

L00A
Department of Agriculture

Operating Budget Data

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$28,884	\$25,236	\$28,471	\$3,235	12.8%
Contingent & Back of Bill Reductions	0	0	-2,858	-2,858	
Adjusted General Fund	\$28,884	\$25,236	\$25,613	\$377	1.5%
Special Fund	26,772	24,973	26,848	1,875	7.5%
Contingent & Back of Bill Reductions	0	0	-174	-174	
Adjusted Special Fund	\$26,772	\$24,973	\$26,673	\$1,701	6.8%
Federal Fund	5,094	4,713	4,471	-242	-5.1%
Contingent & Back of Bill Reductions	0	0	-32	-32	
Adjusted Federal Fund	\$5,094	\$4,713	\$4,439	-\$275	-5.8%
Reimbursable Fund	2,282	5,371	11,132	5,762	107.3%
Contingent & Back of Bill Reductions	0	0	-26	-26	
Adjusted Reimbursable Fund	\$2,282	\$5,371	\$11,106	\$5,735	106.8%
Adjusted Grand Total	\$63,032	\$60,293	\$67,831	\$7,538	12.5%

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- The budget includes fiscal 2010 deficiencies of \$5.1 million in special funds, primarily for cover crops, and \$0.9 million in federal funds for services to farmers through soil conservation districts, such as nutrient trading and for dairy herd nutrition.
- The overall adjusted change in MDA's budget is \$7.5 million, or 12.5%. The major change is an increase of \$5.7 million in reimbursable fund appropriation, which includes an increase of \$6.3 million for cover crop funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.

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

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L00A – Department of Agriculture

- ! Two contingent reductions are included in the allowance – a reduction of \$1.9 million in general funds for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) and a reduction of \$0.4 million in general funds and 7 positions for soil conservation districts in the Office of Resource Conservation.
- Adjusting for the fiscal 2010 deficiency, underlying growth is \$1.5 million, or 2.3%.

Personnel Data

	<u>FY 09 Actual</u>	<u>FY 10 Working</u>	<u>FY 11 Allowance</u>	<u>FY 10-11 Change</u>
Regular Positions	426.50	405.50	412.50	7.00
Contractual FTEs	<u>49.05</u>	<u>49.90</u>	<u>51.40</u>	<u>1.50</u>
Total Personnel	475.55	455.40	463.90	8.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	28.92	7.01%
Positions and Percentage Vacant as of 12/31/09	21.50	5.30%

- A contingent reduction would abolish 7 new soil conservation planner II positions. The 7 new positions are proposed in order to facilitate reaching the 110 soil conservation district field personnel positions required by the Agricultural Stewardship Act of 2006.
- MDA's turnover rate is reduced from 7.8 to 7.01%, but this level is greater than the current vacancy rate of 5.3%.

Analysis in Brief

Major Trends

Animal Health Laboratories Consolidated: MDA’s five Animal Health Laboratories have been consolidated into the two at Frederick and Salisbury as part of the fiscal 2010 Board of Public Works (BPW) actions.

Governor Proposes Soil Conservation District and MARBIDCO Contingent Reductions: For the second year in a row, the Governor has proposed contingent reductions to soil conservation district positions and funding and MARBIDCO funding as part of cost containment measures.

Issues

Soil Conservation District Positions Are an Issue Again in Fiscal 2010: Committee narrative in the 2008 *Joint Chairmen’s Report* requested that MDA submit a report on soil conservation district field personnel positions with the fiscal 2010 budget submission. This has become particularly germane due to (1) the contingent reductions proposed to soil conservation district positions and funding in the fiscal 2011 allowance; and (2) the proposed change to the soil conservation district statute that would eliminate the requirement that 110 field personnel positions be funded and would permanently change funding for soil conservation districts. **The Department of Legislative Services (DLS) recommends that MDA submit a report on soil conservation district field personnel position counts and funding.**

MARBIDCO Funding Changes: The Budget Reconciliation and Financing Act of 2010 proposes a contingent reduction in MARBIDCO’s operating funding and Senate Bill 59 of 2010 has been introduced to effectively remove funding for MARBIDCO’s leveraged Installment Purchase Agreements because they have been deemed to be infeasible. **DLS recommends that MARBIDCO comment on (1) what a revised plan for self-sufficiency, perhaps at a lower level than originally planned given the reductions in recent years, would mean for its activities; (2) how the self-funded installment purchase agreement funding will be structured between the Maryland Agricultural Land Preservation Foundation (MALPF) and MARBIDCO if Senate Bill 59 is enacted; and (3) the projected amount of fiscal 2011 funding needed for self-funded installment purchase agreements given that there may be depressed interest due to lower interest rates. In addition, DLS recommends that \$4.0 million in MDA’s fiscal 2011 operating budget for MARBIDCO’s Installment Purchase Agreements be restricted: \$2.0 million each for MALPF and the Tobacco Transition Program easement purchases. Language for this purpose is included as a recommended action.**

Cover Crop Goal Still Appears Unrealistic: The cover crop goal of 460,000 acres does not appear achievable given the \$45 cost per acre and available funding. **DLS recommends that MDA comment on how it anticipates meeting the 460,000-acre cover crop goal in fiscal 2011 given its current estimate of 308,000 acres with \$13.9 million in funding. DLS also recommends that MDA comment on whether regulation is appropriate given the high attrition numbers in the**

L00A – Department of Agriculture

program and on the status of the move to raise the value for cover crop efficiency in the Chesapeake Bay water quality model. Finally, DLS recommends that the \$8.2 million reimbursable fund appropriation for cover crops be deleted to reflect the incorporation of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special fund appropriation to be brought in by budget amendment prior to the start of fiscal 2011. Budget bill language to this effect is included as a recommendation.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add language to delete general funds for the Maryland Horse Industry Board contingent upon enactment of Senate Bill 62.		
2. Add language to delete the authorization to expend reimbursable funds received from the Department of Natural Resources' Fisheries Service.		
3. Delete the Aquaculture Development and Seafood Marketing appropriation.	\$ 289,177	3.0
4. Add language to reduce the combined National and International Marketing general and special fund appropriations by half.		
5. Delete infrastructure grants for the Tobacco Transition Program.	500,000	
6. Delete the Maryland Agricultural Fair Board special fund appropriation.	1,460,000	0.5
7. Add language to delete the Rural Maryland Council's reimbursable funds authorization.		
8. Delete the Rural Maryland Council general and special fund appropriations.	265,516	1.0
9. Delete the Maryland Agricultural Education and Rural Development Assistance Fund general and special fund appropriations.	260,000	
10. Strike contingent language on the Maryland Agricultural and Resource-Based Industry Development Corporation operating budget general fund appropriation.		

L00A – Department of Agriculture

	<u>Funds</u>	<u>Positions</u>
11. Reduce the Maryland Agriculture and Resource-Based Industry Development Corporation operating budget grant as proposed in the Budget Reconciliation and Financing Act of 2010.	1,900,000	
12. Add language to restrict the Maryland Agricultural and Resource-Based Industry Development Corporation's Installment Purchase Agreements funding to the Maryland Agricultural Land Preservation Foundation and the Tobacco Transition Program for the acquisition of conservation easements on agricultural land.		
13. Delete the Maryland Agricultural and Resource-Based Industry Development Corporation's Next Generation Farmland Acquisition Program funding.	675,000	
14. Strike contingent language on the Resource Conservation Operations general fund appropriation.		
15. Delete 7 new soil conservation district field personnel positions and operating expenses as proposed in the Budget Reconciliation and Financing Act of 2010.	400,000	7.0
16. Adopt committee narrative to require a report on soil conservation district field personnel position counts and funding.		
17. Add language to reduce authorization to expend reimbursable funds received from the Department of Natural Resources for the Cover Crop Program.		
Total Reductions	\$ 5,749,693	11.5

L00A – Department of Agriculture

L00A
Department of Agriculture

Operating Budget Analysis

Program Description

The Maryland Department of Agriculture (MDA) supervises, administers, and promotes agricultural activities throughout the State. Its mission is to provide leadership and support to agriculture and the citizens of Maryland by conducting regulatory, service, and educational activities that assure consumer confidence, protect the environment, and promote agriculture. MDA 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. In fiscal 2004, the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) was created as an independent agricultural development agency that is budgeted within MDA.

MDA's primary goals are:

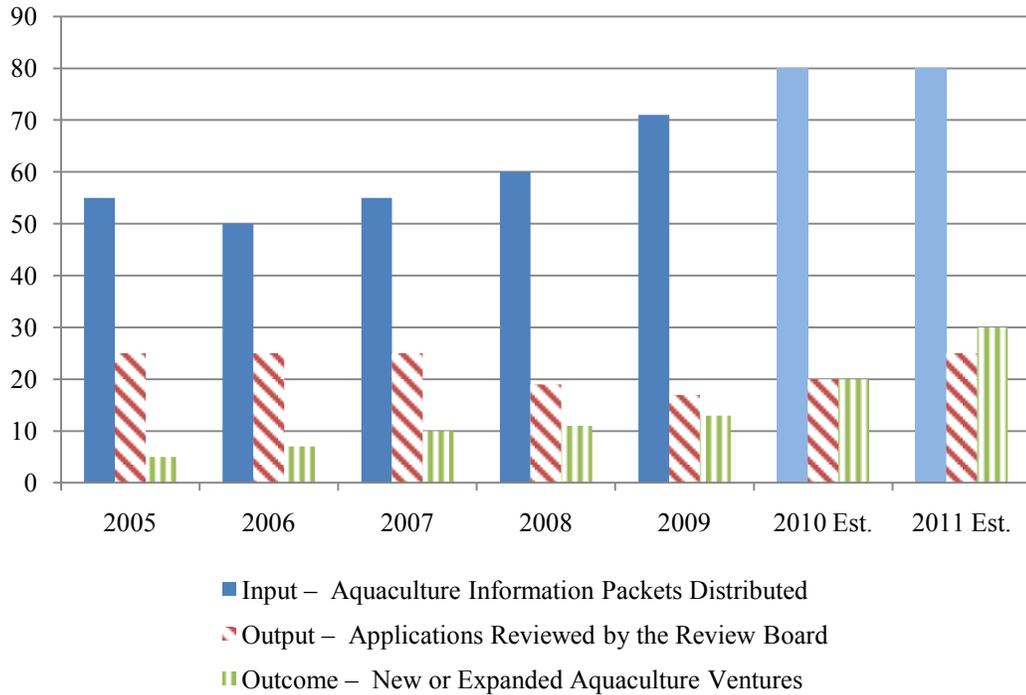
- to promote profitable production, use, and sale of Maryland agricultural products;
- to protect the health of the public, plant, and animal resources in Maryland;
- to preserve adequate amounts of productive agricultural land and woodland in Maryland;
- to provide and promote land stewardship, including conservation, environmental protection, preservation, and resource management; and
- to provide health, safety, and economic protection for Maryland consumers.

Performance Analysis: Managing for Results

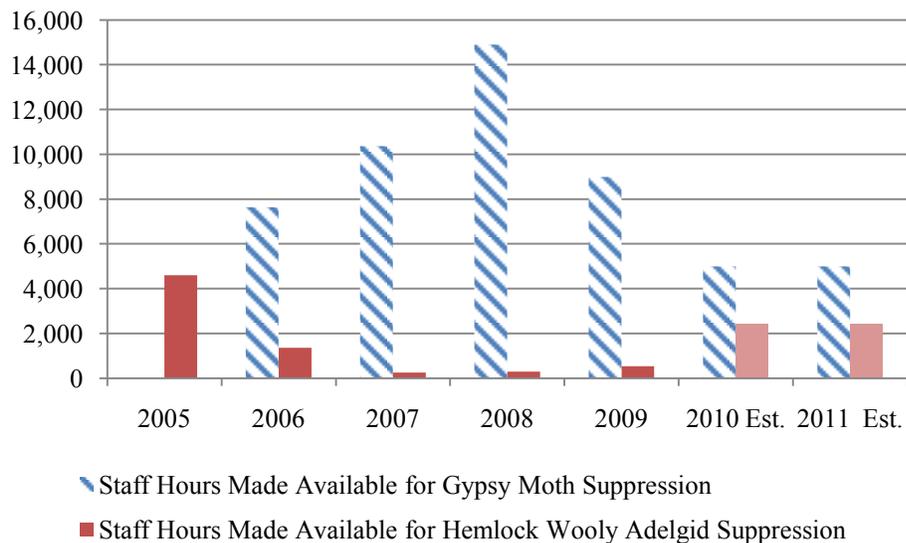
The analysis of MDA's fiscal 2011 Managing for Results (MFR) submission reflects upon the relationship between inputs, outputs, and outcomes for aquaculture development, a shift between gypsy moth and hemlock wooly adelgid suppression, and a projected increase in manure transport costs. **Exhibit 1** shows the trends, which can be explained as follows.

**Exhibit 1
Managing for Results Submissions
Fiscal 2005-2011**

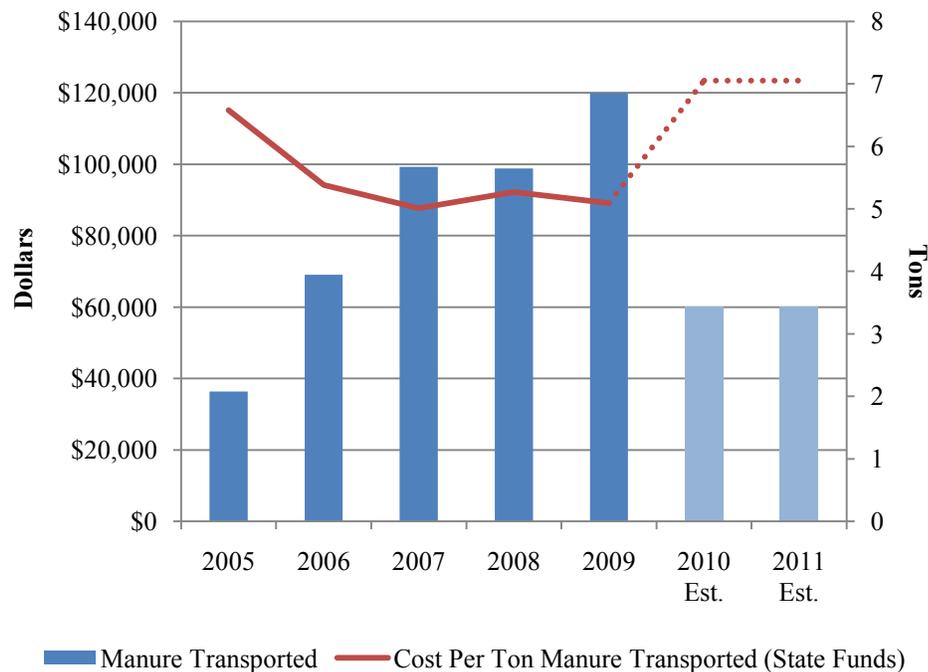
Aquaculture Marketing Inputs, Outputs, and Outcomes



Staff Hours for Gypsy Moth vs. Hemlock Woolly Adelgid Suppression



Tons and Cost of Manure Transported



Source: Governor’s Budget Books, Fiscal 2008-2011

- Aquaculture Marketing Inputs, Outputs, and Outcomes** – The Aquaculture Development and Seafood Marketing Program, which facilitates the development of seafood markets and aquaculture, in particular, has MFR measures for an input (the number of aquaculture information packets distributed), an output (the number of applications reviewed by the Aquaculture Review Board comprised of an aquaculture coordinator and members from the Maryland Department of the Environment, Department of Health and Mental Hygiene, Department of Natural Resources (DNR), and Board of Public Works (BPW)), and an outcome (number of new or expanded aquaculture ventures). The number of aquaculture information packets distributed has steadily increased since fiscal 2006, although this is not fully correlated with the amount of interest shown by the number of applications reviewed by the Review Board decreasing during a portion of this period. However, the important measure of new or expanded aquaculture ventures also has steadily increased, perhaps due to the work of the Aquaculture Development and Seafood Marketing Program. It is not clear how the outcome measure could be increasing at the same time that the output measure is decreasing, between fiscal 2007 and 2009, unless aquaculture expansions do not need to be brought before the Review Board and during this period there was a greater number of expansions than new ventures.
- Staff Hours for Gypsy Moth Versus Hemlock Woolly Adelgid Suppression** – Gypsy moth and hemlock woolly adelgid are both tree pests handled by Forest Pest Management. In recent

L00A – Department of Agriculture

years, there has been a substantial focus on gypsy moth suppression due to outbreaks that, for instance, necessitated the treatment of 99,222 acres in fiscal 2008, which is estimated to have prevented \$52.0 million in economic losses, presumably to the gypsy moth's preferred habitat – the oak tree. However, gypsy moth suppression has been aided in recent years by wet springs, which have facilitated the growth of a fungus native to Japan and lethal to gypsy moth larvae. In addition, there is less federal funding available for gypsy moth suppression due to a shift in funding to the Midwest where an active gypsy moth suppression eradication program is in progress. Finally, there is federal funding for hemlock wooly adelgid suppression. As a result, Forest Pest Management projects that it will shift finite staff time and resources to hemlock wooly adelgid suppression in fiscal 2010 and 2011.

- **Tons and Cost of Manure Transported** – MDA operates the Manure Transport Program to help farmers offset the costs of transporting excess poultry, dairy, beef, and other animals' manure off farms with \$20 per ton cost-share assistance. The tons of manure transported increased between fiscal 2005 and 2009 but are projected to decrease in fiscal 2011 and 2012. Conversely, the cost per ton of manure transported is projected to increase in fiscal 2010 and 2011. MDA notes that budget reductions have reduced the amount of funding available for manure transport and that a policy change was made to eliminate the eligibility of dairy producers; however, dairy producers were capped at \$7,500 per farm and had short transport mileages and thus kept manure transport costs down. The new policy direction informed by the two-year milestones approach to Chesapeake Bay restoration is to export poultry litter out of Maryland, which in turn results in higher average costs per ton of manure transported.

The Department of Legislative Services (DLS) recommends that MDA comment on whether aquaculture venture expansion explains why applications reviewed by the Aquaculture Review Board have been falling in recent years and yet the number of new or expanded aquaculture ventures have been increasing, how great a role federal funding plays in the focus of State forest pest suppression efforts, and whether poultry manure is being transported completely out of the Chesapeake Bay watershed. In addition, DLS recommends that MDA comment on how either MFRs or the StateStat process could be used to inform budget decisionmaking.

Fiscal 2010 Actions

Proposed Deficiency

The Governor has submitted a deficiency appropriation for the fiscal 2010 operating budget, which would increase MDA's special fund appropriation by \$5,110,000 and federal fund appropriation by \$907,000.

L00A – Department of Agriculture

The special fund appropriation increases by \$5,110,000 for the following:

- \$5,000,000 for supplementing the cover crop program (with revenues in accordance with the Budget Reconciliation and Financing Act (BRFA) of 2009) from the Chesapeake Bay Restoration Fund. This would increase fiscal 2010 funding to \$12.2 million; and
- \$110,000 for reflecting the enactment of Chapter 702 of 2009 that increased the Maryland Horse Industry Board's fee structure and allows for regulatory activities from the Horse Industry Board Fund (\$110,000).

The federal fund appropriation increases by \$907,000 for the following:

- \$452,000 for nutrient trading activities and to maintain soil conservation district office field services for farmers from Environmental Quality Improvement Program (Office of Resource Conservation);
- \$210,000 for finishing a multi-year grant from the U.S. Department of Agriculture (USDA) to improve dairy herd nutrition using milk urea nitrogen from Environmental Quality Improvement Program (Office of Resource Conservation);
- \$190,000 for performing in-store review and audits for USDA, Grading and Standardization (Office of Marketing, Animal Industries and Consumer Services); and
- \$55,000 for electricity available through higher federal fund indirect cost attainment from Plant and Animal Disease, Pest Control and Animal Care, USDA Specialty Crop, and Environmental Quality Incentives Program (Office of the Secretary).

Impact of Cost Containment

The net impact of the July 22, August 26, and November 18, 2009 BPW actions is a reduction of 17 positions, \$4.7 million in general funds, and \$0.2 million in special funds. Nine of the 17 positions were filled. A summary of the reductions follows:

- **Major Reductions** – Reduction for low cost rural business loans in MARBIDCO (\$1,900,000); position reductions (\$933,000); across-the-board furlough reductions (\$659,139); reduction of gypsy moth spraying program funding (\$450,000); reductions for new vehicle procurement (\$340,000); reductions for manure transport and nutrient management plan assistance (\$170,427); elimination of support agreements with local jurisdictions for noxious weed control (\$58,000).
- **Fund Swaps** – A swap of Maryland Agricultural Education and Rural Development Assistance Fund special funds for general funds and a swap of USDA – Natural Resources Conservation Service federal funds for general funds for operating costs as a result of a

L00A – Department of Agriculture

reduction in salaries and fringe benefits in soil conservation districts (\$212,000); a shift from general funds to special funds for a position in Weights and Measures (\$52,000).

- **Other Reductions** –Travel (\$51,350); Maryland Agricultural Fair Board reduction (\$45,000); print and media advertising for seafood products (\$32,000); elimination of black light contracts for an insect survey (\$10,000); and operating expenses for Soil Conservation Districts (\$8,000).

Proposed Fund Balance Transfers

The BRFA of 2010 proposes to transfer \$150,000 in special funds from the State Chemist Statutory reserve account, which is also known as Registration and Inspection Fees. The reserve account primarily is used to fund the operations of the State Chemist and a portion of the activities in Pesticide Regulation. There are four different reserve accounts and revenue sources that make up the reserve account. Each reserve account has a cap on how much funding is retained in the account and does not revert to the general fund at the end of the fiscal year. The revenues and account caps are as follows:

- lime – \$110 annual registration fee for agricultural liming materials and gypsum sold or distributed in the State and 10 cents per ton inspection fee for agricultural liming materials and gypsum sold in the State with an account cap of \$100,000;
- pesticide – \$100 annual registration fee on each pesticide registered in the State with an account cap of \$75,000;
- feed – \$50 annual registration fee on commercial feed with an account cap of \$100,000; and
- fertilizer – \$15 annual registration fee and 25 cents per ton annual inspection fee for each brand and grade of commercial fertilizer and for each soil conditioner distributed in the State with an account cap of \$100,000.

Therefore, the total amount in the overall reserve account cannot exceed \$375,000. MDA estimates that there will be approximately \$45,000 left in the fund balance at the end of fiscal 2010 if the proposed \$150,000 transfer is adopted.

Proposed Budget

MDA's fiscal 2011 allowance increases by \$7.5 million, or 12.5%, relative to the fiscal 2010 working appropriation, as shown in **Exhibit 2**. However, adjusting for the fiscal 2010 deficiency, underlying growth is \$1.5 million, or 2.3%. The changes by fund are an increase of \$377,000 in general funds, an increase of \$1,701,000 in special funds, a decrease of \$275,000 in federal funds, and an increase of \$5,735,000 in reimbursable funds. There are two items reduced contingent upon the enactment of the BRFA of 2010 and several across-the-board reductions.

Exhibit 2
Proposed Budget
Department of Agriculture
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimburs. Fund	Total
2010 Working Appropriation	\$25,236	\$24,973	\$4,713	\$5,371	\$60,293
2011 Allowance	<u>28,471</u>	<u>26,848</u>	<u>4,471</u>	<u>11,132</u>	<u>70,922</u>
Amount Change	\$3,235	\$1,875	-\$242	\$5,762	\$10,629
Percent Change	12.8%	7.5%	-5.1%	107.3%	17.6%
Contingent and Across-the-Board Reductions	-\$2,858	-\$174	-\$32	-\$26	-\$3,091
Adjusted Change	\$377	\$1,701	-\$275	\$5,735	\$7,538
Adjusted Percent Change	1.5%	6.8%	-5.8%	106.8%	12.5%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$346
Retirement contribution	271
Turnover adjustments.....	134
Workers' compensation	56
Salaries and wages	-188
Other personnel costs	-18

Other Changes

Cover Crops

Chesapeake Bay 2010 Trust Fund and Bay Restoration Fund for cover crops.....	6,790
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Mandates

MARBIDCO mandated appropriation increase to \$2.75 million	1,900
Contingent reduction for MARBIDCO.....	-1,900
Soil Conservation District grant funding and 7 new positions.....	400
Contingent reduction for soil conservation districts	-400
MARBIDCO Next Generation Farmland Acquisition Program	275

Nutrient Management

Reduction in Nutrient Management contractual services	-703
Decrease in federal grant funding for two conservation practices on farms	-188

L00A – Department of Agriculture

Where It Goes:

Animal Health Laboratories

Annualized savings due to closure of three animal health laboratories -614

Agricultural Policy

Tobacco Transition bond repayment offset by infrastructure grants reduction 1,079

Increased federal nutrition program and specialty crop grant funding 454

Need for egg grader contractuels and funding to do country of origin labeling audits.... 228

Emerald ash borer shift from logging to quarantine enforcement and outreach -238

Regional pesticide inspectors workshop held in fiscal 2010 but not in fiscal 2011 -75

Other -71

Total **\$7,538**

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

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

Personnel

There are spending increases in employee and retiree health insurance of \$346,000, retirement contributions of \$271,000, and workers' compensation of \$56,000 net of Section 21 and Section 23 workers' compensation across-the-board reductions. In addition, the turnover rate is reduced from 7.8 to 7.0%, an increase of \$134,000. These increases partially are offset by a net decrease of \$188,000 in salaries due to the fiscal 2011 Section 18 furlough reduction of \$646,000. While the fiscal 2011 allowance reflects seven new positions and an increase of \$303,000 in general funds, these positions and funding are reduced as a contingent action in the Budget Reconciliation and Financing Act of 2010 as noted in the section below.

Other Changes

Overall, the nonpersonnel portion of the fiscal 2011 allowance increases \$6,937,000. The areas of change include cover crops, mandates, nutrient management, Animal Health laboratories, and agricultural policy. Cover crop funding increases by \$6,790,000; however, when the \$5,000,000 deficiency appropriation for cover crops is taken into account, the funding only increases \$1,790,000. This is discussed further under the budget Issues section.

Mandates

Agricultural transfer tax special funds increase by \$275,000 for the Next Generation Farmland Acquisition Program financing mechanism that allows young farmers to buy-down the price of a parcel of agricultural land by selling an easement on the developments to either the Maryland Agricultural Land Preservation Foundation (MALPF) or a private land trust. However, this funding is not anticipated to materialize due to the weak real estate market.

Nutrient Management

Funding for nutrient management decreases \$891,000 in the allowance. There is a \$703,000 decrease in funding for the University of Maryland – Cooperative Extension, which will result in the reduction of staff that would otherwise have developed nutrient management plans. MDA estimates that this will cause a reduction from 23 to approximately 10 positions. In order to mitigate the reduction, MDA will increase general fund support for nutrient management software maintenance by \$65,000 and private sector consultant development of nutrient plans by \$75,000. There also is a decrease of \$188,000 for one-time federal funding for two conservation practices on farms. Federal Conservation Innovation Grants funded projects that modified dairy cow diets to reduce nitrogen effluent and demonstrated alternative poultry litter storage technology.

Animal Health Laboratories

One of the significant ongoing cost containment actions in fiscal 2010 was the closure of the Oakland, College Park, and Centreville Animal Health laboratories and the consolidation of remaining staff and resources at the two remaining laboratories in Salisbury and Frederick. The reductions account for an approximately \$612,000 reduction in fiscal 2011. This reduction is due to the elimination of three general fund positions and reductions in funding for utilities, particularly at College Park, reductions in federal funding that passed through the Department of Health and Mental Hygiene, and the curtailment of small animal laboratory tests.

Agricultural Policy

Agricultural policy budgetary changes are as follows.

- **Tobacco Transition Program Bond Repayment** – A net increase of \$1,079,000 in special funds is reflected in the budget due to the first installment of \$1,823,000 that will be paid to the Tri-County Council for Southern Maryland (this money will be paid by the Tri-County Council for Southern Maryland to the general fund as the first installment toward the overall \$26.6 million in tobacco buyout bond repayment), which partially is offset by a \$744,000 decrease in infrastructure grants for the Tri-County Council for Southern Maryland through the Tobacco Transition Program.
- **Nutrition Program and Specialty Crop Grant Funding** – An increase of \$454,000 for Specialty Crop Block Grant Program funding (\$211,000) as a result of the 2008 Farm Bill which will be used for marketing and food safety at MDA, by the Maryland Wineries Association, and for Garrett County economic development. There is also \$243,000 for the Women, Infants, and Children Farmers' Market Nutrition Program, whereby food coupons are distributed to low-income women and children with nutritional deficiencies for purchasing food at farmers' markets.
- **Egg Grader Contractual and Country of Origin Labeling** – An increase of \$228,000 for contractual egg graders needed to cover the night shift in a poultry plant, to reimburse USDA

L00A – Department of Agriculture

and Delaware for relief egg grader coverage of Maryland poultry and egg plants, and for county of origin labeling audits.

- **Emerald Ash Borer Contractual Services** – \$238,000 in federal funds for the emerald ash borer eradication are reduced to reflect the reduced need for funding widespread logging and the increased focus on quarantine enforcement, outreach, and limited tree cutting.
- **Regional Pesticide Workshop** – A decrease of \$75,000 for costs associated with a regional pesticide inspector workshop being held in fiscal 2010 that will not reoccur in fiscal 2011.

Impact of Cost Containment

Cost containment actions in the fiscal 2011 allowance include contingent reductions and across-the-board reductions. While \$962,350 in November 18, 2009 BPW actions are not allocated across all of the agency expenditure categories for the fiscal 2010 working appropriation, this does not appear to affect the change between the fiscal 2010 working appropriation and the fiscal 2011 allowance. This is because the reductions of \$285,000 for 3 positions and federal fund swaps in personnel and of \$641,000 for MARBIDCO (\$250,000), vehicle elimination (\$170,000), gypsy moth spraying (\$100,000), and weed control (\$121,000) in the nonpersonnel part of the budget all appear to be ongoing. The two contingent reductions are as follows:

- **MARBIDCO** – The grant to MARBIDCO is reduced by \$1,900,000 which level funds it at \$850,000.
- **Soil Conservation District Funding** – The funding for soil conservation districts is reduced by \$400,000 in conjunction with the BRFA of 2010, to fund soil conservation districts at \$9.2 million for fiscal 2011 and 2012 instead of at the currently mandated \$10.0 million level.

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

Issues

1. Soil Conservation District Positions Are an Issue Again in Fiscal 2011

Committee narrative in the 2008 *Joint Chairmen's Report* (JCR) requested that MDA submit a report on soil conservation district field personnel positions with the fiscal 2010 budget submission. This has become particularly germane due to (1) the contingent reductions proposed to soil conservation district positions and funding in the fiscal 2011 allowance; and (2) the proposed change to the soil conservation district statute that would eliminate the requirement that 110 field personnel positions be funded and permanently change funding for soil conservation districts.

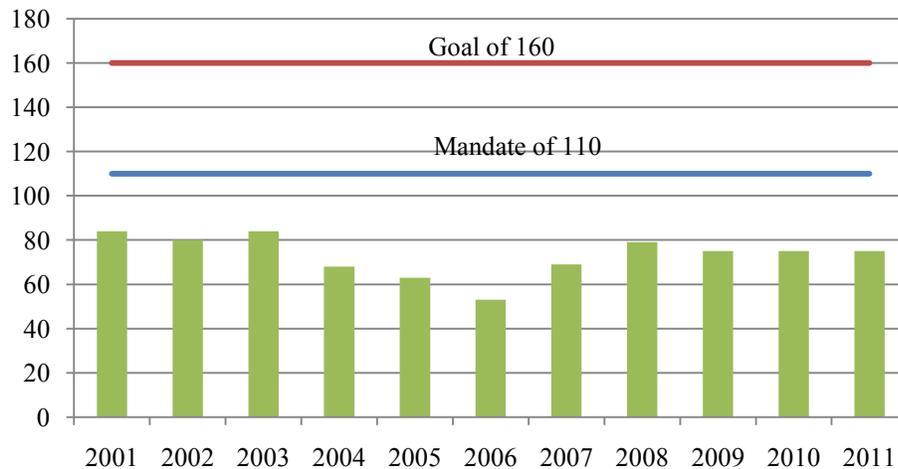
Joint Chairmen's Report

The JCR submission was meant to include the number of authorized soil conservation district field personnel positions, the number of vacant authorized field personnel positions, the funding source, the amount for each authorized position, and the source of funding and the amount as well as which subprograms and subobjects were covered under soil conservation district funding. The report was requested to determine whether and how MDA is meeting the statutory funding and field personnel staffing provisions of Agriculture Article § 8-405. However, the report was not submitted with the fiscal 2010 budget submission but instead was submitted a year later on January 4, 2010.

MDA indicates that it was delayed in its submission by changing soil conservation district field personnel counts that occurred as a result of the Governor's proposed BRFA of 2009 and by BPW cost containment action which abolished 5 newly created soil conservation district positions. The budget committees sent a letter to MDA on November 13, 2009, urging that the report be submitted expeditiously to determine whether and how MDA is meeting the statutory provisions of Agriculture Article § 8-405.

The report notes that "field personnel" are defined as permanent, general funded positions assigned to any of the soil conservation district offices that provide technical assistance to farmers and landowners related to best management practices to improve water quality. A 77% estimate is used for the amount of Resource Conservation Operations general funds that are dedicated to the field personnel in any given year. The soil conservation district positions included are soil conservation planners, soil conservation associates, and soil conservation engineering technicians. Other soil conservation district positions that are not considered field personnel are managers, secretaries, area coordinators, public drainage association coordinators (soil conservation engineering technicians), and headquarters engineers. **Exhibit 4** provides an overview of positions classified as field personnel by MDA and shows that neither the Tributary Strategy goal of 160 field personnel, nor the Agricultural Stewardship Act of 2006 mandate of 110 field personnel, is being met. As noted in the exhibit, there are approximately 15 additional temporary positions anticipated for fiscal 2009 through 2011 that are, or will be, funded each year from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund as part of the agency's technical assistance allocation.

Exhibit 4
Permanent General Funded Soil Conservation District Field Personnel
Fiscal 2001-2011



Note: While not permanent or general funded, there are approximately 15 temporary field personnel funded from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special funds in fiscal 2009, and a similar number will be funded for fiscal 2010 and 2011. The mandate of 110 refers to the Agricultural Stewardship Act of 2006 requirement for funding sufficient for 110 field personnel positions being included in the budget. The goal of 160 refers to the Tributary Strategy goal of 160 field personnel.

Source: Maryland Department of Agriculture

Contingent Reductions to Soil Conservation Districts

The fiscal 2011 allowance includes a contingent reduction of \$400,000 in general funds for the 7 new soil conservation district positions created in the budget and for operations. A commensurate action is taken in the BRFA of 2010 to reduce the mandated appropriation for soil conservation districts as shown in **Exhibit 5**. Exhibit 5 also shows that, if MDA’s estimate of 77% of Resource Conservation Operations general funds is dedicated to the 110 field personnel in soil conservation districts, there has been a shortfall in spending since at least fiscal 2008. Although the General Assembly may reduce funding below the statutorily mandated amounts, the Governor is required to submit the statutory amount of \$10.0 million in fiscal 2011, which does not appear to be the case, since the allowance includes approximately \$6.6 million in general funds, or \$7.3 million in all funds, once again using the 77% estimate above and including across-the-board and contingent reductions. Only when accounting for 100% of all the funds in the budget and not accounting for across-the-board or contingent reductions, is the fiscal 2011 mandate of \$10.0 million close to being met at \$9.5 million.

Exhibit 5
Soil Conservation District
Mandated Funding Requirements and Actual Funding
Fiscal 2008-2014
(\$ in Millions)

**Soil Conservation District Funding
in Budget as 77% of Resource
Conservation Operations Funding**

<u>Fiscal Year</u>	<u>Current Statute</u>	<u>BRFA of 2010</u>	<u>General Funds</u>	<u>All Funds</u>
2008	\$8.8	n/a	\$5.7	\$6.3
2009	9.2	n/a	5.8	7.5
2010	9.6	\$9.6	5.7	6.5
2011	9.6	9.2	5.7	6.4
2012	10.0	9.2	n/a	n/a
2013	10.0	9.6	n/a	n/a
2014 and beyond	10.0	10.0	n/a	n/a

BRFA: Budget Reconciliation and Financing Act
GF: general funds

Note: The fiscal 2011 statutory level of funding is \$9.6 million because Section 34 of the BRFA of 2009 states that the Governor is not required to include an appropriation that exceeds the fiscal 2010 appropriation. Soil conservation district funding in the budget is defined loosely as 77% of the general funds in the Office of Resource Conservation – Resource Conservation Operations. For fiscal 2010, the working appropriation is used. For fiscal 2011, the general fund amount is derived by assuming that the estimated across-the-board reductions of \$791,088 in Resource Conservation Operations and the contingent reduction of \$400,000 and seven positions in Resource Conservation Operations are all reductions in general funds.

Source: Department of Legislative Services

Ultimately, there is a lack of transparency in determining independently the level of positions and funding dedicated to meeting the mandate. This stems both from a lack of clarity in the statute and how MDA interprets the statute. The lack of clarity in the statute, noted previously in MDA’s fiscal 2009 operating budget analysis, is as follows:

- **Funding for Positions vs. Districts:** The statute is not clear about whether the mandated funding amounts are needed as overall support for the soil conservation districts or are specific to funding only field personnel expenses; MDA interprets the statute as meaning the funding of positions, but this funding is not broken out separately in MDA’s budget.
- **Funding Sources:** The mandated appropriations are not specified as to fund source so the statute is also unclear as to whether the Administration may appropriate general funds or a

L00A – Department of Agriculture

mix of funds; MDA interprets the statute as meaning general funds solely despite other sources of funding for soil conservation district field positions.

- **Definition of Positions:** Finally it is unclear how field personnel are defined and counted; MDA interprets the statute as meaning regular soil conservation planners, soil conservation associates, and soil conservation engineering technicians but these positions are not broken out separately in MDA's budget.

DLS recommends that committee narrative be adopted requesting MDA to provide soil conservation district field personnel summary information with its fiscal 2012 budget submission. This information is requested in order to understand whether the mandates in Agriculture Article § 8-405 are being met. The information should be provided for fiscal 2010 actual, fiscal 2011 working appropriation, and fiscal 2012 allowance as follows:

- **the number of contractual and regular soil conservation district field personnel positions (defined as soil conservation planner, soil conservation associate, and soil conservation engineering technician positions); and**
- **the amount of funding budgeted by fund for object one expenses directly attributable to field personnel and, separately, operating expenses indirectly associated with field personnel.**

2. MARBIDCO Funding Changes

MARBIDCO is a quasi-public corporation that is budgeted within MDA and receives State funding for its operations. The original intent for MARBIDCO established in the Agricultural Stewardship Act of 2006 was that it receive initial State funding until it could become self-sufficient by 2020. In addition, Chapter 610 of 2008 placed a 25% surcharge on the agricultural transfer tax and provided a possible funding allocation for MARBIDCO's two agricultural land easement acquisition financing programs – Installment Purchase Agreements and Next Generation Farmland Acquisition. However, the BRFA of 2010 proposes a contingent reduction in MARBIDCO's operating funding, and Senate Bill 59 of 2010 has been introduced to effectively remove funding for MARBIDCO's leveraged Installment Purchase Agreements because they have been deemed to be infeasible due to State debt limit restrictions. Combined, these actions reflect a substantial challenge to MARBIDCO's planned activities.

Contingent Reduction and Operating Funding

The BRFA of 2009 and BPW reductions have reduced MARBIDCO's fiscal 2010 working appropriation from the \$4 million mandated in the Agricultural Stewardship Act of 2006 to \$850,000. The BRFA of 2010 would change MARBIDCO's mandated funding again as shown in **Exhibit 6**.

Exhibit 6
MARBIDCO Funding Comparison Between Current Statute and BRFA of 2010
Fiscal 2010-2020
(\$ in Millions)

<u>Fiscal Year</u>	<u>Current Statute</u>	<u>BRFA of 2010</u>	<u>Difference</u>
2010	\$2.75	\$2.75	\$0.0
2011	2.75	0.85	-1.9
2012	4.0	0.85	-3.15
2013	4.0	1.75	-2.25
2014	4.0	2.75	-1.25
2015 through 2020	4.0	4.0	0.0

BRFA: Budget Reconciliation and Financing Act

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

Source: Department of Legislative Services

MARBIDCO notes that fiscal 2011 operating expenses for its three full-time staff, one-quarter time contractual assistant attorney general, operating expenses, and outside auditors/accountants are projected to be \$409,000. Coupled with an estimated \$250,000 in loan principal repayments, this would allow for approximately \$691,000 in loan activity for natural resource-based industries in fiscal 2011, primarily through the Maryland Resource-Based Industry Financing Fund; grant funding has been curtailed in fiscal 2010 and 2011. However, MARBDICO is applying for USDA – Rural Development funding from the Intermediary Relending Program. If successful, then MARBIDCO will be able to relend \$750,000, or up to \$250,000, per recipient, for the purpose of alleviating poverty and increasing economic activity and employment in rural communities.

Senate Bill 59

Senate Bill 59, a department bill, has been introduced in the 2010 session changing the allocation of the agricultural transfer tax, removing a provision diverting State transfer tax revenues from MALPF to MARBIDCO, and allowing MALPF to use funds prior to July 1, 2010, that were allocated to MARBIDCO for easement purchases. The impetus for the legislation is the acknowledgement that MARBIDCO's leveraged installment purchase agreement will not work because of the 15-year limitation on State debt, which effectively limits the zero coupon bond at the heart of the financing mechanism to a 15-year maturity and makes the arrangement less financially attractive. Therefore, the decision was made by the Administration to allow MALPF to keep the agricultural transfer tax and State transfer tax that otherwise were allocated to MARBIDCO for the leveraged installment purchase agreements.

Senate Bill 59 amends provisions in Chapter 610 of 2008, which established a 25% surcharge on the transfer of agricultural land and altered the distribution of the agricultural land transfer tax

L00A – Department of Agriculture

revenues to include allocations for two new MARBDICO programs – Installment Purchase Agreements and Next Generation Farmland Acquisition. The 25% surcharge was added to the existing agricultural land transfer tax and all of the additional revenue generated is allocated to the State. **Exhibit 7** compares the provisions of Chapter 610 of 2008 and Senate Bill 59.

The effect of Senate Bill 59 would be to remove the allocation of either agricultural transfer tax or State transfer tax to MARBDICO for leveraged installment purchase agreements. This does not prohibit MARBDICO from working with MALPF on self-funded installment purchase agreements, and in fact up to four such agreements may be completed in calendar 2010. There are concerns that depressed interest rates will mean reduced interest from potential easement providers. If Senate Bill 59 is not enacted, then MARBDICO is left with \$4 million in State transfer tax special fund appropriation in fiscal 2011 for a program – leveraged installment purchase agreements – that has been deemed infeasible due to the 15-year limitation on State debt.

Exhibit 7
Comparison of Chapter 610 of 2008 and Senate Bill 59 of 2010

<u>Provisions</u>	<u>Acted Upon</u>	<u>Chapter 610 of 2008</u>	<u>Senate Bill 59 of 2010</u>
Allocation Provisions (in Priority Order)	(1) Woodland Incentive Fund	Up to \$0.2 million (mandatory)	Unchanged
	(2) MALPF	\$2.5 million beginning in fiscal 2009 and increasing 5% annually beginning in fiscal 2010 (mandatory)	\$2,756,250 beginning in fiscal 2011 and increasing by 5% annually thereafter (mandatory)
	(3) MARBDICO – Next Generation Farmland Acquisition Program	37.5% of the remaining funding up to a maximum of \$4.0 million	Unchanged
	(4) MARBDICO – Installment Purchase Agreements	\$4.0 million from either the remaining agricultural land transfer tax or the transfer tax (mandatory)	Removed
	(5) MALPF	Remaining Funds	Unchanged
Administrative Expenses Allowed	MARBDICO – Installment Purchase Agreements	Up to 3% of money received may used for administrative costs	Removed

MALPF: Maryland Agricultural Land Preservation Foundation

MARBDICO: Maryland Agricultural and Resource-Based Industry Development Corporation

Source: Department of Legislative Services

DLS recommends that MARBDICO comment on (1) what a revised plan for self-sufficiency, perhaps at a lower level than originally planned given the reductions in recent years, would mean for its activities; (2) how the self-funded installment purchase agreement funding will be structured between MALPF and MARBDICO if Senate Bill 59 is enacted; and (3) the projected amount of fiscal 2011 funding needed for self-funded installment purchase agreements given that there may be depressed interest due to lower interest rates. In addition, the Department of Legislative Services recommends that \$4 million in MDA’s fiscal 2011 operating budget for MARBDICO’s Installment Purchase Agreements be restricted: \$2.0 million each to MALPF and the Tobacco Transition Program to be used for the acquisition of conservation easements on agricultural land. Language for this purpose is included as a recommended action.

3. Cover Crop Goal Still Appears Unrealistic

The cover crop goal of 460,000 acres still appears unrealistic based on current funding and prior performance.

Funding

The fiscal 2010 legislative appropriation for cover crops was approximately \$7.2 million: \$5.3 million in Bay Restoration Fund – Septic revenues and \$1.9 million in reimbursable fund appropriation from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. However, the appropriation increases to \$12.2 million with the fiscal 2010 deficiency of \$5.0 million from the Bay Restoration Fund – Septic Account revenues that are available due to the allocation change made in the BRFA of 2009 that allowed for cover crops to receive 77.6% of the Septic Account revenue for fiscal 2010 instead of the 40.0% allocation in statute. The cover crop funding for fiscal 2010 and 2011 is shown in **Exhibit 8**.

Exhibit 8
Cover Crop Funding
Fiscal 2010-2011
(\$ in Millions)

<u>Appropriation by Fund Source</u>	<u>2010</u>	<u>2011</u>
BRF – Septic Account Appropriation	\$5.3	\$5.8
BRF – Septic Account Deficiency	5.0	
Subtotal	\$10.3	\$5.8
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Appropriation	1.9	8.2
Subtotal	1.9	8.2
Total	\$12.2	\$14.0

BRF: Bay Restoration Fund

Source: Department of Legislative Services

L00A – Department of Agriculture

The fiscal 2011 allowance includes \$5.8 million in Bay Restoration Fund – Septic Account special funds and \$8.2 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund reimbursable funds from the Department of Natural Resources for a total appropriation of \$14.0 million. MDA notes that \$170,000 of the Septic Account revenues would be used for administration expenses, and there would only be \$13.9 million available for cover crop acres. Assuming the fiscal 2008 and 2009 cover crop per acre costs of \$45, there would be approximately 308,000 acres of cover crops that could be funded in fiscal 2011. Of note, the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund annual work plan reflects \$9.52 million in the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special fund monies being allocated at some point by budget amendment to MDA for cover crops, which would support a \$15.32 million program or approximately 337,000 acres in fiscal 2011.

Performance

As shown in **Exhibit 9**, the cover crop program has not shown that it can support this level of funding. For instance, over the last couple of years, the average number of final eligible acres as a percent of initial acres is approximately 53%, including the estimate for fiscal 2010. At this average rate, approximately 868,000 acres of cover crops would need to be solicited in order to meet the fiscal 2010 goal of 460,000 acres. Exhibit 3 shows that for the last five years, solicitations have been well under 800,000 acres and that fiscal 2011 acreage is estimated to be 308,000 acres using a \$45/acre figure.

Exhibit 9
Cover Crop History
Fiscal 2005-2011

<u>Fiscal Year</u>	<u>Initial Acres</u>	<u>Approved Acres</u>	<u>Fall Certification</u>	<u>Final Eligible Acres</u>	<u>Final Eligible Acres as a % of Initial Acres</u>
2005	205,089	170,430	56,852	53,848	26%
2006	210,308	205,268	135,328	128,638	61%
2007	454,881	290,000	243,995	238,674	52%
2008	336,800	303,364	203,144	187,479	56%
2009	398,225	387,022	237,144	238,839*	60%
2010 (est.)	330,500	330,500	n/a	205,000	62%
2011 (est.)	n/a	n/a	n/a	308,000	n/a

*The Maryland Department of Agriculture notes that the fiscal 2009 final eligible acres (spring certification) reflects all acres verified, including those not eligible for payment. However, the 60% number reflected for final eligible acres as a percent of initial acres varies little whether the fall certification or final eligible acres number is used. The final eligible acres estimate for fiscal 2011 assumes revenues of \$13.9 million at \$45/acre for a total of approximately 308,000 acres.

Source: Maryland Department of Agriculture; Department of Legislative Services

New Methodology

While the cover crop goal does not appear achievable given the cost per acre and the available funding, there has been some discussion about a revision in the cover crop efficiency. The idea appears to be that the nitrogen loading on agricultural fields is heavier than was originally thought, but since the nitrogen loads from agricultural land are not as high as would be expected from this heavier nitrogen loading, cover crops must be more efficient than currently appreciated at reducing nitrogen loading to the Chesapeake Bay. There appears to be a move to allow for nitrogen loading reductions to be increased for cover crops in the Chesapeake Bay water quality model runs and thus to allow for fewer acres of cover crops to reduce more nitrogen.

DLS recommends that MDA comment on how it anticipates meeting the 460,000-acre cover crop goal in fiscal 2011 given its current estimate of 308,000 acres with \$13.9 million in funding. DLS also recommends that MDA comment on whether regulation is appropriate given the high attrition numbers in the program and on the status of the move to raise the value for cover crop efficiency in the Chesapeake Bay water quality model. Finally, DLS recommends that the \$8.2 million reimbursable fund appropriation for cover crops be deleted to reflect the incorporation of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special fund appropriation to be brought in by budget amendment prior to the start of fiscal 2011. Budget bill language to this effect is included as a recommendation.

Recommended Actions

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

provided that the appropriation made for the purpose of funding the general operations of the Maryland Horse Industry Board shall be reduced by \$63,068 contingent on enactment of Senate Bill 62 of 2010, which would increase the revenue collected from licensing and inspection of horse stables and redirect those funds to the Maryland Horse Industry Board.

Explanation: Senate Bill 62 is a departmental bill which would increase the revenue collected by the Maryland Horse Industry Board by allowing for the board to retain revenue it generates from licensing and inspection of horse stables. The increased revenue is anticipated to defray the need for the general fund appropriation.

2. Add the following language:

Authorization to expend reimbursable funds received from the Department of Natural Resources' Fisheries Service for the purpose of development of the seafood and aquaculture industries is deleted from this budget.

Explanation: This action deletes the authorization to expend reimbursable funds from the Department of Natural Resources' Fisheries Service as part of the recommendation to delete the Aquaculture Development and Seafood Marketing program funding.

	<u>Amount Reduction</u>		<u>Position Reduction</u>
3. Delete the Aquaculture Development and Seafood Marketing appropriation. It is recommended that the work of developing seafood and aquaculture industries be folded into a proposed combined national and international marketing unit.	\$ 285,177	GF	3.0
	\$ 4,000	SF	

4. Add the following language to the general fund appropriation:

Provided that \$339,887 of this appropriation made for the purpose of National Marketing and International Marketing is deleted from this budget. This deletion shall be allocated according to the following fund types:

<u>Fund</u>	<u>Amount</u>
<u>General</u>	<u>\$269,640</u>
<u>Special</u>	<u>\$70,247</u>

L00A – Department of Agriculture

Explanation: This action reduces the combined National Marketing and International Marketing general and special fund appropriations. It is also recommended that National Marketing and International Marketing be combined and that the combined unit take on the responsibilities of Aquaculture Development and Seafood Marketing.

	<u>Amount Reduction</u>		<u>Position Reduction</u>
5. Delete infrastructure grants for the Tobacco Transition Program. This action reflects the difficult financial condition of the State.	500,000	SF	
6. Delete funding for the Maryland Agricultural Fair Board. As a result, there would be no promotion of agricultural fairs and shows and youth activities.	1,460,000	SF	0.5
7. Add the following language:			

Authorization to expend reimbursable funds received from the Department of Aging (\$15,000) and the Department of Business and Economic Development's Division of Business and Enterprise Development (\$16,801) is deleted.

Explanation: This action deletes the Rural Maryland Council's reimbursable fund authorization of \$31,801. The two agencies providing funding are the Department of Aging (\$15,000) and the Department of Business and Economic Development's Division of Business and Enterprise Development (\$16,801).

	<u>Amount Reduction</u>		<u>Position Reduction</u>
8. Delete the general and special fund appropriations for the Rural Maryland Council.	62,409	GF	1.0
	203,107	SF	
9. Delete the general and special fund appropriations for the Maryland Agricultural Education and Rural Development Assistance Fund.	130,000	GF	
	130,000	SF	

L00A – Department of Agriculture

10. Strike the following language:

~~, provided that this appropriation shall be reduced by \$1,900,000 contingent upon the enactment of legislation reducing the mandated amount of funds for the Maryland Agricultural and Resource-Based Industry Development Corporation.~~

Explanation: Technical amendment.

	<u>Amount Reduction</u>	<u>Position Reduction</u>
11. Reduce the Maryland Agricultural and Resource-Based Industry Development Corporation operating budget grant as proposed in the Budget Reconciliation and Financing Act of 2010.	1,900,000	GF

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

, provided that \$4,000,000 of this appropriation made for the purpose of leveraged installment purchase agreements, may not be expended for that purpose but instead \$2,000,000 may only be transferred by budget amendment to Maryland Department of Agriculture program L00A11.11 Capital Appropriation for the purpose of the acquisition of conservation easements on agricultural land and \$2,000,000 may only be transferred by budget amendment to Maryland Department of Agriculture program L00A12.13 Tobacco Transition Program for the purpose of the acquisition of conservation easements on agricultural land. Funds not expended for this purpose may not be transferred by budget amendment or otherwise to any other purpose, and shall be cancelled.

Explanation: This action restricts the Maryland Agricultural and Resource-Based Industry Development Corporation’s (MARBIDCO) Installment Purchase Agreements program special fund appropriation to the Maryland Agricultural Land Preservation and Tobacco Transition Program for the acquisition of conservation easements on agricultural land. The leveraged installment purchase agreements program that would have been funded with this appropriation by MARBIDCO has been deemed infeasible.

	<u>Amount Reduction</u>	<u>Position Reduction</u>
13. Delete the Maryland Agricultural and Resource-Based Industry Development Corporation’s Next Generation Farmland Acquisition Program Funding. There is not anticipated to be any agricultural transfer tax revenue available to support this program	675,000	SF

L00A – Department of Agriculture

after the allocation to the Maryland Agricultural Land Preservation Fund. A budget amendment may be processed if sufficient revenues are available.

14. Strike the following language:

~~; provided that this appropriation shall be reduced by \$400,000 and 7 new positions contingent upon the enactment of legislation reducing the mandated amount of funds for the Resource Conservation Operations.~~

Explanation: Technical amendment.

	<u>Amount Reduction</u>		<u>Position Reduction</u>
15. Delete 7 new soil conservation district field personnel positions and operating expenses as proposed in the Budget Reconciliation and Financing Act of 2010.	400,000	GF	7.0
16. Adopt the following narrative:			

Soil Conservation District Field Personnel Summary Information: Agriculture Article § 8-405 mandates that the Governor shall include in the annual budget bill an amount sufficient to employ not less than 110 field personnel in the soil conservation districts and that the appropriation for fiscal 2011 shall be \$10.0 million. The committees are concerned that it is difficult to independently verify funding for the 110 soil conservation field personnel and \$10.0 million funding level for soil conservation district field personnel in the fiscal 2011 allowance. Therefore, the committees request that the Maryland Department of Agriculture include with its fiscal 2012 budget submission information on the fiscal 2010 actual, fiscal 2011 working appropriation, and fiscal 2012 allowance data on the following:

- The number of contractual and permanent soil conservation district field personnel positions (defined as soil conservation planner, soil conservation associate, and soil conservation engineering technician positions); and
- The amount of funding budgeted by fund for object one expenses directly attributable to field personnel and, separately, operating expenses indirectly associated with field personnel.

Information Request	Author	Due Date
Report on soil conservation district field personnel position counts and funding	Maryland Department of Agriculture	Fiscal 2012 State budget submission and annually thereafter

L00A – Department of Agriculture

17. Add the following language:

Authorization to expend reimbursable funds received from the Department of Natural Resources for the Cover Crop Program is reduced by \$8,245,048.

Explanation: The BayStat agencies anticipate requesting a special fund budget amendment after the 2010 session and before the start of fiscal 2011 in order to allocate the revenues from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. Therefore, this reimbursable fund appropriation for the Maryland Department of Agriculture’s Resource Conservation Grants is unnecessary.

Total Reductions	\$ 5,749,693	11.5
Total General Fund Reductions	\$ 2,777,586	
Total Special Fund Reductions	\$ 2,972,107	

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2009					
Legislative Appropriation	\$34,573	\$21,542	\$6,525	\$3,025	\$65,666
Deficiency Appropriation	0	4,180	0	0	4,180
Budget Amendments	492	4,037	0	0	4,529
Cost Containment	-5,909	-1,331	-12	0	-7,253
Reversions and Cancellations	-272	-1,655	-1,419	-743	-4,089
Actual Expenditures	\$28,884	\$26,772	\$5,094	\$2,282	\$63,032
Fiscal 2010					
Legislative Appropriation	\$29,960	\$25,170	\$4,713	\$5,371	\$65,214
Cost Containment	-4,724	-197	0	0	-4,921
Budget Amendments	0	0	0	0	0
Working Appropriation	\$25,236	\$24,973	\$4,713	\$5,371	\$60,293

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

Fiscal 2009

The general fund appropriation decreases by a net of \$5.7 million. The changes are as follows.

- Budget amendments – an increase of \$0.5 million for allocation of the cost-of-living adjustment (COLA) general fund appropriation as authorized in the fiscal 2009 budget bill (\$321,397), for allocation of the Annual Salary Review for the scientist series in Office of Marketing, Animal Industries and Consumer Services, and Office of Plant Industries and Pest Management (\$136,577), for realignment of estimated telecommunications expenditures (\$22,413), and for realignment of Annapolis Data Center computer usage expenditures (\$11,216).
- Cost containment – a decrease of \$5.9 million:
 - June 25, 2008 BPW – a decrease of \$0.4 million due to salaries, wages, and fringe benefits reductions;
 - October 15, 2008 BPW – a decrease of \$4.8 million from reductions to cover crops, MARBIDCO, the Wine and Grape Promotion Council grant, abolishing 10 vacant positions, and vehicles and out-of-state travel (\$4.3 million); fringe benefit appropriations being reduced as Other Post Employment Benefit prefunding was ceased (\$0.4 million); use of statewide employee health insurance balances in lieu of budgeted funds (\$0.1 million); and
 - March 4, 2009 BPW – a decrease of \$0.7 million due to furlough reductions (\$253,857), shifting the soil conservation district operating grant payment for the first quarter of fiscal 2010 from fiscal 2009 (June) to fiscal 2010 (July) (\$250,000), reduction of 8 positions originally planned for reduction in Section 18 of the fiscal 2010 allowance (\$85,759), reduction due to shifting seafood advertising funding to July 2010 and making small reductions to grants (\$60,700).
- Reversions and cancellations – a decrease of \$0.3 million due to receipt of federal funds for gypsy moth suppression in Office of Plant Industries and Pest Management and cost containment targets.

The special fund appropriation increases by a net of \$5.2 million. The changes are as follows:

- Deficiency appropriation – an increase of \$4.2 million for cover crops planted in fall 2008 from the Bay Restoration Fund (\$4.1 million) and for enforcement of pesticide regulations in the Office of Plant Industries and Pest Management (\$80,000).

L00A – Department of Agriculture

- Budget amendments – an increase of \$4.0 million for cover crops planted in fall 2008 and Conservation Reserve Enhancement Program (CREP) bonus payments (\$3,083,000), funding for technical staff assistance in soil conservation districts to plant cover crops (\$850,000), and allocation of the COLA special fund appropriation as authorized in the fiscal 2009 budget bill (\$103,943).
- Cost containment – a decrease of \$1.3 million:
 - June 25, 2008 BPW – a decrease of \$50,966 for cost containment actions relating to salaries, wages, and fringe benefits;
 - October 15, 2008 BPW – a decrease of \$1.2 million for cost containment actions relating to the reduction of funding for the Tobacco Transition Program by reducing Cigarette Restitution Fund funded operating budget for infrastructure grants in Marketing and Development and expenditures for infrastructure grants; and
 - March 4, 2009 BPW – a decrease of \$80,468 due to furlough reductions.
- Reversions and cancellations – a decrease of \$1.7 million primarily due to cover crop expenditures being lower than anticipated (\$0.8 million), lower revenue for contagious equine metritis and in general in Animal Health (\$0.3 million); lower revenue from grading fees and egg inspection (\$0.1 million).

The federal fund appropriation decreases by a net of \$1.4 million. The changes are as follows:

- Cost containment – a decrease of \$12,375 for cost containment actions relating to salaries, wages, and fringe benefits as part of June 25, 2008 BPW actions; and
- Reversions and cancellations – a decrease of \$1.4 million primarily due to lower than expected costs for emerald ash borer eradication work (\$0.5 million), reduced federal fund agreements in Animal Health (\$0.3 million), federal funds being spread over multiple years in the Office of Resource Conservation (\$0.2 million), lower federal funding for gypsy moth suppression (\$0.1 million).

The reimbursable fund appropriation decreases by a net of \$0.7 million due to cancellations. The cancellations primarily were due to lower than anticipated grants from the Department of Health and Mental Hygiene and Maryland Emergency Management Agency in Animal Health (\$0.3 million), little cover crop funding being targeted to specific grant locations (\$0.2 million), and lower than anticipated agency operations funding billed to programs in Central Services (\$0.1 million).

Fiscal 2010

MDA's general fund appropriation decreased by \$4.7 million. The change is due to cost containment as follows:

- July 22, 2009 BPW – a decrease of \$2.2 million due to reductions for low cost rural business loans in MARBIDCO (\$1,000,000); elimination of five soil conservation district positions and funding and office operating expenses (\$408,000); reduction for gypsy moth control (\$350,000); reductions for manure transport and nutrient management plan assistance (\$170,427); reductions for new vehicle purchases (\$170,000); elimination of a position and funding (\$75,000); and print and media advertising for seafood products (\$32,000);
- August 26, 2009 BPW – a decrease of \$1.6 million for MARBIDCO (\$650,000); across-the-board furlough reduction (\$507,093); elimination of three positions and funding to reflect the closure of three Animal Health Laboratories (\$204,000); elimination of a position and funding in Program Planning and Development (\$58,000); a shift from general funds to special funds for a position in Weights and Measures (\$52,000); elimination of a position and black light trap contracts for an insect survey (\$46,000); elimination of a position and funding for a marketing specialist in Aquaculture Development and Seafood Marketing (\$42,000); elimination of a Public Drainage Association position (\$33,000); and
- November 18, 2009 BPW – a decrease of \$0.9 million for low cost rural business loans made by MARBIDCO (\$250,000); a swap of general funds for special and federal funds for operating costs as a result of a reduction in salaries and fringe benefits for soil conservation districts to be replaced by USDA Natural Resources Conservation Service federal funds and the replacing of Maryland Agricultural Education and Rural Development Assistance Fund money (\$212,000); reduced gypsy moth spray program funding because of lower than anticipated need and the elimination of two positions (\$140,000); reduced new vehicle procurement funding (\$170,000); reduced Rural Maryland Council general funds and elimination of a vacant administrator position (\$25,000); elimination of support agreements with local jurisdictions for noxious weed control (\$58,000); across-the-board reduction for travel (\$51,350); elimination of a filled administrator position in the Maryland Agricultural Commission (\$20,000).

MDA's special fund appropriation decreased by \$0.2 million. The change is due to cost containment actions taken at the August 26, 2009 BPW meeting as follows: across-the-board furlough reductions (\$152,046) and Maryland Agricultural Fair Board reduction (\$45,000).

MDA's federal fund and reimbursable fund appropriations have not changed.

**Object/Fund Difference Report
Department of Agriculture**

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	426.50	405.50	412.50	7.00	1.7%
02 Contractual	49.05	49.90	51.40	1.50	3.0%
Total Positions	475.55	455.40	463.90	8.50	1.9%
Objects					
01 Salaries and Wages	\$ 27,193,958	\$ 25,441,949	\$ 28,065,747	\$ 2,623,798	10.3%
02 Technical and Spec. Fees	1,366,636	1,288,055	1,309,828	21,773	1.7%
03 Communication	604,758	921,736	848,147	-73,589	-8.0%
04 Travel	361,944	596,286	212,633	-383,653	-64.3%
06 Fuel and Utilities	1,138,854	1,342,589	1,027,509	-315,080	-23.5%
07 Motor Vehicles	1,161,348	1,228,414	1,031,238	-197,176	-16.1%
08 Contractual Services	6,757,794	6,122,068	5,100,092	-1,021,976	-16.7%
09 Supplies and Materials	1,560,861	1,467,110	1,412,243	-54,867	-3.7%
10 Equipment – Replacement	348,066	389,211	313,030	-76,181	-19.6%
11 Equipment – Additional	270,383	371,188	198,431	-172,757	-46.5%
12 Grants, Subsidies, and Contributions	21,283,285	15,195,510	23,361,269	8,165,759	53.7%
13 Fixed Charges	300,040	954,518	2,791,661	1,837,143	192.5%
14 Land and Structures	684,394	4,974,250	5,250,250	276,000	5.5%
Total Objects	\$ 63,032,321	\$ 60,292,884	\$ 70,922,078	\$ 10,629,194	17.6%
Funds					
01 General Fund	\$ 28,883,778	\$ 25,236,419	\$ 28,470,989	\$ 3,234,570	12.8%
03 Special Fund	26,772,403	24,972,527	26,847,616	1,875,089	7.5%
05 Federal Fund	5,093,849	4,713,293	4,471,061	-242,232	-5.1%
09 Reimbursable Fund	2,282,291	5,370,645	11,132,412	5,761,767	107.3%
Total Funds	\$ 63,032,321	\$ 60,292,884	\$ 70,922,078	\$ 10,629,194	17.6%

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary
Department of Agriculture**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
11 Office of the Secretary	\$ 7,862,869	\$ 8,211,297	\$ 8,486,954	\$ 275,657	3.4%
12 Office Of Marketing, Animal Industries, and Consumer Services	16,054,400	19,607,166	23,039,191	3,432,025	17.5%
14 Office Of Plant Industries And Pest Management	12,145,890	11,437,424	11,328,932	-108,492	-0.9%
15 Office Of Resource Conservation	26,969,162	21,036,997	28,067,001	7,030,004	33.4%
Total Expenditures	\$ 63,032,321	\$ 60,292,884	\$ 70,922,078	\$ 10,629,194	17.6%
General Fund	\$ 28,883,778	\$ 25,236,419	\$ 28,470,989	\$ 3,234,570	12.8%
Special Fund	26,772,403	24,972,527	26,847,616	1,875,089	7.5%
Federal Fund	5,093,849	4,713,293	4,471,061	-242,232	-5.1%
Total Appropriations	\$ 60,750,030	\$ 54,922,239	\$ 59,789,666	\$ 4,867,427	8.9%
Reimbursable Fund	\$ 2,282,291	\$ 5,370,645	\$ 11,132,412	\$ 5,761,767	107.3%
Total Funds	\$ 63,032,321	\$ 60,292,884	\$ 70,922,078	\$ 10,629,194	17.6%

Note: The fiscal 2010 appropriation does not include deficiencies.