

L00A
Department of Agriculture

Operating Budget Data

(\$ in Thousands)

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$27,300	\$26,665	\$27,176	\$511	1.9%
Contingent & Back of Bill Reductions	0	0	-250	-250	
Adjusted General Fund	\$27,300	\$26,665	\$26,926	\$261	1.0%
Special Fund	33,812	38,025	23,782	-14,243	-37.5%
Adjusted Special Fund	\$33,812	\$38,025	\$23,782	-\$14,243	-37.5%
Federal Fund	4,428	4,874	4,684	-190	-3.9%
Adjusted Federal Fund	\$4,428	\$4,874	\$4,684	-\$190	-3.9%
Reimbursable Fund	3,377	4,013	4,250	237	5.9%
Adjusted Reimbursable Fund	\$3,377	\$4,013	\$4,250	\$237	5.9%
Adjusted Grand Total	\$68,916	\$73,577	\$59,642	-\$13,935	-18.9%

- The Maryland Department of Agriculture's (MDA) budget decreases \$13.9 million, or 18.9%. The major change is a reduction of \$13.2 million in special funds, which reflects the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation that has yet to be allocated for fiscal 2013. A reduction contingent on the Budget Reconciliation and Financing Act (BRFA) of 2012 would reduce the Maryland Agricultural and Resource-Based Industry Development Corporation's (MARBIDCO) appropriation by \$250,000 in general funds.
- Adjusting for the proposed allocation of \$15.6 million in special funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, the budget increases 2.3% between fiscal 2012 and 2013.

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

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Personnel Data

	<u>FY 11 Actual</u>	<u>FY 12 Working</u>	<u>FY 13 Allowance</u>	<u>FY 12-13 Change</u>
Regular Positions	405.50	391.50	385.60	-5.90
Contractual FTEs	<u>44.90</u>	<u>44.90</u>	<u>44.10</u>	<u>-0.80</u>
Total Personnel	450.40	436.40	429.70	-6.70

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	17.62	4.57%
Positions and Percentage Vacant as of 12/31/11	33.90	8.66%

- Regular positions are reduced by 5.9 due to cost containment, primarily for administrative support. Contractual full-time equivalents are reduced by 0.8.
- MDA’s turnover rate is reduced from 6.98 to 4.57%.
- Section 19 and 20 transfer 2.0 regular positions and \$172,885 in general funds to the Department of Information Technology in order to consolidate web design and geographic information system services and contracts.

Analysis in Brief

Major Trends

Fluctuating Staffing Levels Affect Outcomes: Inspections of veterinary hospitals and pesticide licensees and permittees have been impacted by staffing shortages.

Noncorporate Farm Earnings Down: The recent recession appears to be reflected in the substantial decrease in the Bureau of Economic Analysis' noncorporate farm earnings numbers.

Issues

Cover Crop Effectiveness Reviewed: The cover crop program is MDA's single largest budgetary program change each year, which calls for a review of its effectiveness in terms of implementation levels, funding, targeting, and alternative approaches. Implementation levels and funding are up, targeting by remote surveying is being tested, and alternative approaches for nutrient reductions are identified in nutrient management regulations and a revised Phosphorus Site Index. **The Department of Legislative Services (DLS) recommends that MDA comment on how cover crops can be more effectively targeted and on whether strengthened nutrient management regulations might be more efficient and less costly for reducing nutrient loading from cropland than State cover crop funding.**

Small Farms May Need Different Nutrient Management Approach: A recent survey conducted by University of Maryland researchers found that small farms may need to be treated differently from large farms in terms of nutrient management plan compliance, nutrient and sediment loading to the Chesapeake Bay, and financial assistance needs from the State. **DLS recommends that MDA comment on how the nutrient management plan compliance rate of 63.1% comports with its data and on how MDA could improve small farm compliance with nutrient management plan requirements and implementation of best management practices.**

Agricultural Technical Assistance Staff Shortfall: Section 8-405 of the Agriculture Article 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 and beyond shall be \$10 million. In addition, the Administration has suggested in its Watershed Implementation Plan (WIP) that 160 field positions may be needed for Chesapeake Bay restoration purposes, which suggests that a unified funding source, the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, should provide funding for field personnel. **DLS recommends that MDA comment on why it did not submit fiscal 2013 information with the required report; how many soil conservation district field personnel will be funded in fiscal 2013 relative to the 110 statutory mandate and 160 level suggested in the WIP; and how the statutory mandate can be clarified. DLS also recommends that (1) existing and needed positions to fulfill the State field personnel mandate be funded from an allocation off the top of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenue via a BRFA of 2012 provision, both as a cost-saving measure and to provide a dedicated source of funding; and (2) general funds**

commensurate with the current level of State field personnel positions funded be reduced contingent upon the proposed BRFA of 2012 provision being adopted.

Special Fund Clarification Needed: During fiscal 2012, MDA submitted a budget amendment that would have transferred \$180,000 in special fund revenues from a loose collective of four State Chemist special funds to the Pesticide Fund in Pesticide Regulation. This transaction was in direct contradiction to statute. **DLS recommends that MDA provide an update on what it is doing to resolve the issue of the four State Chemist funds and the Pesticide Fund being treated as one fund.**

Farm Bill Uncertainty: The five-year 2012 Farm Bill process looked to be on track to finish during calendar 2011 as part of the deliberations of the federal deficit reduction Super Committee but stalled when the Super Committee failed to reach consensus. **DLS recommends that MDA comment on the current status of 2012 Farm Bill deliberations, what the 2012 Farm Bill is anticipated to mean for Maryland agriculture, and what MDA is advocating for in the 2012 Farm Bill.**

Recommended Actions

	<u>Funds</u>
1. Strike the Maryland Agricultural and Resource-Based Industry Development Corporation budget bill language.	
2. Concur with the Governor’s proposed reduction to the Maryland Agricultural and Resource-Based Industry Development Corporation appropriation.	\$ 250,000
3. Reduce the reimbursable fund appropriation from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.	
4. Restrict funds until the submission of a report.	
5. Reduce appropriation contingent on a change to the 2010 Trust Fund allocation.	
Total Reductions	\$ 250,000

Updates

Status of Brown Marmorated Stink Bug and Emerald Ash Borer: The brown marmorated stink bug and emerald ash borer, both invasive pest insects, have made inroads into Maryland and caused economic impacts. While product damage by the stink bug has been reduced, this has come at the cost of increased purchase of pesticides. The emerald ash borer quarantine has been extended to all of Maryland’s western shore in calendar 2011.

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 as described below.

- **Office of the Secretary:** Provides administrative support services; advises the Secretary on agricultural issues; and administers agricultural land preservation.

- **Office of Marketing, Animal Industries, and Consumer Services:** Provides weights and measures supervision; conducts inspection, grading, monitoring, and testing of agricultural product quality; generates agricultural statistics; protects animal health; regulates veterinarians; promotes the equine industry; assists in the development of agricultural markets; promotes agriculture through agricultural fairs, shows, and youth activities; supports the transition from tobacco production in Southern Maryland; and helps develop resource-based industries through the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO), an independent agricultural development agency that is budgeted within MDA.

- **Office of Plant Industries and Pest Management:** Manages forest pests; implements mosquito control services; regulates pesticides and pesticide applicators; administers nursery inspection, noxious weed control, nuisance bird control, and honey bee registration programs; regulates seed and sod labeling; and regulates the chemical components of pesticides, commercial fertilizers, feeds, pet foods, compost, soil conditioners, and liming materials.

- **Office of Resource Conservation:** Advises the Secretary on agricultural soil conservation and water quality; provides financial, technical, and staffing support to the State's 24 soil conservation districts; provides cost-share funding for best management practice implementation, manure transport, and nutrient management plan development; and trains, certifies, and licenses nutrient management plan consultants.

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;

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- 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.

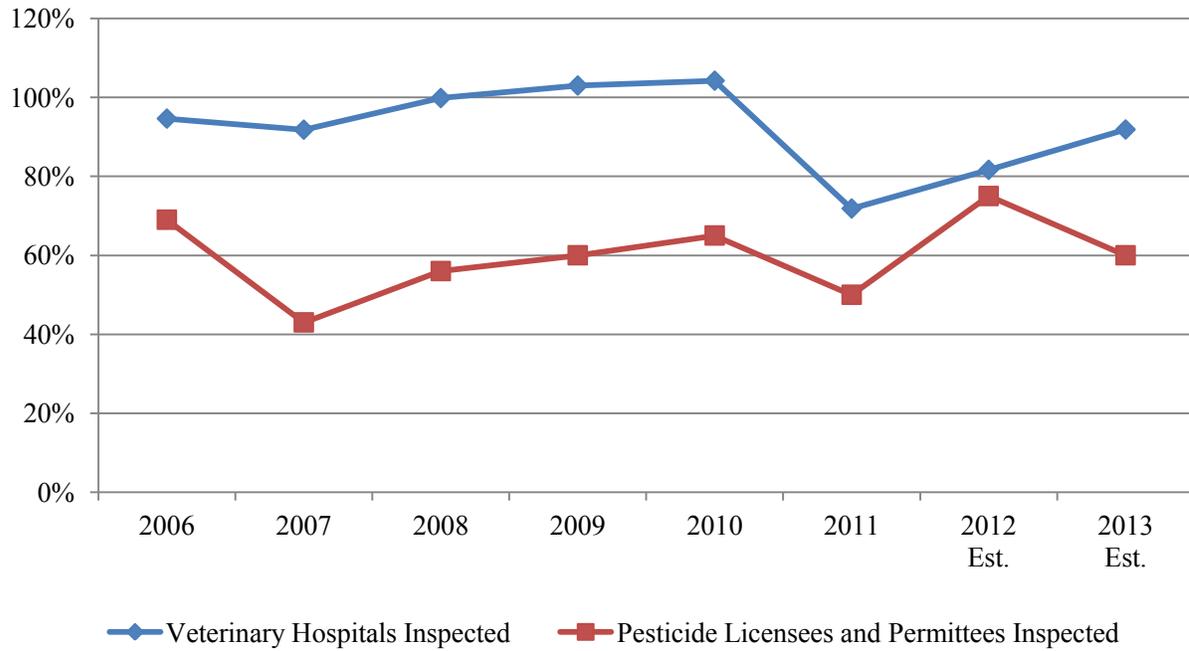
Performance Analysis: Managing for Results

The analysis of MDA’s fiscal 2013 Managing for Results (MFR) submission reflects upon impacts of fluctuating staffing levels, economic conditions, and external quality variables on MDA’s work.

Fluctuating Staffing Levels

Maintaining adequate staffing levels is a challenge in small programs with specialized work. **Exhibit 1** shows dips between fiscal 2010 and 2011 for both the percent of veterinary hospitals inspected (decreases from 521 in fiscal 2010 to 352 in fiscal 2011) and pesticide licensees and permittees inspected. MDA attributes the decline in veterinary hospitals inspected to a six-month vacancy in 1 of the 2 positions in the State Board of Veterinary Medical Examiners. The combination of a new Environmental Protection Agency (EPA) regulation requiring additional containment inspections and the extended medical leave of two employees explains the decrease in the percent of pesticide licensees and permittees. **The Department of Legislative Services (DLS) recommends that MDA comment on whether an inspection cross-training program would allow for more flexibility in how it handles vacancies and extended medical leave.**

**Exhibit 1
Fluctuating Staff Levels
Fiscal 2006-2013**



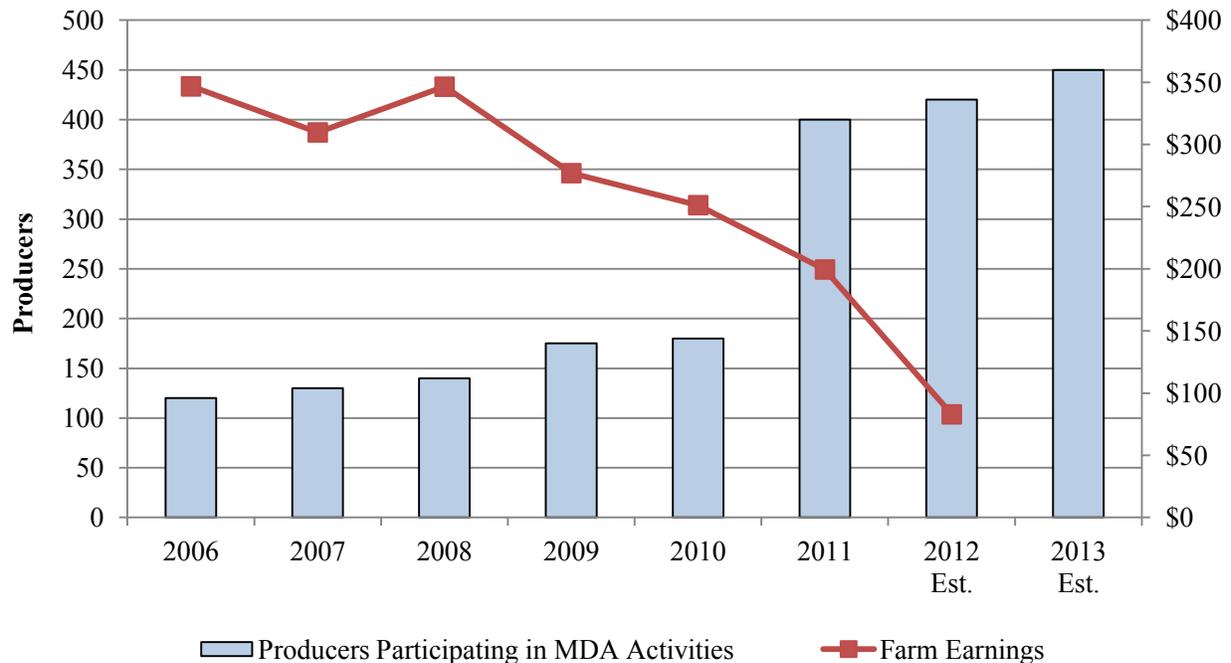
Note: The Department of Legislative Services estimates that there are 490 hospitals in fiscal 2011 through 2013 based on the estimate provided at the time of the fiscal 2012 budget submission. In fiscal 2009 and 2010, more than 100% of veterinary hospitals were inspected because hospitals opened and closed during the year and so more were surveyed than ended up being open at the end of the year. In terms of the percent of licensees and permittees inspected, in fiscal 2007, 2 of 6 inspectors were lost. In fiscal 2008 and 2009, there was a lower measure than anticipated because of a resignation, staff furloughs, and medical leave.

Source: Governor’s Budget Books, Fiscal 2009-2013

Economic Conditions

Agriculture is a global industry and thus is impacted by global commodity markets and economic conditions. MDA’s Marketing and Agriculture Development program assists farmers to develop markets for their products. The measure for this is the number of producers participating in MDA activities, which applies to farmers participating in domestic marketing activities through Maryland’s Best program. The number participating has been increasing in recent years with the largest increase between fiscal 2010 and 2011, as shown in **Exhibit 2**. However, during this same time period, there has been a substantial economic recession, which appears to be reflected in the substantial decline in the Bureau of Economic Analysis’ noncorporate farm earnings measure.

**Exhibit 2
Economic Conditions
Fiscal 2006-2013
(\$ in Millions)**



MDA: Maryland Department of Agriculture

Note: Noncorporate farm earnings data is quarterly data that is seasonally adjusted at annual rates that has been averaged over the fiscal year. The fiscal 2012 data reflects the annual rate for only the first quarter of fiscal 2012 (*i.e.*, through September 30, 2011), and thus the fiscal 2012 numbers, as well as prior year numbers, may change.

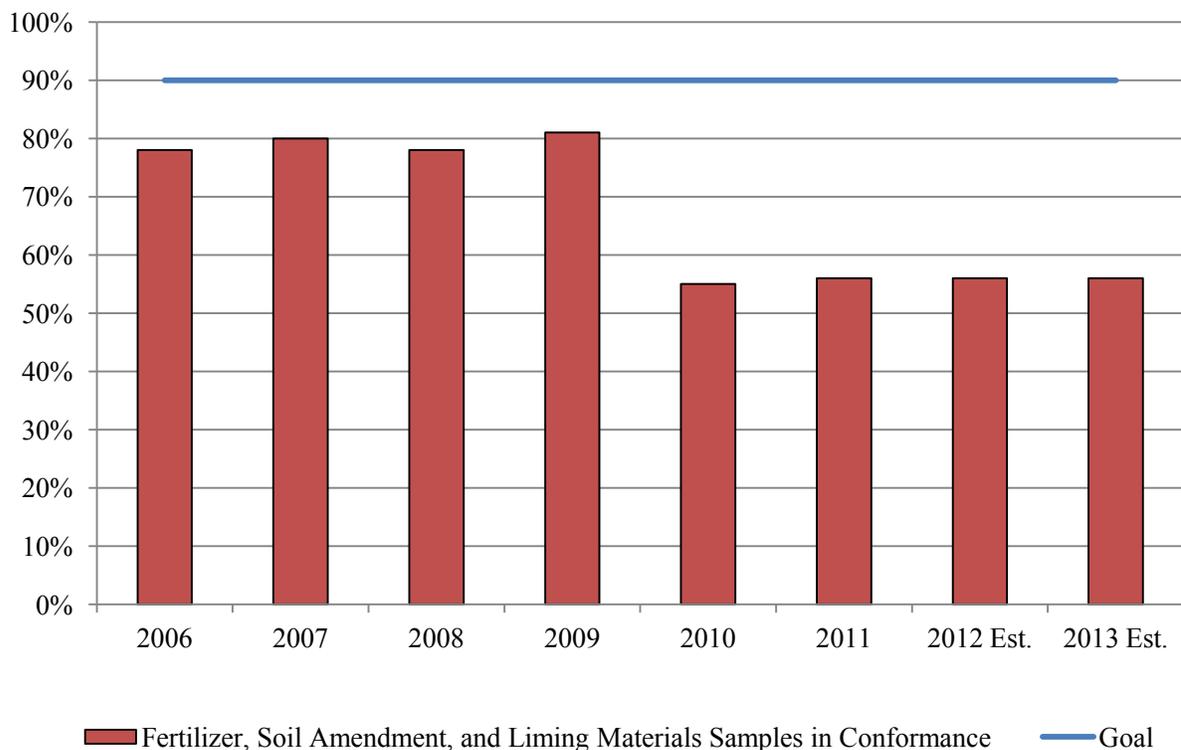
Source: Governor’s Budget Books, Fiscal 2009-2013; Bureau of Economic Analysis

MDA advises that it is not familiar with the Bureau of Economic Analysis’ methodology for measuring farm income. Instead, MDA cites U.S. Department of Agriculture’s Economic Research Service data for the Southern Seaboard region, encompassing Maryland, which estimates a decline of net farm income of 2%. According to MDA, this may be due to a weak year for the broiler industry, which declined 18% in 2011. MDA notes that dairy, grains, hogs, turkeys, layers, and beef cattle sectors saw improved economic prospects in Maryland in calendar 2011. **DLS recommends that MDA comment on the recent drop in Maryland noncorporate farm earnings and how these relate to corporate farm earnings and the general state of Maryland agriculture.**

External Quality Variables

Finally, MDA’s MFR measures reflect external quality variables over which it may have very little control. For instance, the State Chemist samples fertilizer, soil amendments, and liming materials to evaluate conformance with Maryland laws on quality and safety with respect to active ingredient content and toxic materials. **Exhibit 3** depicts the percent of fertilizer, soil amendments, and liming materials that conform in this way. Between fiscal 2009 and 2010, there is a substantial decrease in the percent of samples in conformance, which MDA attributes to the natural characteristics of raw and recycled materials that lead to quality control issues for producers. Overall, MDA is well below its goal of 90% conformance with Maryland laws. **DLS recommends that MDA comment on whether there is anything that can be done to improve the level of conformance with Maryland laws.**

Exhibit 3
External Quality Variables
Fiscal 2006-2013



Source: Governor’s Budget Books, Fiscal 2009-2013

Fiscal 2012 Actions

Cost Containment

Section 47 of the fiscal 2012 budget bill required the Governor to abolish 450 positions as of January 1, 2012. MDA’s share of the reduction was 4 positions: 3 pest specialists and 1 veterinarian. The annualized salary savings due to the abolition of these positions is expected to be \$129,113 in general funds and \$57,724 in special funds for a total of \$186,837.

Reorganization

Natural Resources – Aquaculture (Chapter 411 of 2011) transferred the aquaculture development and seafood industry support functions of MDA’s Aquaculture Development and Seafood Marketing program to the Department of Natural Resources (DNR). Three positions and \$280,611 in general funds were transferred.

Budget Reconciliation and Financing Act of 2012

The fiscal 2012 allowance proposes a contingent reduction of \$250,000 in general funds for MARBIDCO. This action is made contingent upon the enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2012 allowing for the reduction in the mandated appropriation. The contingent reduction would reduce MARBIDCO’s appropriation from \$3.0 million to \$2.75 million in fiscal 2013. The BRFA of 2012 affects the out-years as well, as shown in **Exhibit 4**.

Exhibit 4
MARBIDCO Funding Comparison Between Current Statute and BRFA of 2012
Fiscal 2012-2020
(\$ in Millions)

<u>Fiscal Year</u>	<u>Current Statute</u>	<u>BRFA of 2012</u>	<u>Difference</u>
2012	\$2.75	\$2.75	\$0.00
2013	3.00	2.75	-0.25
2014	4.00	2.75	-1.25
2015 through 2020	4.00	4.00	0.00

BRFA: Budget Reconciliation and Financing Act

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

Note: Chapter 467 of 2004 (2020 Rural Maryland – Agricultural and Resource-Based Industry Development Act) created MARBIDCO and stated that it should be self-sufficient by 2020 with no further need of general operating State support. Chapter 289 of 2006 (Agricultural Stewardship Act of 2006) stipulated funding for MARBIDCO of \$3.0 million in fiscal 2008, \$3.5 million for fiscal 2009, and \$4.0 million, annually thereafter through fiscal 2020. However, funding provisions have been changed since then.

Source: Department of Legislative Services

Proposed Budget

MDA's fiscal 2013 allowance decreases by \$13.9 million, or 18.9%, relative to the fiscal 2012 working appropriation, as shown in **Exhibit 5**. However, the majority of the change is due to the timing of the allocation of the special fund appropriation from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, which currently is budgeted within DNR. The changes by fund in Exhibit 5 reflect a decrease of \$0.3 million in general funds, a decrease of \$14.2 million in special funds, a decrease of \$0.2 million in federal funds, and an increase of \$0.2 million in reimbursable funds. Personnel changes are discussed first, then operating expenditures.

Personnel

MDA's overall personnel expenditures increase by \$121,000 with the largest change being an increase for soil conservation district field personnel. The changes are as follows:

- **Turnover Adjustments in Resource Conservation Operations** – The largest increase is a reduction in the turnover rate, which provides for a \$583,000 increase in funding. Overall, MDA's turnover rate was reduced from 6.98 to 4.57%. The turnover rate was decreased the most in Resource Conservation Operations, from 7.00 to 0.78%, in order to allow for approximately \$317,000 in funding for 6 soil conservation district field personnel positions. This brings the number of positions funded from 73 positions to 79 (79 are authorized, according to MDA). Statute mandates that 110 soil conservation district field personnel be funded in the fiscal 2013 budget at \$10.0 million, which is discussed more as an issue.
- **Employee and Retiree Health Insurance Pay-as-you-go Costs** – Health insurance costs increase by \$313,000 due to statewide formulas.
- **Retirement Contribution** – Retirement contribution increases \$279,000.
- **Salaries and Wages** – Salaries and wages decrease \$468,000, the single largest decrease in personnel expenses.
- **One-time Fiscal 2012 Bonus** – State employees were provided a one-time \$750 bonus during fiscal 2012 as part of the collective bargaining agreement; therefore, personnel funding decreases by \$278,000 in fiscal 2013.
- **Abolished Positions** – Funding decreases by \$275,000, and 5.9 positions are abolished, primarily in administrative support, for cost containment.

Exhibit 5
Proposed Budget
Department of Agriculture
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2012 Working Appropriation	\$26,665	\$38,025	\$4,874	\$4,013	\$73,577
2013 Allowance	<u>27,176</u>	<u>23,782</u>	<u>4,684</u>	<u>4,250</u>	<u>59,892</u>
Amount Change	\$511	-\$14,243	-\$190	\$237	-\$13,685
Percent Change	1.9%	-37.5%	-3.9%	5.9%	-18.6%
Contingent Reduction	-\$250	\$0	\$0	\$0	-\$250
Adjusted Change	\$261	-\$14,243	-\$190	\$237	-\$13,935
Adjusted Percent Change	1.0%	-37.5%	-3.9%	5.9%	-18.9%

Where It Goes:

Personnel Expenses

Turnover adjustments.....	\$583
Employee and retiree health insurance pay-as-you-go costs.....	313
Retirement contribution	279
Salaries and wages	-468
One-time fiscal 2012 bonus	-278
Abolished positions (5.90)	-275
Other fringe benefit adjustments	-33

Other Changes

Programmatic

MARBIDCO funding.....	\$250
Contingent reduction of MARBIDCO funding.....	-250
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund allocation.....	-13,180
Miscellaneous contractual services	-340
Maryland Agricultural Land Preservation Foundation easement expenditures	-190

Operations

Statewide cost allocations	274
Fuel and utilities for electricity	70
Communications	-228
Equipment replacement primarily for computer hardware capital lease.....	-208
Building/road repairs and maintenance.....	-195
Motor vehicle operations and maintenance.....	-83
Other changes.....	24

Total **-\$13,935**

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

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

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In addition to changes noted above, there are two sections in the operating budget bill that would change MDA's position count and associated funding as follows:

- Section 19 proposes to provide resources to the Department of Information Technology (DoIT) to manage web design services and contracts. The objective is to consolidate contracts and personnel so that DoIT manages basic systems while agencies manage their specialized content. Approximately \$900,000 and 11.0 regular positions are authorized to be transferred from State agencies budgets into DoIT's budget. With respect to MDA, the section authorizes the Governor to transfer 1.0 regular position and \$86,732 in general funds from MDA to DoIT. This initiative is discussed in the DoIT budget.
- Section 20 proposes to provide some staff and funding for a Statewide Geographic Information Office in DoIT. In August 2011, the Board of Public Works approved a Statewide Geographic Information Systems (GIS) contract that is managed by DoIT. The new contract provided GIS services to the entire State for the cost of the contracts from individual State agencies, thereby expanding usage without increasing costs. The new office plans to consolidate storage and access to mapping data and to develop standard mapping products and applications. To staff the new office, the section authorizes the transfer of 5.0 regular positions and \$1.2 million from State agencies into DoIT. With respect to MDA, the section authorizes the Governor to transfer 1.0 regular positions and \$86,153 in general funds from MDA to DoIT. This initiative is discussed in the DoIT budget.

Other Changes

The nonpersonnel changes in MDA's budget account for a decrease of \$14.1 million. The biggest change is a decrease of \$13.2 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation due to the timing of the fiscal 2013 allocation of funding. Adjusting for this change, the nonpersonnel changes amount to \$0.9 million. The changes are as follows.

Programmatic

- ***MARBIDCO Funding and Contingent Reduction:*** MARBIDCO's funding is returned to the \$3.0 million general fund level provided for by the BRFA of 2011 (Chapter 397 of 2011), an increase of \$250,000, before it is reduced contingent upon a provision in the BRFA of 2012, changing the mandated funding level to \$2.75 million.
- ***Chesapeake and Atlantic Coastal Bays 2010 Trust Fund:*** The fiscal 2013 allowance decreases by \$13.2 million relative to the 2012 working appropriation since the fiscal 2012 working appropriation includes \$12.0 million for cover crops and \$1.2 million for soil conservation district technical assistance. This total decrease of \$13.2 million, from the Chesapeake and Atlantic Coastal Bays 2010 Trust, currently is budgeted in DNR and has not yet been allocated for fiscal 2013. However, there is approximately \$717,000 in reimbursable fund appropriation in the fiscal 2013 allowance from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund reflected as part of the turnover increase in the personnel section of the budget. The fiscal 2013 draft annual workplan for the Chesapeake and Atlantic Coastal Bays

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2010 Trust Fund reflects \$15.6 million in funding divided among cover crops (\$12.0 million), soil conservation district technical assistance (\$2.8 million), and the Conservation Reserve Enhancement Program (\$0.8 million). Although, the cover crop funding may be reduced by \$5.0 million and allocated to other purposes if legislation doubling the fee from the second main source of revenue – the Bay Restoration Fund (BRF) – is enacted. **DLS recommends that the \$717,000 in the reimbursable fund appropriation be deleted since the allocation from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund has not yet been determined.**

- ***Miscellaneous Contractual Services:*** Contractual services decrease by \$340,000 primarily due to a one-time pesticide survey and statewide effort to dispose of unused/unwanted pesticides in State Chemist (\$180,000), a reduction in reimbursement for a federal statistician per the Maryland Agricultural Statistics Service program’s Cooperative Agreement (\$50,000), and a reduction in equipment rental costs in Mosquito Control – Administration.
- ***Maryland Agricultural Land Preservation Foundation Easement Expenditures:*** Easement expenditures, including title insurance, decrease by \$190,000 for the Maryland Agricultural Land Preservation Foundation returning to fiscal 2011 levels.

Operations

- ***Statewide Cost Allocations:*** Statewide cost allocations increase by \$274,000 for the statewide personnel system (\$188,275), retirement administrative fee (\$49,831), DoIT information technology services (\$26,276), and Attorney General administration (\$9,438).
- ***Fuel and Utilities Increases Primarily for Electricity:*** Fuel and utilities increase by \$70,000 primarily due to agencywide electricity increases.
- ***Communications Decreases:*** Communication decreases by \$228,000 primarily due to reductions in Department of Budget and Management paid telecommunications (\$143,028) and postage (\$66,584).
- ***Equipment Replacement Primarily for Computer Hardware Capital Lease:*** Equipment replacement decreases by \$208,000 primarily due to a decrease in agencywide capital lease/purchase payments for computer hardware.
- ***Building/Road Repairs and Maintenance:*** Building/road repairs and maintenance costs decrease agencywide by \$195,000.
- ***Motor Vehicle Operations and Maintenance:*** Motor vehicle operations and maintenance costs decrease overall with the largest decrease in purchase cost or lease cost of vehicles in Weights and Measures (\$94,748) due to the completion of vehicle purchases in fiscal 2012. This decrease is offset partially by increases for other vehicles across MDA.

Issues

1. Cover Crop Effectiveness Reviewed

The cover crop program is MDA’s single largest budgetary program change each year, which calls for a review of its effectiveness in terms of implementation levels, funding, targeting, and alternative approaches.

Cover Crop Variability

Exhibit 6 shows the cover crop implementation history. Two major trends stand out: the increases in both the number of acres enrolled and the final eligible acres as a percent of initial acres. The cover crop program had a record level sign-up of 571,427 acres in fiscal 2012, although fall certification acres are not yet known. If the trend holds and 75% of the 571,427 acres (approximately 430,000 acres) are enrolled at \$50 per acre, then \$21.4 million will be needed, which is more than the approximately \$17.6 million (\$11.98 million from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund and \$5.6 million from the BRF) available for fiscal 2012.

**Exhibit 6
Cover Crop History
Fiscal 2005-2013**

<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	210,258	205,268	135,328	128,638	61%
2007	451,467	290,000	243,945	238,674	53%
2008	336,800	303,364	203,497	187,479	56%
2009	398,225	387,022	237,144	238,839 ¹	60%
2010	330,469	330,469	206,810	206,810	63%
2011	508,069	492,757	400,331	381,949	75%
2012 (est.)	571,427	567,252	n/a	n/a	n/a
2013 (est.)	n/a	n/a	n/a	352,000 ²	n/a

¹ 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.

² The final eligible acres estimate for fiscal 2013 assumes revenues of \$17.6 million at \$50/acre, for a total of approximately 352,000 acres. This number is dependent on the average price of cover crops, which will not be known until the traditional versus commodity cover crop split is known in the spring.

Source: Maryland Department of Agriculture; Department of Legislative Services

Funding

Cover crop funding in the fiscal 2013 allowance is comprised of \$5.6 million in BRF revenue from the septic system user fee, which is in MDA’s budget, and \$12.0 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenue that has yet to be allocated from DNR’s budget. No prior year funding from the BRF is used for fiscal 2013 because it was cancelled at the end of fiscal 2011 per the fiscal 2011 operating budget instructions that remaining BRF revenue be transferred to the Maryland Department of the Environment (MDE) for wastewater treatment plant upgrades or be cancelled. However, if the BRF fee is doubled, as the Administration proposes for fiscal 2013, then BRF fee revenue will approximately double as well, and the Administration plans to use \$5.0 million of the \$12.0 million in Chesapeake and Atlantic Coastal Bays 2010 Trust revenue for defraying costs attributable to nutrient management regulation proposed by the Administration.

Exhibit 7 depicts overall and per-acre funding for fiscal 2006 through 2011. There are two offsetting cover crop provisions: the base payment rate, which is reflected indirectly in the per-acre funding, is increasing over time; and there is a federally funded cover crop program that the State can piggyback on by only paying the additional incentives amount for various timing, planting technology, and crop type provisions. As a result, the federally funded cover crop program moderates the increase in the average cost per acre increase.

Exhibit 7
Comparison of Cover Crop Funding
Fiscal 2006-2011

<u>Fiscal Year</u>	<u>Final Eligible Acres</u>	<u>Funding</u>	<u>Per-acre Funding</u>
2006	128,638	\$4,744,246	\$37
2007	238,674	7,616,982	32
2008	187,479	6,733,397	36
2009	238,839	10,714,778	45
2010	206,810	8,816,355	43
2011	381,949	18,196,123	48

Source: Maryland Department of Agriculture; Department of Legislative Services

Targeting

The fiscal 2012 allocation of funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund was the first time that cover crop funding was explicitly targeted to particular watersheds from a budgeting perspective. The effectiveness of this approach may be determined by the outcome of a \$600,000 grant provided by the National Fish and Wildlife Foundation in August 2010 to implement a statewide remote sensing adaptive management tool for measuring winter cover crop productivity and nutrient uptake.

MDA reports that the grant is funding a three-year project to develop the application software that will interpret satellite imagery to determine cover crop effectiveness. A pilot project in Talbot County either will or already has been performed and contract specifications for procurement of the application software are being developed.

Alternative Approaches?

The Administration recently has pursued additional approaches for the reduction of nutrient loading on agricultural cropland: nutrient management regulations and a revised Phosphorus Site Index. These approaches raise the question of whether cover crop funding could be supplanted.

The Administration proposed nutrient management regulations in November 2011 but then rescinded the regulations after concerns were raised by farmers and wastewater treatment plant operators about the limitation on the fall application of biosolids and manure, which would require expensive new storage facilities and by environmentalists who were concerned that the regulations were not strict enough. The nutrient management regulations and revised Phosphorus Site Index provisions are as follows:

- **Nutrient Management Regulations**
 - *Fiscal 2012 through 2013*
 - restrict fall fertilization of commodity cover crops unless soil nitrate levels proven to be below a threshold;
 - require incorporation of organic nutrient sources into the soil; and
 - limit fall application of organic nutrient sources.
 - *Beyond Fiscal 2013*
 - require nutrient application setbacks of 10 to 35 feet depending on application method by fiscal 2014;
 - require livestock to be fenced out of streams by fiscal 2014; and
 - prohibit winter application of all nutrient sources by fiscal 2016.
- **Phosphorus Site Index** – The Phosphorus Site Index is a measure of phosphorus on agricultural land. The intent is to more accurately reflect phosphorus transport pathways to the Chesapeake Bay.

Neither the nutrient management regulations nor the Phosphorus Site Index have received explicit nutrient reduction efficiencies from EPA, and MDA notes that both practices will be needed, as well as cover crops, in order to meet the EPA’s Chesapeake Bay restoration requirements.

DLS recommends that MDA comment on how cover crops can be more effectively targeted, and on whether strengthened nutrient management regulations might be more efficient and less costly for reducing nutrient loading from cropland than State cover crop funding.

2. Small Farms May Need Different Nutrient Management Approach

A recent survey conducted by University of Maryland researchers found that small farms may need to be treated differently from large farms in terms of nutrient management plan compliance, nutrient and sediment loading to the Chesapeake Bay, and financial assistance needs from the State. The survey was stratified by farm sales and was mailed to 1,000 farms and had 523 responses. The survey indicated the following:

- **Overall** – approximately 65% of farmers use at least one best management practice.
- **Farm Size** – a higher percentage of large farms used the following best management practices:
 - ***Crop Farm*** – land management techniques including conservation/no till, cover crop, strip farming, contour farming, and retirement of highly erodible land.
 - ***Livestock Farm*** – waste management structures including heavy use poultry area concrete pads and poultry manure or livestock waste storage structure or lagoon.
 - ***Farm Operation Near Water Body*** – water protection practices including riparian forest/grass buffer; stream fencing, stream crossing, or water troughs; and wetland restoration.
- **Cost-sharing**
 - ***Best Management Practice*** – cover crops, poultry manure or livestock waste storage structure or lagoon, and heavy use poultry area concrete pads are among the practices used most often and are most frequently cost-shared.
 - ***Size of Farm*** – large farm operations most often receive cost sharing for the large number of best management practices they have.

- **Nutrient Management Plan Adoption**
 - *Overall* – 63.1% of the farms surveyed (those that are required to have a nutrient management plan) actually have one.
 - *Size of Farm* – noncompliance is greatest among small farms.

The researchers concluded that there is the potential for greater nutrient runoff reduction through best management practice implementation, particularly by small farms with the help of cost-sharing. In terms of their makeup, small farms under \$50,000 in sales amount to 21% of cropland acres, 26% of head of cattle, and 83% of head of horses; therefore, documentation of their runoff potential is necessary.

MDA notes that a greater understanding of the contribution of small farms to nutrient and sediment loading would be helpful for determining whether it should devote staff and program funding to this segment of the farm population. MDA's MFR measures reflect 99% compliance with the nutrient management plan requirement as a percent of total eligible acreage in fiscal 2011. All farms with \$2,500 or greater gross income and 8 or more animal units are required to have a nutrient management plan. **DLS recommends that MDA comment on how the nutrient management plan compliance rate of 63.1% comports with its data and on how MDA could improve small farm compliance with nutrient management plan requirements and implementation of best management practices.**

3. Agricultural Technical Assistance Staff Shortfall

Section 8-405 of the Agriculture Article 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 and beyond shall be \$10 million. It has been difficult to independently verify funding for the 110 soil conservation field personnel and \$10 million funding level for soil conservation district field personnel, but with the submission of the report required by the fiscal 2012 budget bill, some clarity has been provided. In addition to the staffing level issue, the funding source and whether the positions need to be State positions has never been fully addressed, and now there is the need to address the 160-position level recommended by the Administration in its Watershed Implementation Plan (WIP) for Chesapeake Bay restoration.

Current Staffing Level

The report on soil conservation district field personnel was required to include fiscal 2011 actual, fiscal 2012 working appropriation, and fiscal 2013 allowance data on the following:

- 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

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- the amount of funding budgeted by fund for regular position expenses directly attributable to field personnel and, separately, operating expenses indirectly associated with field personnel.

According to MDA, it currently has 79 authorized field personnel in the Resource Conservation Operations program, of which 73 are filled and funded by general funds. Of the \$10.0 million mandated funding level only \$7.4 million in general funds were provided in fiscal 2012. MDA did not provide information about fiscal 2013 in the required report.

According to the draft annual work plan for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, in fiscal 2012, there are 16 conservation district positions, assumed to be field personnel, funded by grants made available to soil conservation districts from Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenue. This distinction is important because MDA interprets statute as mandating that the 110 field personnel be funded with general funds and to be for positions within MDA. As a result, MDA does not include these special funded positions in its count of field personnel for purposes of meeting the mandate.

Fiscal 2013 Staffing Plans

In fiscal 2013, the Administration intends to fund a total of 39 soil conservation district positions using Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenue, according to the annual work plan, and MDA's budget includes a reduction in turnover that allows for the funding of 6 vacant positions under its authority. The reduction in the turnover rate provides for \$316,843 in general funds, and there is an additional \$133,157 in general funds in additional assistance to soil conservation districts. All told, 122 field personnel positions (79 MDA general fund regular positions, 4 reimbursable fund grant-fund soil conservation district positions, and 39 special fund grant-funded soil conservation district positions) could be funded in fiscal 2013 under the Administration's plan, although these positions will not meet the 110 field personnel mandate as interpreted by MDA due to the special and reimbursable fund revenue supporting the soil conservation district grant-funded positions. **Exhibit 8** provides an overview of the proposed fiscal 2013 field personnel staffing levels.

In order to meet the 160-position goal suggested in Maryland's WIP, MDA indicates that it has developed a phased hiring plan that will allow for the time to recruit, hire, and train the additional staff. According to MDA, this phased plan is needed to allow for the pool of qualified candidates to be replenished. **DLS recommends that MDA comment on why it did not submit fiscal 2013 information with the required report; how many soil conservation district field personnel will be funded in fiscal 2013 relative to the 110 statutory mandate and 160 level suggested in the WIP; and how the statutory mandate can be clarified. DLS also recommends that (1) existing and needed positions to fulfill the State field personnel mandate be funded from an allocation off the top of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenue via a BRFA of 2012 provision, both as a cost-saving measure and to provide a dedicated source of funding; and (2) general funds commensurate with the current level of State field personnel positions funded be reduced contingent upon the proposed BRFA of 2012 provision being adopted.**

Exhibit 8
Soil Conservation District Field Personnel Staffing Levels
Fiscal 2013 Plan

<u>Fund Source</u>	<u>Statutory Mandate (110 Positions)</u>	<u>WIP Suggested Level (160 Positions)</u>
General Funds (State Positions)	79	79
Reimbursable Funds (Soil Conservation District Grant Positions)		4
Special Funds (Chesapeake and Atlantic Coastal Bays 2010 Trust Fund)		39
Total	79	122

WIP: Watershed Implementation Plan

Note: There are 79 authorized State positions, of which 73 are filled. The Maryland Department of Agriculture plans on filling 6 of the vacant positions in fiscal 2013 for a total of 79 State field positions under the statutory mandate. It is assumed that these 79 State field positions also would be recognized under the suggested position level in the Watershed Implementation Plan, as well as 4 soil conservation district grant positions funded with reimbursable funds, and 39 positions funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.

Source: Department of Legislative Services

4. Special Fund Clarification Needed

During fiscal 2012, MDA submitted a budget amendment that would have transferred \$180,000 in special fund revenues from a loose collective of four State Chemist special funds to the Pesticide Fund in Pesticide Regulation. This transfer was in direct contradiction to statute. The budget amendment was submitted in order to provide for contractual services related to a pesticide survey and a statewide effort to dispose of unused/unwanted pesticides. While this was eventually resolved by funding the work directly out of the State Chemist's funds, MDA's proposed transfer treats the Pesticide Fund and State Chemist funds as a consolidated fund despite distinct statutory references and parameters.

There are two problems with the proposed transfer as follows:

- **Treatment of Four State Chemist Special Funds as One** – There are actually four different statutorily defined State Chemist funds, each with a particular revenue source, statutory cap, and purpose that MDA has made a practice of handling as one fund, which is in direct contradiction to statute.
- **Transfer Between State Chemist Special Funds and Pesticide Fund** – MDA proposed to transfer revenue from the collective State Chemist special funds to the Pesticide Fund, which is in direct contradiction to statute.

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MDA indicates that there is overlap between the uses of one of the four State Chemist funds and the Pesticide Fund. Therefore, if one allows for the four State Chemist funds to be treated as one, then by extension, the Pesticide Fund should also loosely be treated as one of the allowed uses of the State Chemist funds. This arrangement has been MDA's pattern of practice. While it is not allowed by statute, it does not appear that MDA has the procedures in place to allow for the separate accounting of the State Chemist funds.

A possible remedy to this situation would be to change the statute by consolidating currently separate State Chemist funds and the Pesticide Fund into one special fund. MDA has indicated that it is looking into how much current law would need to change. **DLS recommends that MDA provide an update on what it is doing to resolve the issue of the four State Chemist funds and the Pesticide Fund being treated as one fund.**

5. Farm Bill Uncertainty

The five-year 2012 Farm Bill process looked to be on track to finish during calendar 2011 as part of the deliberations of the federal deficit reduction Super Committee but stalled when the Super Committee failed to reach consensus. The 112th Congress is now in session, but there has been very little press about the 2012 Farm Bill. It is likely that the 2012 Farm Bill will focus on commodity programs, conservation, and crop insurance. The safety net for commodity producers appears to be a major discussion point with varying proposals based on whether particular commodity prices are rising or falling. Of special interest to Maryland would be any funding for conservation practices in the Chesapeake Bay watershed, a feature of the last Farm Bill. **DLS recommends that MDA comment on the current status of 2012 Farm Bill deliberations, what the 2012 Farm Bill is anticipated to mean for Maryland agriculture, and what MDA is advocating for in the 2012 Farm Bill.**

Recommended Actions

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

~~, provided that this appropriation shall be reduced by \$250,000 contingent upon the enactment of legislation reducing the mandated amount of funds for the Maryland Agricultural and Resource Based Industry Development Corporation.~~

Explanation: The fiscal 2013 budget bill as introduced includes a \$250,000 reduction to the Maryland Agricultural and Resource-Based Industry Development Corporation, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2012. This action strikes that contingent reduction.

**Amount
Reduction**

2. Concur with the Governor’s proposed reduction to the Maryland Agricultural and Resource-Based Industry Development Corporation appropriation to reflect the Governor’s budget proposal. \$ 250,000 GF

3. Add the following language:

Authorization to expend reimbursable funds received from the Department of Natural Resources from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is reduced by \$716,587. A budget amendment may be processed to bring in an appropriation once the final allocation is determined.

Explanation: The BayStat agencies typically request a special fund budget amendment after the session in order to allocate the revenues from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. Therefore, this reimbursable fund appropriation for soil conservation district personnel grant funding is unnecessary.

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

. provided that \$1,000,000 of this appropriation for the Maryland Department of Agriculture (MDA), made for the purpose of general operating expenses, may not be expended until MDA provides a report on soil conservation district field personnel position counts and funding for the fiscal 2012 actual, fiscal 2013 working appropriation, and fiscal 2014 allowance. The scope of the report is as follows:

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- (1) the number of vacant and filled contractual and regular soil conservation district field personnel positions (defined as soil conservation planner, soil conservation associated, and soil conservation engineering technician positions); and
- (2) the number of soil conservation district field personnel positions funded with grant funding; and
- (3) the amount of funding budgeted by fund type and particular fund source for regular positions and positions funded with grant funding in terms of both expenses directly attributable to field personnel and, separately, operating expenses indirectly associated with field personnel.

The report shall be submitted in conjunction with submission of the fiscal 2014 budget, and annually thereafter, and the budget committees shall have 45 days to review and comment following receipt of the report. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: Section 8-405 of the Agriculture Article 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 2013 shall be \$10 million. There is concern that it is difficult to independently verify funding since data on the fiscal 2013 allowance was not submitted with the required report. In addition, there is concern that soil conservation district positions funded by grants are not being counted relative to the 110 position requirement. Therefore, this action requires that MDA include with its fiscal 2014 budget submission information on the fiscal 2012 actual, fiscal 2013 working appropriation, and fiscal 2014 allowance data soil conservation district field personnel position counts and funding both within MDA and funded by MDA through grants to soil conservation districts.

Information Request	Authors	Due Date
Report on soil conservation district field personnel position counts and funding	MDA Department of Budget and Management	Fiscal 2014 State budget submission and annually thereafter

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

Further provided that \$4,400,000 of this appropriation shall be reduced contingent upon the enactment of legislation authorizing the use of funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be used for funding soil conservation district field personnel salaries and fringe benefits.

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Explanation: This action reduces \$4,400,000 in general funds in the Maryland Department of Agriculture’s Resource Conservation Operations program contingent on budget reconciliation legislation providing for salaries and fringe benefits funding being made available as a statutory allocation from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. There are 79 soil conservation district field personnel in the Maryland Department of Agriculture at an estimated cost of \$55,000 per position, which yields an approximately \$4,400,000 annual personnel cost.

Total General Fund Reductions **\$ 250,000**

Updates

1. Status of Brown Marmorated Stink Bug and Emerald Ash Borer

The brown marmorated stink bug and emerald ash borer, both invasive pest insects, have made inroads into Maryland and caused economic impacts. MDA notes that Pesticide Regulation has applied to the EPA for emergency exemptions for brown marmorated stink bug pesticides. While product damage by the stink bug has been reduced, this has come at the cost of increased purchase of pesticides. A possibly promising aid to reducing stink bug damage is the application of kaolin clay as a dust to fruit and vegetables surfaces. Apparently, the kaolin clay creates an unpleasant texture, and thus they avoid fruit and vegetables so treated.

The emerald ash borer quarantine was extended to all of Maryland's western shore in 2011. This was done in order to minimize impacts on business and because the emerald ash borer has increased its coverage in Maryland. The insect now has been found in Allegany, Anne Arundel, Charles, Howard, and Prince George's counties after first being found in only Prince George's County. MDA is continuing to participate in the U.S. Department of Agriculture's Emerald Ash Borer Targeted Survey and biocontrol efforts.

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 2011					
Legislative Appropriation	\$27,578	\$25,979	\$4,442	\$11,108	\$69,108
Deficiency Appropriation	-250	2,000	385	0	2,135
Budget Amendments	0	10,014	381	960	11,355
Reversions and Cancellations	-28	-4,182	-781	-8,692	-13,682
Actual Expenditures	\$27,300	\$33,812	\$4,428	\$3,377	\$68,916
Fiscal 2012					
Legislative Appropriation	\$26,757	\$23,135	\$4,151	\$3,797	\$57,840
Budget Amendments	-92	14,890	722	216	15,737
Working Appropriation	\$26,665	\$38,025	\$4,874	\$4,013	\$73,577

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

Fiscal 2011

The general fund appropriation decreases by \$278,042 due to the withdrawing of \$250,000 of MARBIDCO's appropriation as a cost-saving measure and the reversion of \$28,042 in Executive Direction due to the cancellation of a year-end encumbrance, which was paid previously.

The special fund appropriation increases by \$7.8 million as follows:

- **Deficiency Appropriation** – an increase of \$2.0 million for Chesapeake and Atlantic Coastal Bays 2010 Trust Fund supported cover crop payments to farmers;
- **Budget Amendments** – a net increase of \$10.0 million includes an increase of \$11.0 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues from DNR for technical assistance to Soil Conservation Districts for best management practice implementation, cover crops, and forest/grass buffers/wetland restoration, and an increase of \$2.8 million from carryover cover crop funding, which partially are offset by a decrease of \$4.0 million to reflect the infeasibility of the MARBIDCO Installment Purchase Agreement program; and
- **Cancellations** – a decrease of \$4.2 million primarily due to cancellations in the Maryland Agricultural Fair Board as a result of revenue uncertainties (\$523,945), Mosquito Control as a result of improved mosquito conditions (\$363,049), Maryland Agricultural Land Preservation Foundation as a result of lower costs (\$357,940), and Rural Maryland Council as a result of insufficient revenue to support grants in the defunct State program (\$259,792).

The federal fund appropriation decreases by a net of \$14,357 as follows:

- **Deficiency Appropriation** – an increase of \$385,111 for development of the nutrient trading tool as part of the two-year milestones for Chesapeake Bay restoration;
- **Budget Amendments** – an increase of \$381,258 including funding for hemlock woolly adelgid suppression in Forest Pest Management (\$107,000), for enforcement activities and program implementation related to pesticide application in Pesticide Regulations (\$67,200), for unanticipated revenue carried forward from fiscal 2010 for regular salaries in Plant Protection and Weed Management (\$66,000), for unanticipated hemlock woolly adelgid suppression funding for technical and special fees in Forest Pest Management (\$61,058), for animal health monitoring and other projects in Animal Health (\$45,000), and for collection of data on pathogens and indicator organisms in food in State Chemist (\$35,000); and
- **Cancellations** – a decrease of \$780,726 primarily due to cancellations in Resource Conservation Operations as a result of unexpended regular position salaries and contractual services (\$194,867), Marketing and Agriculture Development as a result of lower expenditures (\$155,721), Food Quality Assurance as a result of lower contractual services expenditures (\$138,679), Forest Pest Management primarily as a result of lower costs for contractual position

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salaries and supplies (\$126,458), and Plant Protection and Weed Management as a result of unexpended regular and contractual salary costs (\$91,061).

The reimbursable fund appropriation decreases by \$7.7 million. The changes are as follows:

- **Budget Amendments** – an increase of \$960,205 including a transfer of \$595,090 from MDE for nutrient management work as it applies to the Chesapeake Bay restoration, \$200,000 from DNR – Fisheries Service for an advertising campaign to increase positive awareness of the Maryland crab industry, and \$105,000 from the DNR for the development and promotion of an alternative nutrient use efficiency program through the use of tractor-mounted active optical sensors that can be used to measure the vigor of a crop; and
- **Cancellations** – a decrease of \$8.7 million primarily due to cancellations in Resource Conservation Operations as a result of cover crop funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund being provided through a special fund budget amendment instead (\$8.1 million), Central Services primarily as a result of lower than anticipated funding for utilities (\$283,899), and Aquaculture Development and Seafood Marketing as a result of only half the advertising and printing budget being expended (\$132,588).

Fiscal 2012

MDA's general fund appropriation decreases by a net of \$92,173 by budget amendment. The budget amendment realigns to DNR the appropriation and 3 positions from the Aquaculture Development and Seafood Marketing program as part of the transfer of aquaculture responsibilities per Natural Resources – Aquaculture (Chapter 411 of 2011) (\$280,611). This decrease partially is offset by the allocation of the general fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$188,438).

MDA's special fund appropriation increases by a net of \$14.9 million. Increases are for realigning to MDA from DNR the appropriation for cover crops (\$11,980,000) and technical assistance (\$1,200,000) from Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues, as noted in the spending plan; for Racing Commission horseracing revenues for grants from deferred revenue from fiscal 2011 and new estimated revenue from fiscal 2012 (\$719,175); for Conservation Reserve Enhancement Program grants from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (\$350,000); for a pesticide survey and a statewide effort to dispose of unused/unwanted pesticides in State Chemist (\$180,000); for two chromatograph machines in State Chemist (\$179,400); for vehicle replacement and maintenance in Weights and Measures (\$134,000); for salaries for handing budgeted turnover in Weights and Measures (\$77,000); and for allocating the special fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$76,887). These increases are offset by a reduction for contractual services as part of the transfer of aquaculture responsibilities to DNR per Chapter 411 of 2011 (\$6,000).

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MDA's federal fund appropriation increases by \$722,492 in federal funds by budget amendment. The appropriation increases for contractual services, contractual salaries, and vehicles to accelerate comprehensive nutrient management plan development and conservation practice implementation on Maryland's Eastern Shore and to implement conservation practices in target watersheds in Resource Conservation Operations (\$520,500); for contractual services for several building maintenance initiatives in Central Services (\$64,433); for insecticide supplies for the fall and spring hemlock woolly adelgid suppression in Forest Pest Management (\$55,000); for Farmer's Market Nutrition Program grants in Marketing and Agriculture Development (\$51,050); for contractual service and postage and printing costs for targeted surveys in Maryland Agricultural Statistics Service (\$19,000); and for allocating the federal fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$12,509).

MDA's reimbursable fund appropriation increases by a net of \$216,355 by budget amendment for contractual services for several building maintenance initiatives (\$147,962); for contractual services for Watershed Implementation Plan development for Chesapeake Bay restoration (\$71,000); for the shift of an existing position's salary funding source (\$54,693); for contractual services with the University of Maryland Extension related to nutrient management plan development from MDE funding (\$32,700); and is partially offset by a reduction for contractual services and grant funding as part of the transfer of aquaculture responsibilities to DNR per Natural Resources – Aquaculture (Chapter 411 of 2011).

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

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	405.50	391.50	385.60	-5.90	-1.5%
02 Contractual	44.90	44.90	44.10	-0.80	-1.8%
Total Positions	450.40	436.40	429.70	-6.70	-1.5%
Objects					
01 Salaries and Wages	\$ 26,870,559	\$ 27,432,223	\$ 27,553,335	\$ 121,112	0.4%
02 Technical and Spec. Fees	1,246,592	1,261,704	1,276,532	14,828	1.2%
03 Communication	748,167	929,918	702,319	-227,599	-24.5%
04 Travel	355,586	210,863	178,961	-31,902	-15.1%
06 Fuel and Utilities	856,137	824,266	894,260	69,994	8.5%
07 Motor Vehicles	839,581	1,225,256	1,142,201	-83,055	-6.8%
08 Contractual Services	5,264,163	6,183,943	5,964,469	-219,474	-3.5%
09 Supplies and Materials	1,122,452	1,299,222	1,128,411	-170,811	-13.1%
10 Equipment – Replacement	452,754	527,864	320,345	-207,519	-39.3%
11 Equipment – Additional	207,850	199,215	199,841	626	0.3%
12 Grants, Subsidies, and Contributions	27,662,658	31,767,825	15,699,801	-16,068,024	-50.6%
13 Fixed Charges	2,832,479	1,099,654	4,406,223	3,306,569	300.7%
14 Land and Structures	457,056	615,000	425,000	-190,000	-30.9%
Total Objects	\$ 68,916,034	\$ 73,576,953	\$ 59,891,698	-\$ 13,685,255	-18.6%
Funds					
01 General Fund	\$ 27,299,880	\$ 26,664,919	\$ 27,176,000	\$ 511,081	1.9%
03 Special Fund	33,811,579	38,025,295	23,781,985	-14,243,310	-37.5%
05 Federal Fund	4,427,942	4,873,858	4,683,929	-189,929	-3.9%
09 Reimbursable Fund	3,376,633	4,012,881	4,249,784	236,903	5.9%
Total Funds	\$ 68,916,034	\$ 73,576,953	\$ 59,891,698	-\$ 13,685,255	-18.6%

Note: The fiscal 2012 appropriation does not include deficiencies. The fiscal 2013 allowance does not include contingent reductions.

**Fiscal Summary
Department of Agriculture**

<u>Program/Unit</u>	<u>FY 11 Actual</u>	<u>FY 12 Wrk Approp</u>	<u>FY 13 Allowance</u>	<u>Change</u>	<u>FY 12 - FY 13 % Change</u>
11 Office of the Secretary	\$ 8,171,170	\$ 8,698,298	\$ 8,154,846	-\$ 543,452	-6.2%
12 Office of Marketing, Animal Industries, and Consumer Services	16,237,982	19,127,231	18,985,461	-141,770	-0.7%
14 Office of Plant Industries and Pest Management	10,306,821	11,257,355	10,492,958	-764,397	-6.8%
15 Office of Resource Conservation	34,200,061	34,494,069	22,258,433	-12,235,636	-35.5%
Total Expenditures	\$ 68,916,034	\$ 73,576,953	\$ 59,891,698	-\$ 13,685,255	-18.6%
General Fund	\$ 27,299,880	\$ 26,664,919	\$ 27,176,000	\$ 511,081	1.9%
Special Fund	33,811,579	38,025,295	23,781,985	-14,243,310	-37.5%
Federal Fund	4,427,942	4,873,858	4,683,929	-189,929	-3.9%
Total Appropriations	\$ 65,539,401	\$ 69,564,072	\$ 55,641,914	-\$ 13,922,158	-20.0%
Reimbursable Fund	\$ 3,376,633	\$ 4,012,881	\$ 4,249,784	\$ 236,903	5.9%
Total Funds	\$ 68,916,034	\$ 73,576,953	\$ 59,891,698	-\$ 13,685,255	-18.6%

Note: The fiscal 2012 appropriation does not include deficiencies. The fiscal 2013 allowance does not include contingent reductions.