers may not sum to total due to rounding.

For further information contact: Dawn G. Myers Phone: (410) 946-5530

Personnel Data

	FY 00 Actual	FY 01 Working	FY 02 Allowance	Change
Regular Positions	476.00	477.00	480.00	3.00
Contractual FTEs	32.66	36.95	39.10	2.15
Total Personnel	**508.66**	**513.95**	**519.10**	**5.15**
Vacancy Data: Regular				
Budgeted Turnover: FY 02	35.04	7.30%		
Positions Vacant as of 12/31/00	40.00	8.39%		

- In the fiscal 2002 allowance, MDA has three new positions. Two positions are part of the new Integrated Pest Management (IPM) for Schools initiative created by Senate Bill 149 of the 2000 session. An Agricultural Inspector will provide technical assistance on pest control to public schools, conduct inspections to ensure that schools are following their IPM plans, and conduct complaint investigations. The second position is for an Entomologist II that will oversee development and distribution of training materials and approve IPM plans and application notifications. The third position is in the Mosquito Control Program and is an Agricultural Supervisor Inspector I who will supervise seasonal employees.

- The Department of Budget and Management (DBM) has assigned a 7.3% vacancy rate to this department. While MDA does currently have an 8.39% vacancy rate, as recently as August 31, 2000, the department only had a 5% vacancy rate. Under the current DBM standards, MDA must maintain an average of 37 positions vacant throughout the year. According to MDA, the agency has "no realistic option to attain the turnover requirement in fiscal 2001 or 2002 without significant operational reductions or the imposition of an immediate and significant hiring freeze." **MDA should be prepared to brief the committees on the impact of the turnover rate and whether the agency will be able to adequately meet their statutory mandates while keeping almost 40 positions vacant.**

Analysis in Brief

Issues

Progress of the Crop Conversion Program: The Tri-County Council (TCC) has just begun the process of sending out and reviewing applications for the crop conversion program. The TCC has concluded that only farmers in Southern Maryland are eligible for the buyout program. The Governor has indicated a willingness to introduce legislation to offer farmers buyout payments that are not subject to annual appropriations, but backed by revenue bonds. The Department of Legislative Services (DLS) recommends language to require the TCC to treat all tobacco farmers equally, regardless of location. Also, DLS recommends budget bill language that prohibits the use of revenues bonds. **MDA and the TCC should brief the committees on the impact of the proposed fiscal 2002 allowance for Crop Conversion. The TCC should give the committees a revised budget that reflects the fiscal 2002 allowance and a revised Managing for Results Plan that reflects the current state of the crop conversion. MDA should also be prepared to update the committees on the feasibility of the Governor's plan to secure buyout payments to farmers and the tax treatment of any buyout payments.**

Mosquito Control, Forest Pest Management, and West Nile Virus: In the past, Mosquito Control and Forest Pest Management have not received increased funding despite increased State land acquisition. Budget enhancements in MDA's allowance will allow for greater funding in these areas. Despite the greater funding, a conflict between MDA and the Department of Natural Resources (DNR) has led to large tracts of land not being sprayed for pests. The departments are currently working on a solution to the conflict. Lastly, with the appearance of West Nile Virus (WNV) in Maryland, MDA had undertaken various programs to track the virus in the State. **MDA should be prepared to brief the committees on the funding enhancements for the mosquito control and forest pest management programs. MDA also should brief the committees on the situation involving DNR and the application of pesticides on State property. Additionally, MDA should be prepared to discuss what type of WNV sentinel program will be used this year and brief the committees on the status of WNV in Maryland.**

Fiscal Impact of the Racing Act of 2000: The Racing Act of 2000 diverted funds from the horse racing special fund to cover the debt service on certain revenue bonds. The horse racing special fund is the source of many grants dedicated to items like the Maryland Agriculture Fair Board and Impact Aid to Local Jurisdictions. As revenues for the horse racing special fund were partially diverted, the grants were proportionately reduced. **MDA should be prepared to comment on whether or not the executive branch is working to restore funding to the grant recipients.**

Marketing the Maryland Blue Crab: Even though the future of the Maryland Blue Crab is uncertain, the State is spending funds to market Maryland Blue Crab meat. Currently, Marylanders are paying record high prices for crabs and fisherman are hauling in record low catches. As the Maryland Blue Crab is being adequately promoted through the free market and the State is considering catch limits because the blue crab cannot withstand increased harvesting pressures, **DLS recommends eliminating the Maryland Crab Meat Marketing Initiative.**

Recommended Actions

		Funds	Positions
1.	Add restrictive language to the special fund appropriation for the crop conversion program.		
2.	Eliminate Maryland Crab Meat Marketing Initiative.	$ 100,000	
3.	Reduce Industry’s Share of Manure Transportation Pilot Program.	501,670	
4.	Reduce State’s Share of Manure Transportation Pilot Program.	351,670	
	Total Reductions	**$ 953,340**	

Updates

Nutrient Management Cost Share Program: After three years of virtually no participation in the Nutrient Management Cost Share Program, MDA reports that it has more applications for the program in fiscal 2001 than will be covered by the $216,000 appropriated for the program. For fiscal 2002, the program has $216,000 in the Governor's allowance and MDA also expects the participation rate to outstrip available funds.

LA.00
Maryland Department of Agriculture

Operating Budget Analysis

Program Description

The Maryland Department of Agriculture (MDA) supervises, administers, and promotes agricultural activities throughout the State. The department is organized into four administrative units: Office of the Secretary; Marketing, Animal Industries, and Consumer Services; Plant Industries and Pest Management; and Office of Resource Conservation. These units provide marketing services; agricultural land preservation; inspection, grading, monitoring, and testing of agricultural product quality; animal and plant disease control; pest management; and technical and financial assistance for encouraging management practices that minimize soil erosion and nutrient runoff.

Proposed Deficiency

The MDA received a deficiency of $770,000 for fiscal 2001 in the Governor's allowance to provide funds to spray additional acres necessary to reduce gypsy moth defoliation of forest land under the Cooperative Gypsy Moth Suppression Program. The agency received $250,000 in general funds, $170,000 in special funds and $350,000 in federal funds. MDA only receives an additional $200,000 in fiscal 2002 for gypsy moth spraying. MDA believes the fiscal 2001 enhancement should lower the gypsy moth population enough so that not as much spraying should be needed in fiscal 2002.

MDA also received a deficiency of $190,000 in general funds in the Governor's allowance to control increasing mosquito populations resulting, in part, from higher than normal rainfall. In addition to this deficiency appropriation, the Mosquito Control Program's fiscal 2001 budget was also enhanced by a contingency item brought before the Board of Public Works for $190,000 in general funds.

Governor's Proposed Budget

As shown in **Exhibit 1**, the Governor's allowance is $856,000 above MDA's fiscal 2001 working appropriation and totals over $49 million. In its allowance, the agency receives a $2.2 million increase in general funds, a $1.6 decrease in special funds, and a $335,000 increase in federal funds. Personnel expenses accounted for the majority of the increase in general funds with a $1.5 million increase. Programs with general fund increases include: cover crop ($449,000), mosquito control ($378,000), and forest pest management ($185,000).

The special fund decrease is almost wholly attributable to the $2.7 million decrease in funds that the agency received from the Cigarette Restitution Fund (CRF) for crop conversion. Last year, the agency received $9 million. While the agency is receiving CRF funds in the same proportion as it received last year, the total amount of the CRF funds expended is less than what was expended last year.

Exhibit 1

Governor's Proposed Budget
Maryland Department of Agriculture
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimbursable Fund	Total
2001 Working Appropriation	$25,913	$18,011	$1,570	$2,982	$48,476
2002 Governor's Allowance	28,065	16,394	1,905	2,968	49,332
Amount Change	$2,152	($1,617)	$335	($14)	$856
Percent Change	8.3%	(9.0%)	21.3%	(0.5%)	1.8%

Where It Goes:	
Personnel Expenses	
New positions	$81
Fiscal 2002 general salary increase	375
Increments, fiscal 2001 increase phase-in and other	717
Employee and retiree health insurance rate change	342
Retirement contribution rate change	(169)
Workers' compensation premium assessment	(104)
Turnover adjustments	147
Other fringe benefit adjustments	76
Grant Program Expenses	
Crop Insurance Program -- Implementation of Chapter 689	550
Decrease in Cigarette Restitution Funds	(2,708)
Increase in Cover Crop Program	449
Increased Activity in Maryland Agricultural Land Preservation Foundation	203
Miscellaneous Operating Expenses	
Increase in Forest Pest management contractual services (gypsy moths)	185
Increase in mosquito control spraying	223
Motor vehicles purchased for Mosquito Control Program	145
Increase in activity for State chemist due to legislation increasing scope of workload	165
Increased communications costs for Resource Conservation Program	115
Other	64
Total	**$856**

Note: Numbers may not sum to total due to rounding.

Grants Distort Changes in MDA's Operating Budget

Changes in funding levels for several grant programs, the crop conversion program, new legislative initiatives, and the gypsy moth spraying program make it difficult to evaluate the underlying growth in MDA's budget. MDA has an 8.3% increase in general funds over MDA's fiscal 2001 working appropriation, special fund allocations $1.8 million lower, and the fiscal 2002 allowance $6 million higher than the agency's fiscal 2000 actuals. Adjusting for the grant programs, new legislative initiatives, and the crop conversion program, the agency's budget funds are much different.

Exhibit 2 shows the agency's current funding levels. From this chart, MDA appears to have gotten a 14% increase in funding over fiscal 2000.

Exhibit 2

Operating Budget Data

Funds	FY 00 Actuals	FY 01 Working Appropriation*	FY 02 Allowance	Difference between FY 01 - 02
General Funds	$25,038	$26,927	$28,065	$1,138
Special Funds	13,456	18,181	16,394	(1,787)
Federal Funds	1,541	1,920	1,905	(15)
Reimbursable Funds	3,118	2,982	2,968	(14)
Total	**$43,153**	**$50,010**	**$49,332**	**($678)**

*The fiscal 2001 working appropriation includes a $770,000 deficiency item for gypsy moths. The agency only requested $200,000 for gypsy moths in fiscal 2002. The working appropriation also includes a $380,000 deficiency and Board of Public Works item for mosquito control.

Source: Department of Legislative Services

Exhibit 3 shows how MDA's budget has been impacted by increases in grant programs, legislative initiatives, and the crop conversion program. Since only $200,000 of the fiscal 2001 $770,000 deficiency appropriation for gypsy moth spraying carries forward into fiscal 2002, the remaining $570,000 has been adjusted out of the fiscal 2001 amounts. After the grant and gypsy moth adjustments are subtracted from the agency's budget, the fiscal 2002 allowance for the agency's operating budget grows by 4.78% over fiscal 2001 and 5.25% over fiscal 2000.

Exhibit 3

Operating Budget Adjusted for Grants

	FY 00 Actuals	FY 01 Working Appropriation	FY 02 Allowance	Difference between FY 01 - 02
Total Budget	$43,153	$49,440	$49,332	($108)
Less Grant Programs (Object 12 items)	10,097	16,235	14,539	(1,696)
Total	**$33,056**	**$33,205**	**$34,793**	**$1,588**

Source: Department of Legislative Services

Performance Analysis: Managing for Results

While MDA has generally done a good job identifying performance measures, the measures listed in **Exhibit 4** need to be revisited by the agency. These performance measures are from the Office of Resource Conservation. This office runs the nutrient management program spawned from the Water Quality Improvement Act.

The first three measures deal directly with portraying the success of the Nutrient Management Cost Share and the Manure Transportation Pilot Programs. The department obviously did not put a lot of time into coming up with either the data for these measures or the estimates for future performance. While the number of farmers that have participated in the Nutrient Management Cost Share Program is minimal, it is not "Not Available." Additionally, so far this fiscal year, the program has only just recently begun to experience any activity. Thus, the department's "estimate" of 40,000 acres having plans funded by the cost share program in the current fiscal year is rather extreme. The same argument can be made with the Manure Transportation Pilot Program performance measures. To date, only $208,000 have been expended to move livestock and poultry manure. In fiscal 2000, $223,000 was spent by the program to transport 13,365 tons of manure. For the department to estimate that 75,000 tons would be moved in the remainder of this fiscal year is extremely optimistic. Additionally, the department did not even request $750,000 for the program in fiscal 2002, so the estimate of spending $750,000 in fiscal 2002 does not seem to be well thought out.

Arriving at estimates for performance measures is not a task to be taken lightly. **MDA should spend more time preparing estimates for performance measures and be prepared to comment as to why the numbers of acres under a certified nutrient management plan do not change, despite a massive influx of resources to help farmers obtain certified nutrient management plans.**

Exhibit 4

Program Measurement Data
Maryland Department of Agriculture
Fiscal 1998 through 2002

	Actual 1998	Actual 1999	Est. 2000	Actual 2000	Est. 2001	Est. 2002	Ann. Chg. 98-00	Ann. Chg. 00-02
Acres of farms land that have plans funded by the Nutrient Management Cost Share program	n/a	n/a	n/a	n/a	40,000	40,000	n/a	n/a
Quantity of manure transported in the Manure Transportation Pilot Program (tons)	n/a	1,924	n/a	13,365	75,000	75,000	n/a	136.9%
State financial assistance to transport manure	$0	$18,000	n/a	$111,500	$750,000	$750,000	n/a	159.4%
Acreage under certified nutrient management plans	350,000	391,800	410,000	400,000	400,000	400,000	6.9%	0.0%

Source: Governor's Budget Books for fiscal 2001 and 2002

Issues

1. Progress of the Crop Conversion Program

Chapter 172, Acts of 1999 created a Cigarette Restitution Fund (CRF) consisting of all funds received by the State from any settlement with tobacco product manufacturers or any other person in the tobacco industry. Five percent of the available CRF funds are to be expended to implement the Southern Maryland Regional Strategy-Action plan for Agriculture adopted by the Tri-County Council (TCC) for Southern Maryland. During the 2000 session, the General Assembly placed restrictive language on $11.4 million of the $11.5 million of the CRF funds dedicated to crop conversion as follows:

- no part of these funds may be used to promote the sale of tobacco; and

- no funds may be expended until:

    - A Memorandum of Understanding (MOU) is executed between the Maryland Department of Agriculture (MDA) and the Tri-County Council of Southern Maryland (Council) to outline the oversight responsibilities of the MDA to ensure accountability for the expenditure of any monies granted to the Council. This MOU should clearly outline the performance objectives and categories of spending proposed by the Council, consistent with the Managing for Results initiative as required by Chapters 172 and 173, Acts of 1999. With respect to the allocation of funds, the MOU should outline how grants to the Council will be administered by the MDA for the specified programs and purposes enumerated in the spending plan to ensure that funds are not granted before being ready for funding; and

    - A report has been submitted to the budget committees which addresses:

        - the need for an itemized spending plan for specific purposes, that matches the funds in the fiscal 2000 deficiency and the fiscal 2001 appropriation;

        - a survey of the number of farmers who will participate in the crop conversion programs;

        - proposed alternative uses of tobacco;

        - proposed use of revenue bonds;

        - detailed justification of proposed infrastructure spending; and

        - the report shall be submitted to the budget committees for review and comment or the passage of 45 days from the date of its receipt.

In September 2000 the budget committees reviewed the report submitted by the TCC and MDA and determined that of the $11.4 million still restricted by budget bill language, $5,300,400 should be released to fund the buyout and transition programs. An additional $450,000 should be released to: hire, train, and equip an agricultural program administrator; fund an ongoing feasibility study for agribusiness incubation and agricultural finance program development; and fund an alternative agricultural grant program. The budget committees also determined that $5,649,600 should be withheld until the TCC and the MDA have completed the application process for the buyout and transition programs and have a definite number of participants. A preliminary survey of tobacco farmers seemed to indicate that the buyout program would be oversubscribed as budgeted by the TCC. The money is withheld from being used on other projects until the exact number of participants who signed up for the buyout this year is known.

Tobacco Buyout and Transition Programs

In the current iteration of the buyout plan, participants in the tobacco buyout program will receive payments of $1.00 per pound for ten years from the date of sign-up. Payments will be based on the farmer's average sales records for tobacco produced in 1996, 1997, and 1998. Payments are not based on acres of tobacco produced. To be eligible for the program, the participant must have been a tobacco landowner or grower in 1998. In exchange for payments, the participant must agree to keep the land in agricultural production while the grower is receiving program payments, not to have any interest whatsoever in the production of tobacco, and if the participant owns land, the participant must place a covenant on the land that prohibits any future owner from growing tobacco on the land for a period of ten years from the date of sign up.

The tobacco transition program will pay participants $1.50 per pound of reduced tobacco production for up to a 10% per year reduction for ten years from the date of sign up. Payments will be based on the participant's average sales record for tobacco produced in 1996, 1997, and 1998. Participants will have the option to convert to the buyout program beginning in the third year of enrollment in the transition program. In exchange for participating in the program, the participant must agree to keep the land in agricultural production while in the program and agree to certain tobacco production restrictions.

Sign Up Deadlines for the Programs Delayed

Originally, the sign-up deadline for the buyout and transition programs was the beginning of November 2000. Then, presumably because of smaller-than-expected interest, the deadline was extended to December 22, 2000. Now, the deadline is February 22, 2001, and the TCC advises that the deadline may be pushed back even later.

Small Minority of Tobacco Farmers Excluded from the Programs

In the legislation authorizing the crop conversion program and in documents produced by the TCC and various task forces and commissions, there has been only one eligibility requirement: the farmer must have been a tobacco landowner or grower in 1998. TCC and MDA have decided to interpret the lack of legislative direction as to which tobacco farmers should be eligible to participate in the buyout and transition program to mean only those tobacco farmers in St. Mary's, Charles, Calvert, Anne Arundel, and Prince George's counties. According to MDA, there are an estimated 15 farmers outside of these counties that are eligible for the program. Of these 15, some are farmers that also own farms in Southern Maryland. The exact number of farmers completely shut out of the program is quite small.

A Question of Fundamental Fairness

In all of the literature prepared and distributed by the TCC, geographic location has never been officially listed as a criteria for eligibility. At a public hearing in Anne Arundel County designed to inform farmers of the buyout and transition programs, a geographic location requirment was not mentioned. To say that one farmer is eligible to participate in the program because he is from Calvert County, but another is not because he is from Queen Anne's County, defeats the purpose of the program: transitioning Maryland out of the production of tobacco. While the TCC is obviously a creature of Southern Maryland, in this instance it is the conduit to make buyout and transition payments to farmers with CRF funds without regard to geography. **The Department of Legislative Services (DLS) recommends budget bill language clarifying that all eligible Maryland tobacco farmers, regardless of geographic location, should be eligible for the buyout and transition programs.**

Proposed Legislative Changes to the Tobacco Buyout Program

The Governor plans to introduce legislation that will allow approximately $55 million in 15-year revenue bonds to be funded with $6.5 million in annual revenues from the tobacco settlement. The remaining funds allocated to crop conversion are supposed to fund all other crop conversion programs planned by the TCC. Other programs include infrastructure programs and land preservation programs. The legislation as originally reported would offer two new options for buyout:

- an up-front lump sum payment currently estimated to be $7.74 per pound (the present value of ten annual payments of $1 per pound); or

- the State will purchase an annuity from private financial providers guaranteeing an annual $1 per pound payment.

According to the Governor's office, after funding all buyout options, approximately $20 million would remain for a targeted agricultural land preservation initiative that would purchase the development rights for independently-assessed values and require a restriction that tobacco could not be grown on lands covered by preservation easements. First priority of these monies would be lands in Southern Maryland that were in full or partial tobacco production in 1998.

Feasibility for Governor's Proposal Uncertain

The Governor's proposal is currently in a state of flux because of the uncertainty surrounding the tax treatment of the ten-year buyout. MDA has received advice that for tax purposes, there may be no difference between a lump sum payment and the ten-year payout -- farmers may still have to pay the taxes for the entire amount in year one.

Funding for Crop Conversion Lower in the Governor's Allowance

The Governor has funded the crop conversion program at a level of $6,291,592 for fiscal 2002. At this level, only the current buyout program can be funded. As of January 10, 2001, the TCC has sent out 643 applications representing 6,340,000 pounds of tobacco. So far, the TCC had received 316 returned applications representing 3,400,000 pounds of tobacco. At $1 a pound at the current buyout rate, the payout would be a minimum of $6,340,000 a year if all of the applications become binding contracts. With annual appropriations hovering around $6.3 million, no infrastructure or land preservation programs are possible. Also, this level of appropriation casts doubt on the ability of the Tri-County Council to afford the debt service on any proposed revenue bonds. Furthermore, should the funds available from the CRF decline significantly due to market conditions or other fluctuations, the State may face paying the debt service on any revenue bonds.

Committee narrative in the *1999 Joint Chairmen's Report* required that 5% of available revenues in the CRF be dedicated to the crop conversion program. The amount budgeted for crop conversion in fiscal 2002 represents 5% of the available revenue in the CRF. Although the State will receive an estimated $168 million in tobacco settlement payments, only about $126 million will be available in fiscal 2002. Twenty-five percent of tobacco settlement payments are being held in escrow until the outside attorney fee issue is resolved. If a decision is made before the end of fiscal 2002 as to the exact amount of the attorneys' fees, more funds could become available. In that case, the current appropriation for crop conversion would be less than 5% of available revenue from the CRF for fiscal 2002. However, it is not clear the attorney fee dispute will be resolved in fiscal 2002.

MDA and the TCC should brief the committees on the impact of the proposed fiscal 2002 allowance for Crop Conversion. The TCC should give the committees a revised budget that reflects the fiscal 2002 allowance and a revised Managing for Results Plan that reflects the current state of the crop conversion. MDA should also be prepared to update the committees on the feasibility of the Governor's plan to secure buyout payments to farmers, any potential revenue bond legislation, and the tax treatment of any buyout payments.

DLS recommends that the following restrictive language be placed on MDA's fiscal 2002 CRF special fund appropriation for crop conversion:

,provided that $6,291,592 of this appropriation may not be expended until the Tri-County Council of Southern Maryland alters its buyout and transition criteria to include eligible individuals outside of the Southern Maryland region.

Further provided that these funds may not be expended to pay debt service on revenue bonds.

However, should the committees decide to allow for the purchase of revenue bonds, DLS recommends the following restrictive language be attached to the special fund appropriation:

Further provided that funds may not be expended to purchase revenue bonds until the Tri-County Council for Southern Maryland and the Maryland Department of Agriculture obtain

<u>a written ruling from the United States Internal Revenue Service defining the tax treatment for buyout payments.</u>

2. Mosquito Control, Forest Pest Management, and West Nile Virus

Mosquito Control

MDA is responsible for mosquito control on State lands. On lands that are not state-owned, the State splits the cost of mosquito control with the individual counties on a 50-50 basis. All counties in Maryland, except Garrett County, participate in a cooperative Mosquito Control Program with the MDA. Last year, the Mosquito Control Program was severely underfunded, as evidenced by the two enhancements mentioned above for the fiscal 2001 working appropriation. Part of the funding problem can be attributed to the high rainfall totals last year. However, underfunding can also be attributed to the State's aggressive land acquisition program.

Forest Pest Management

From 1997 through 1999, the average acreage sprayed each year to control gypsy moth larvae was 7,018, and the annual average defoliation was only 740 acres. In 2000 almost 17,000 acres were treated in the Maryland cooperative suppression program, but about 23,000 acres of non-treated trees were defoliated by gypsy moth caterpillars. Most of the acres defoliated were located in Western Maryland. Preliminary egg mass surveys conducted this fall indicate another large increase in gypsy moth populations in many areas of Maryland during the spring and summer of 2001. MDA's fiscal 2001 budget contains funds to spray 15,000 acres in May 2001, but MDA estimates that at least 50,000 acres will qualify for treatment in the suppression program. Some of this is rural, residential lands or private forest lands in Western or Central Maryland. Many of these acres, at least 25,000 (50%), are trees on state-owned lands, for which there is no county/local cost-sharing.

The Governor's allowance expands the Forest Pest Management Program for fiscal 2002. The additional funds will be used to increase the number of acres that MDA plans to spray for gypsy moth control from 15,000 acres to 26,000 acres. All spray plans are based on expected federal and local government cost shares.

Land Acquisition and Pest Management

Through various land preservation initiatives the State has acquired thousands of acres of land in recent years. Now that these lands have become state-owned, MDA is responsible for the full cost of mosquito control and other forest pest management control. Of course, not all land acquired is a significant source of mosquito development or needs to be sprayed for mosquitoes or other forest pests. However, some acquisitions, like the 59,000 acre Chesapeake Forests, contain areas that are a significant source of mosquito development. Likewise, large areas of lands in Western Maryland are heavily infested with gypsy moths. Despite such acquisitions, MDA has not seen a concomitant increase in funds for the Mosquito Control Program or other forest pests management programs.

Another problem that has surfaced is a conflict between MDA and the Department of Natural Resources (DNR) regarding the use of mosquito spraying on state-owned property. As an example, according to MDA, DNR is considering prohibiting mosquito control on certain state-owned lands that have been identified as significant breeding sites for mosquitoes. MDA considers many state-owned wetlands to be a significant area of mosquito development on the Eastern Shore and considers its mandate to protect the public health paramount to environmental concerns raised by DNR. The Eastern Shore is not the only area where mosquito conflicts exist. MDA indicates that while DNR allows some state-owned lands to be sprayed for mosquitoes, there are other lands that are off-limits.

Failing to spray for mosquitoes on state-owned lands in areas like the Eastern Shore creates a severe quality of life issue for Maryland residents that live near State lands. MDA believes there is no point to spraying surrounding communities if the main source of the mosquitoes is not addressed. MDA will spray these areas anyway to meet public demand, but the effects are extremely short-term. MDA and DNR are still in the process of crafting a mosquito control agreement.

West Nile Virus

According to MDA, the recent introduction of West Nile Virus (WNV) to North America is cause for concern. West Nile encephalitis is an infection of the brain caused by WNV, a flavivirus commonly found in Africa, West Asia, and the Middle East. WNV is closely related to St. Louis encephalitis already found in the United States. WNV has been commonly found in humans, birds, and other vertebrates in Africa, Eastern Europe, West Asia, and the Middle East. However, until 1999 WNV had not previously been documented in the Western Hemisphere. According to the Centers for Disease Control and Prevention (CDC), people get West Nile encephalitis by the bite of a mosquito infected with WNV. However, even in areas where mosquitoes do carry the virus, less than 1% of the mosquitoes are infected. And, even if the mosquito is infected, less than 1% of the people who get bitten and become infected will get severely ill.

WNV caused 62 illnesses and seven human deaths in New York City in 1999. In 2000 there were 20 illnesses and two human deaths. Additionally, there were 30 cases of WNV in horses and over 3,600 cases in wild birds in 2000, all occurring in the northeastern states. Maryland has recorded 50 wild bird deaths caused by WNV so far this fiscal year, but has not recorded a case of human or domestic animal illness.

Besides increased spraying, MDA maintained a WNV surveillance program using sentinel chickens. However, when the usefulness of the sentinel chickens was questioned, MDA began monitoring dead wild birds. MDA is currently determining what kind of WNV monitoring program should be used for the upcoming season.

MDA should be prepared to brief the committees on the funding enhancements for mosquito control and forest pest management programs. MDA also should brief the committees on the situation involving DNR and the application of pesticides on State property. Additionally, MDA

should be prepared to discuss what type of WNV sentinel program will be used this year and brief the committees on the status of WNV in Maryland.

3. Fiscal Impact of the Racing Act of 2000

During last session, the Racing Act of 2000 was enacted to establish the Maryland Racing Facilities Redevelopment Program in the State Racing Commission to assist horse racing facilities with capital improvements. To fund capital improvements, the legislation authorized the Maryland Economic Development Corporation (MEDCO) to issue revenue bonds. Funds from uncashed pari-mutuel tickets are authorized by the Act to pay for the debt service on the revenue bonds. During last session, the Racing Commission estimated that the value of uncashed pari-mutuel tickets was approximately $2 million. Prior to enactment of the legislation, proceeds from uncashed pari-mutuel tickets were deposited directly in the horse racing special fund. Therefore, as a consequence of the bill, the horse racing special fund lost almost $2 million in revenues.

Nonetheless, the revenues were applied to debt service and the loss of revenue is significant because the horse racing special fund provides grants to many different groups and some of the impacts of the Racing Act of 2000 on the fiscal 2002 budget are shown in **Exhibit 5.**

Exhibit 5

Grants from the Horse Racing Special Fund

Organization	FY 2001 Estimated Appropriation	FY 2002 Estimated Allowance	Difference
Great Pocomoke Fair	$20,000	$13,335	$6,665
Great Frederick Fair	40,000	26,669	13,331
Maryland Agriculture Education Foundation	75,000	50,005	24,995
Maryland Agriculture Fair Board	825,000	550,052	274,948
Maryland State Fair and Agriculture Society, Inc.	500,000	333,365	166,635
Maryland Million	500,000	333,365	166,635
Standard Race Fund Sire Stakes	350,000	233,356	116,644
Total	**$2,310,000**	**$1,540,147**	**$769,853**

Source: Governor's Budget Book for fiscal 2002

MDA should be prepared to comment on whether or not the executive branch is working to restore funding to the groups listed.

4. Marketing the Maryland Blue Crab

MDA has $100,000 earmarked to promote the consumption of Maryland crab meat. The intent of the program is to promote Maryland crab meat over foreign crab meat. However, with record high crab prices and record low crab catches, the use of State funds to promote the consumption of crabs when, according to the Maryland Sea Grant College, "for some time now, the numbers have pointed toward smaller crabs, fewer spawning females and a shrinking crab population" should be examined. The Bi-State Blue Crab Advisory Committee recently adopted a consensus statement that included the following:

- Overall abundance for all age groups of blue crabs is down.

- Spawning stock biomass is below the long-term average.

- The fishery independent surveys show a decreasing percentage of legal-sized crabs.

- Fishing effort has been at record levels baywide, while the catch-per-unit effort has declined.

- Fishing mortality must be reduced and fishing effort must be controlled in all sectors of the fishery to ensure long-term sustainability of the crab stock and to increase income in the fishery. Management programs to control effort that distribute impact equitably, protect crabbers from the risks of reducing effort, and facilitate entry into and exit from the fishery should be developed.

- Funding for blue crab management, especially the fishery independent surveys, is a high priority and needs to be maintained and expanded.

Despite these statements, Bi-State Crab Advisory Committee also concluded that a strategy for building and marketing the distinctive benefits of domestic crab in relation to foreign crab meat is needed. Marketing a crab population that many scientists believe to be near the brink of collapse seems counterintuitive at this point in time. If the crab population was thriving in Maryland, but the industry was being crushed by foreign competition, the analysis of spending general funds on Maryland crab meat marketing would be distinctly different. However, researchers have agreed to set a threshold for fishing pressure at a point that represents preserving 10% of the blue crab's spawning potential. In other words, limits to the catch are being debated and scientists are calling for "fishing pressure [to be] reduced to avoid shrinking the stock even further."

While the reason for the decline in the crab population is heatedly debated, there is no doubt that a decline in the blue crab population exists. The citizens of this State already must pay record high prices for Maryland crab meat, and the commercial crabbers have hauled in record low catches. As such, the State should not be expending general funds to market a commodity that is already extremely expensive and declining in population. The funds could be better spent in other areas designed to assist in the recovery of the blue crab, rather than increasing the demand for blue crab meat.

DLS recommends deleting $100,000 in general funds from MDA's Seafood Marketing budget and eliminating the Maryland Crab Meat Marketing Initiative.

Recommended Actions

1. Add the following language to the special fund appropriation:

   ,provided that $6,291,592 of this appropriation may not be expended until the Tri-County Council of Southern Maryland alters its buyout and transition criteria to include eligible individuals outside of the Southern Maryland region.

   Further provided that these funds may not be expended to pay debt service on revenue bonds.

   Explanation: The language requires the Tri-County Council of Southern Maryland to alter its policy of excluding from the buyout and transition programs Maryland tobacco farmers that do not grow tobacco in Southern Maryland in order to expend any of fiscal 2002 appropriation dedicated to the crop conversion program. The language also prohibits the purchase of revenue bonds with the funds.

		Amount Reduction		Position Reduction
2.	As the stability of the Maryland blue crab population is in doubt and various agencies debate whether to impose catch limits on next year's harvest, the State should not at the same time spend funds on a program designed to increase the consumption of Maryland crab meat.	$ 100,000	GF	
3.	Reduce the Commercial Poultry Industry's share of the Manure Transportation Pilot program. The Pilot Program has been vastly underutilized. For fiscal 1999 and 2000, the program expended $129,500 of the industry share out of a budgeted $1.5 million. In fiscal 2001, despite the program being open to chicken litter brokers and being expanded to include livestock manure, the program has only expended $104,000 of $750,000 the department anticipated last year. This reduction leaves the industry share of the program at $200,000, recognizing that as Water Quality Improvement Act deadlines draw near, there may be more use for this fund than in previous years.	$ 501,670	SF	

4.	Reduce the State's share of the Manure Transportation Pilot program. The Pilot Program has been vastly underutilized. For fiscal 1999 and 2000, the program expended $129,500 of the State share out of a budgeted $1.5 million. In fiscal 2001, despite the program being open to chicken litter brokers and being expanded to include livestock manure, the program has only expended $104,000 of $750,000 budgeted. This reduction leaves the State share of the program at $350,000, recognizing that as Water Quality Improvement Act deadlines draw near, there may be more use for this fund than in previous years.	$ 351,670	GF
	Total Reductions	**$ 953,340**	
	Total General Fund Reductions	**$ 451,670**	
	Total Special Fund Reductions	**$ 501,670**	

Updates

1. Nutrient Management Cost Share Program

The Water Quality Improvement Act of 1998 requires certain farmers to have a nutrient management plan in place by a specific deadline over the next several years. A nutrient management plan is a plan to manage the amount, form, placement, timing and application of animal manure, chemical fertilizer, biosolids (sewage sludge), or other plant nutrients used in the production of agricultural products to prevent pollution, maintain soil productivity, and achieve realistic results. Farmers can obtain a nutrient management plan in two ways: (1) use state-financed certified consultants at Cooperative Extension county offices; or (2) hire private, certified nutrient management consultants. The Nutrient Management Cost Share Program helps to defray the cost to a farmer choosing not to have their nutrient management plan prepared by a government consultant. Newly enacted legislation from the 2000 session increased the maximum rate that the Nutrient Management Cost Share Program may pay out to farmers who want nutrient management plans developed by a private, non-government consultant. These farmers now may be eligible for cost share assistance up to 87.5% of the costs incurred from hiring the private consultant.

After three years of virtually no participation in the Nutrient Management Cost Share Program, MDA reports that it has more applications for the program in fiscal 2001 than will be covered by the $216,000 appropriated for the program. For fiscal 2002, the program has $216,000 in the Governor's allowance and MDA also expects the participation rate to outstrip available funds.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
Maryland Department of Agriculture
($ in Thousands)

	General Fund	**Special Fund**	**Federal Fund**	**Reimb. Fund**	**Total**
Fiscal 2000					
Legislative Appropriation	$24,731	$9,219	$1,617	$2,870	$38,437
Deficiency Appropriation	0	2,500	0	0	2,500
Budget Amendments	307	2,654	183	1,147	4,291
Reversions and Cancellations	0	(917)	(259)	(900)	(2,076)
Actual Expenditures	**$25,038**	**$13,456**	**$1,541**	**$3,117**	**$43,152**
Fiscal 2001					
Legislative Appropriation	$25,786	$18,011	$1,570	$2,982	$48,349
Budget Amendments	126	0	0	0	126
Working Appropriation	**$25,912**	**$18,011**	**$1,570**	**$2,982**	**$48,475**

Note: Numbers may not sum to total due to rounding.

Fiscal 2000 Budget Changes

MDA amended into its budget $1,975,042 in special funds from the Catastrophic Event Fund to cover the funds MDA expended for the Emergency Drought Assistance Program implemented because of the severe drought the State endured in 1999. The program assisted farmers with the cost of water, feed, planting cover crops, and planting small grains.

Object/Fund Difference Report
Maryland Department of Agriculture

Object/Fund	FY00 Actual	FY01 Working Appropriation	FY02 Allowance	FY01 - FY02 Amount Change	Percent Change
Positions					
01 Regular	476.00	477.00	480.00	3.00	0.6%
02 Contractual	32.66	36.95	39.10	2.15	5.8%
Total Positions	**508.66**	**513.95**	**519.10**	**5.15**	**1.0%**
Objects					
01 Salaries and Wages	$ 20,124,487	$ 21,294,112	$ 22,759,409	$ 1,465,297	6.9%
02 Technical and Spec Fees	708,056	720,986	877,361	156,375	21.7%
03 Communication	576,113	587,450	774,149	186,699	31.8%
04 Travel	425,085	380,904	439,074	58,170	15.3%
06 Fuel and Utilities	809,940	752,546	761,829	9,283	1.2%
07 Motor Vehicles	1,152,569	1,028,304	930,955	(97,349)	(9.5%)
08 Contractual Services	5,943,636	5,520,093	5,776,272	256,179	4.6%
09 Supplies and Materials	1,880,788	1,103,745	1,450,919	347,174	31.5%
10 Equipment - Replacement	395,966	206,042	209,707	3,665	1.8%
11 Equipment - Additional	445,612	216,700	250,253	33,553	15.5%
12 Grants, Subsidies, Contracts	10,096,640	16,234,665	14,538,956	(1,695,709)	(10.4%)
13 Fixed Charges	190,844	190,489	187,627	(2,862)	(1.5%)
14 Land and Structures	402,160	240,140	375,800	135,660	56.5%
Total Objects	**$ 43,151,896**	**$ 48,476,176**	**$ 49,332,311**	**$ 856,135**	**1.8%**
Funds					
01 General Fund	$ 25,037,767	$ 25,912,600	$ 28,064,880	$ 2,152,280	8.3%
03 Special Fund	13,455,910	18,011,265	16,394,260	(1,617,005)	(9.0%)
05 Federal Fund	1,540,718	1,570,480	1,905,486	335,006	21.3%
09 Reimbursable Fund	3,117,501	2,981,831	2,967,685	(14,146)	(0.5%)
Total Funds	**$ 43,151,896**	**$ 48,476,176**	**$ 49,332,311**	**$ 856,135**	**1.8%**

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

Fiscal Summary
Maryland Department of Agriculture

Unit/Program	FY00 Actual	FY01 Legislative Appropriation	FY01 Working Appropriation	FY00 - FY01 % Change	FY02 Allowance	FY01 - FY02 % Change
11 Office of the Secretary	$ 5,792,054	$ 5,590,773	$ 5,717,078	(1.3%)	$ 6,103,162	6.8%
12 Office of Marketing, Animal Indust's & Consumer	12,974,549	19,128,857	19,128,857	47.4%	16,711,153	(12.6%)
14 Office of Plant Industries and Pest Management	9,197,340	8,727,971	8,727,971	(5.1%)	10,162,368	16.4%
15 Office of Resource Conservation	15,187,953	14,902,270	14,902,270	(1.9%)	16,355,628	9.8%
Total Expenditures	**$ 43,151,896**	**$ 48,349,871**	**$ 48,476,176**	**12.3%**	**$ 49,332,311**	**1.8%**
General Fund	$ 25,037,767	$ 25,786,295	$ 25,912,600	3.5%	$ 28,064,880	8.3%
Special Fund	13,455,910	18,011,265	18,011,265	33.9%	16,394,260	(9.0%)
Federal Fund	1,540,718	1,570,480	1,570,480	1.9%	1,905,486	21.3%
Total Appropriations	**$ 40,034,395**	**$ 45,368,040**	**$ 45,494,345**	**13.6%**	**$ 46,364,626**	**1.9%**
Reimbursable Fund	$ 3,117,501	$ 2,981,831	$ 2,981,831	(4.4%)	$ 2,967,685	(0.5%)
Total Funds	**$ 43,151,896**	**$ 48,349,871**	**$ 48,476,176**	**12.3%**	**$ 49,332,311**	**1.8%**