

L00A
Department of Agriculture

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$26,707	\$27,568	\$29,233	\$1,666	6.0%
Deficiencies and Reductions	0	-491	-2,221	-1,730	
Adjusted General Fund	\$26,707	\$27,077	\$27,012	-\$65	-0.2%
Special Fund	43,591	30,058	32,337	2,279	7.6%
Deficiencies and Reductions	0	69	-211	-280	
Adjusted Special Fund	\$43,591	\$30,127	\$32,126	\$1,999	6.6%
Federal Fund	3,872	4,247	4,014	-233	-5.5%
Deficiencies and Reductions	0	0	-22	-22	
Adjusted Federal Fund	\$3,872	\$4,247	\$3,993	-\$255	-6.0%
Reimbursable Fund	2,988	23,104	22,736	-368	-1.6%
Adjusted Reimbursable Fund	\$2,988	\$23,104	\$22,736	-\$368	-1.6%
Adjusted Grand Total	\$77,158	\$84,555	\$85,867	\$1,312	1.6%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The Maryland Department of Agriculture (MDA) budget includes fiscal 2015 deficiencies totaling \$68,614. The funding would allow for implementation, enforcement, and reporting of Chesapeake Bay watershed activities in the Nutrient Management Program (\$54,004), and Rural Maryland Council development grants to nongovernmental entities in rural jurisdictions.

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

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L00A – Department of Agriculture

- The overall adjusted change in MDA’s fiscal 2016 allowance is an increase of \$1.3 million, or 1.6%. The major change is an increase of \$1.4 million in cover crop funding from the Bay Restoration Fund. There is also an increase of \$1.1 million for the Maryland Agricultural and Resource-Based Industry Development Corporation to reflect the mandated appropriation, but there is a corresponding reduction contingent upon passage of a provision in HB 72/SB 57 (Budget Reconciliation Financing Act of 2015) that would level fund the program.

Personnel Data

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>
Regular Positions	383.10	383.10	384.10	1.00
Contractual FTEs	<u>41.80</u>	<u>39.80</u>	<u>42.80</u>	<u>3.00</u>
Total Personnel	424.90	422.90	426.90	4.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	22.99	6.00%
Positions and Percentage Vacant as of 1/1/15	28.00	7.31%

- Regular positions are increased by 1.0, a contractual conversion in State Chemist that is funded with federal funds. The position is an agricultural inspector II. MDA notes that there are currently 30.0 vacancies, of which 24.0 are funded with general funds, 5.0 with special funds, and 1.0 with reimbursable funds. MDA further notes that 1.0 vacancy funded by special funds and the 1.0 reimbursable fund vacancy are both currently in the recruitment process and that several positions have been vacant due to budgetary constraints.
- Contractual full-time equivalents (FTE) increase by 3.0 as follows: 1.0 FTEs in Maryland Horse Industry Board – Administration, 1.0 in Nutrient Management – Administration, 1.0 in Watershed Implementation Program – Agricultural Certainty, 0.5 in Forest Pest Management – Forest Pest Management, 0.5 in Plant Protection and Weed Management – Field Operations, 0.2 in Food Quality Assurance – Organic Certification, 0.2 in Food Quality Assurance – Grain Inspection, and 0.2 in Animal Health – Headquarters. These increases are offset partially by decreases of 0.6 FTEs in State Chemist – Administration, 0.3 in Mosquito Control – Salisbury, 0.3 in Food Quality Assurance – Grading, 0.2 in Food Quality Assurance – Egg Inspection, and 0.2 in Mosquito Control – Leonardtown. MDA notes that the Maryland Horse Industry Board FTE will coordinate social media and website functions and provide administrative support for the Horse Pal Program activities for more than 1,000 participants. The Nutrient Management – Administration FTE will support the Urban Nutrient Management programs training, certification, and enforcement activities. The Watershed Implementation Program –

Agricultural Certainty FTE will support the Maryland Certainty Program by providing field evaluations and is funded through the federal Conservation Innovation Grant.

- Turnover expectancy is reduced from 6.84% in the fiscal 2015 working appropriation to 6.0% in the fiscal 2016 allowance.

Analysis in Brief

Major Trends

Water Management Introduced for Mosquito Control: As part of the Maryland Integrated Mosquito Management Plan, MDA is conducting water management activities that may effectively manage mosquito development for up to 20 years and eliminate the need for follow-up applications of insecticides.

Shelter/Animal Care Facility Data Collection Initiated: The first quarterly report on shelters/animal care facilities in Maryland was completed for the October through December 2013 timeframe and updated most recently on January 30, 2015. The 26 shelters/animal care facilities, required to report on their numbers, had a combined total of 5,114 cats and dogs at the beginning of October 2013 and ended December 2013 with 3,687 cats and dogs.

Laboratory Samples Analyzed Increases After Downward Trend: The number of laboratory analyses performed decreased from a high of 943 in fiscal 2007 to a low of 195 in fiscal 2013 before increasing to 542 in fiscal 2014. The increase in the number of analyses between fiscal 2013 and 2014 was due to a greater number of samples collected and to multiple analyses being performed on the same sample due to the presence of multiple pesticides.

Issues

Spay/Neuter Program Review: Chapters 561 and 562 of 2013 (Animal Welfare – Spay/Neuter Fund – Establishment) established a fee on dog and cat commercial feed registered in the State and created a Spay/Neuter Fund in MDA. The fund is intended to reduce animal shelter overpopulation and cat and dog euthanasia rates by financing grants for programs that facilitate and promote spay and neuter services. On November 7, 2013, the Spay and Neuter Advisory Board was selected, a program coordinator was hired on February 19, 2014, final regulations for the program were published in the *Maryland Register* on June 13, 2014, \$388,036 in fees were collected as of June 30, 2014, and the first round of grants were awarded during November 2014. **The Department of Legislative Services (DLS) recommends that MDA comment on the first round of grants, how MDA will use survey data on animal intake and euthanasia trends to determine program effectiveness, and what may be learned about the baseline need for spay/neuter services from the first quarterly survey.**

L00A – Department of Agriculture

MDA Audit Findings Not Resolved: The Joint Audit Committee (JAC) continues to be concerned about the number and frequency of repeat findings in audits conducted by the Office of Legislative Audits (OLA). In an effort to see these findings satisfactorily resolved, JAC has asked the budget committees to consider action in the agency budgets where such findings occur. There were four repeat audit findings in MDA’s April 2013 audit, which met JAC’s threshold and \$100,000 was restricted in MDA’s fiscal 2015 operating budget until OLA certified that the findings had been resolved. OLA performed a follow-up of its audit findings and noted to the budget committee chairmen in a January 28, 2015 letter, that MDA had not taken the necessary corrective actions to implement satisfactorily all the recommendations for any of the four findings. **DLS recommends that the \$100,000 in general funds restricted in MDA’s fiscal 2015 budget not be released given that the audit findings have not been fully resolved. In addition, DLS recommends that \$200,000 be withheld in MDA’s fiscal 2016 operating budget until OLA has determined that the repeat audit findings have been corrected.**

Cover Crop Program Funding May Be Deficient: Cover crops are one of the most effective best management practices for reducing nitrogen loads to the Chesapeake Bay and are a substantial portion of MDA’s operating budget. It appears that the budgeted \$10.0 million in fiscal 2015 funding from the Bay Restoration Fund special funds – \$9.8 million for cover crops and \$0.2 million for administration – will be insufficient for Cover Crop Program costs based on MDA’s current assumptions about the retention rate and payment per acre and thus, a special fund budget amendment may be necessary. As discussed in the BRFA of 2015 section of this analysis, there is a planned transfer of \$1,375,000 from the Bay Restoration Fund account attributable to Cover Crop Program funding, which is anticipated to leave a fiscal 2015 negative closing balance of \$196,798, as long as adjustments are not made to either revenues or expenditures. **DLS recommends that MDA comment on the likelihood that it will have a sufficient appropriation to pay for the current cover crop acreages for fiscal 2015 and 2016 given the transfer of the \$1,375,000 balance to the general fund in the BRFA of 2015.**

Recommended Actions

Funds

- | | | |
|----|---|---------------------|
| 1. | Add budget bill language restricting appropriation until the submission of a report on resolution of repeat audit findings. | |
| 2. | Strike language on the Maryland Agricultural and Resource-Based Industry Development Corporation appropriation. | |
| 3. | Reduce the Maryland Agricultural and Resource-Based Industry Development Corporation appropriation. | \$ 1,425,000 |
| | Total Reductions | \$ 1,425,000 |

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 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. The office also administers the new Spay/Neuter Program.

- **Office of Plant Industries and Pest Management:** Manages forest pests; implements mosquito control services; regulates pesticides and pesticide applicators; administers nursery inspections, 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.

L00A – Department of Agriculture

MDA's primary goals are to:

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

Performance Analysis: Managing for Results

The analysis of MDA's fiscal 2016 Managing for Results (MFR) submission reflects that Maryland has introduced water management of wetlands for mosquito control, quarterly shelter/animal care facility data collection has been initiated, and that the number of laboratory samples analyzed for pesticides has reversed its downward trend.

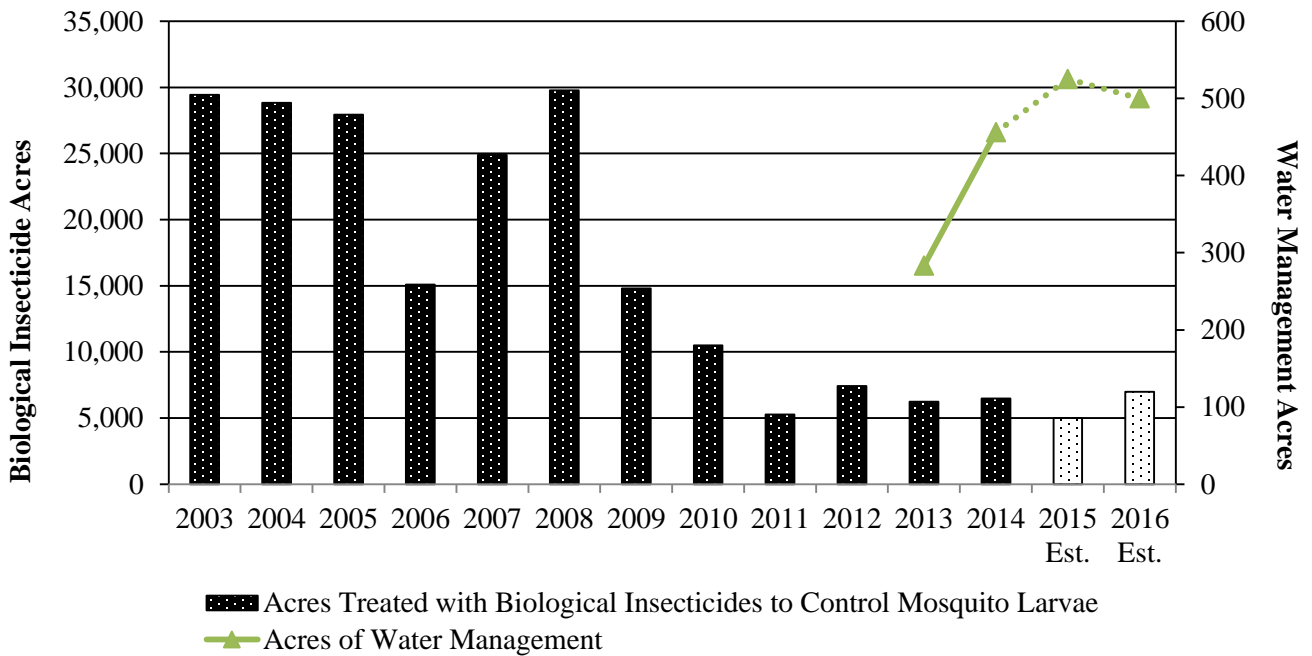
1. Water Management Introduced for Mosquito Control

MDA's Mosquito Control Program has two goals related to mosquito control: (1) maintain the adult mosquito population below the level that causes unacceptable annoyance to humans; and (2) reduce the exposure of the public to insecticides applied for adult mosquito control by greater use of biological mosquito larvicides. MDA indicates that biological insecticides are used for larviciding or controlling mosquitoes at the breeding source and that the advantage to larviciding is the narrow target range of wetlands, which limits the negative effect on nontarget species. According to MDA, most larvicide acreage is accomplished with the airplane; ground larviciding takes place on a much smaller number of acres.

MDA uses an annoyance action threshold to determine spraying levels. Ground-based spraying is used to control adult mosquitoes when the density of the population, as measured in landing counts and with light traps, reaches 2 adults landing to bite in a three-minute period or 12 females collected overnight in an unbaited light trap. Aerial spraying is done when salt marsh mosquitoes are biting at a rate of 12 per minute or 100 are collected overnight in an unbaited trap.

Exhibit 1 shows that there was a steady decline in the acres on which biological insecticides were applied between fiscal 2008 and 2014. MDA has indicated in the past that, while expanding the

**Exhibit 1
Biological Insecticide and Water Management Acres
Fiscal 2003-2016 Est.**



Source: Governor’s Budget Books, Fiscal 2006-2016

larviciding acreage is desirable, the potential is limited by high cost, the difficulty of working in wetlands, permitting challenges, and access to breeding habitat. Overall, MDA indicates that mosquito control is determined by weather conditions, participation levels, and funding. For weather, the most important factor is moisture; therefore, increased rainfall, high tides, and storm action dictate the level of needed mosquito control.

MDA notes that, as part of the Maryland Integrated Mosquito Management Plan, it is also conducting water management activities that may effectively manage mosquito development for up to 20 years and eliminate the need for follow-up applications of insecticides. As shown in Exhibit 1, the number of acres of water management reported in MDA’s MFR submission – MDA has been cleaning out ditches to support mosquito-eating fish for a number of years – increased from 283 acres in fiscal 2013 to 456 acres in fiscal 2014. MDA indicates that this acreage reduces the need to apply larvicides and adulticides for mosquito control as well as provides for wildlife and food web enhancements, which benefit important fisheries, shore birds, and mammals. **The Department of Legislative Services (DLS) recommends that MDA comment on what is entailed in water management for mosquito control, how much it costs per acre, and how it is prioritized relative to the application of adulticides and biological larvicides.**

2. Shelter/Animal Care Facility Data Collection Initiated

The Spay/Neuter Program was initiated in fiscal 2015 but does not yet have any associated MFR measures. The first quarterly report on shelters/animal care facilities in Maryland was completed for the October through December 2013 timeframe and updated most recently on January 30, 2015. Overall, the concern addressed by the Spay/Neuter Program is the amount of pet euthanasia being conducted in Maryland.

As shown in **Exhibit 2**, the 26 shelters/animal care facilities required to report had a combined total of 5,114 cats and dogs at the beginning of October 2013. During the subsequent three-month period the shelters/animal care facilities took in 19,140 cats and dogs, 374.3% of the beginning number of cats and dogs. Of the now 24,254 pets on their hands, the shelters/animal care facilities disposed of 20,567 of the pets through a combination of 8,137 euthanasias – both owner-requested and other types of euthanasia – and 12,430 non-euthanasia dispositions. The non-euthanasia dispositions included the following: adopted, returned to owner, transferred to other agency, died/lost in care, and other outcomes in which the pet lives. Finally, the shelters/animal care facilities ended the quarter with 3,687 cats and dogs, 72.1% of the beginning number of cats and dogs. **DLS recommends that MDA comment on how it will use the quarterly shelters/animal care facilities data to inform the allocation of resources for the Spay/Neuter Program.**

Exhibit 2
Combined Dog and Cat Statewide Numbers for Maryland Facilities
October through December 2013

	<u>Number of Cats and Dogs</u>	<u>Percent of Beginning Quarter</u>
Beginning Quarter	5,114	100.0%
Intake	19,140	374.3%
Disposition		
Non-Euthanasized	12,430	243.1%
Euthanized	8,137	159.1%
Total	20,567	402.2%
End Quarter	3,687	72.1%

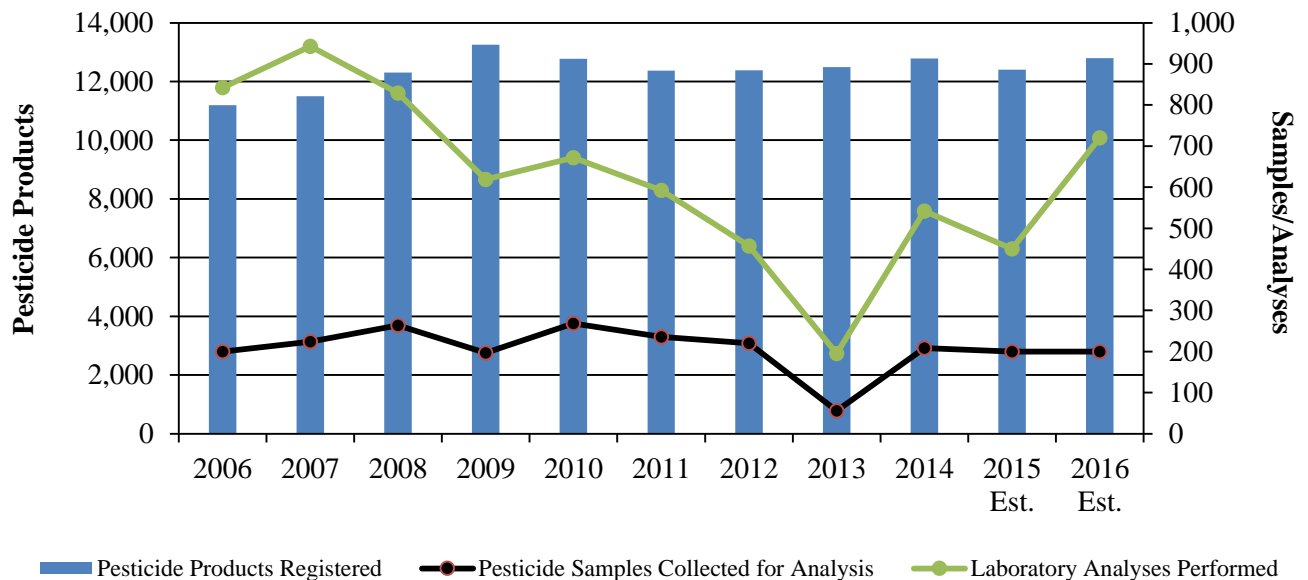
Source: Maryland Department of Agriculture; Department of Legislative Services

3. Laboratory Samples Analyzed Increases After Downward Trend

The State Chemist has the goal of ensuring the sale and distribution of safe, effective, and environmentally acceptable products intended to (1) protect and promote agriculture, (2) control or eliminate pathogenic microorganisms and other pests in homes and public facilities, (3) protect forest and horticultural crops, and (4) provide nutritiously balanced and safe livestock feed and pet food. An associated objective is to ensure that 99% of randomly sampled pesticide products, including disinfectants, are in conformance with Maryland law relating to quality and safety with respect to active ingredient content and toxic material. MDA has attained its objective of ensuring that 99% of products are in conformance with Maryland law, but it has not necessarily maintained a high number of laboratory analyses performed.

As shown in **Exhibit 3**, the number of pesticide products registered has stayed relatively constant at an average of 12,338 per year between fiscal 2006 and 2014. Similarly, with the exception of fiscal 2013, the number of pesticide samples collected for analysis has stayed relatively constant at an average of 208 per year between fiscal 2006 and 2014. In contrast, the number of laboratory analyses performed decreased from a high of 943 in fiscal 2007 to a low of 195 in fiscal 2013 before increasing to 542 in fiscal 2014.

Exhibit 3
State Chemist Samples Collected and Laboratory Analyses Performed
Fiscal 2006-2016 Est.



Source: Governor’s Budget Books, Fiscal 2009-2016

L00A – Department of Agriculture

MDA notes that the difference between fiscal 2013 and 2014 for both pesticide samples collected and laboratory analyses performed is due to three inspectors being on extended sick leave in fiscal 2013, which reduced the number of samples taken. In contrast, in fiscal 2014, inspection staff had a reduced federal contractual inspection load and could thus focus more on State inspections. Additionally, a contractual full-time equivalent was collecting samples as well, thus increasing the total number of samples taken. In terms of the laboratory analyses performed, MDA notes that the greater number of samples collected allowed for more analyses to be performed. In addition, there were some cases in which multiple analyses were performed on the same sample due to the presence of multiple pesticides. **DLS recommends that MDA comment on a normalizing technique in order to account for multiple analyses being performed on the sample in order to better understand year-to-year trends.**

Fiscal 2015 Actions

A number of actions have been taken on MDA's fiscal 2015 budget. These actions include July 2, 2014 Board of Public Works (BPW) cost containment actions, January 7, 2015 BPW specific cost containment actions, a 2% across-the-board reduction, and fiscal 2015 deficiencies. These actions are reflected in **Exhibit 4** and total to the fiscal 2015 adjusted working appropriation that is used for comparison of the budget in this analysis.

Exhibit 4
Fiscal 2015 Reconciliation to Adjusted Working Appropriation
(\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Legislative Appropriation with Budget Amendments		\$27,955	\$30,058	\$4,247	\$23,104	\$85,365
July BPW	Reduce funding for a long-term vacant agricultural inspector II position (deleted), new vehicles, unneeded office space, and contractual services in Forest Pest Management (\$126,400 general funds); for operations to be replaced with special funds in the Weights and Measures Program (\$100,000 general funds); for State cost-share assistance for development of nutrient management plans due to low demand in Office of Resource Conservation – Resource Conservation Grants (\$75,000 general funds); for a long-term vacant agricultural laboratory scientist III position (deleted) and vehicle operations funding in the Animal Health Program (\$70,511 general funds); and for new vehicles in the Mosquito Control Program (\$15,299 general funds).	-387	0	0	0	-387
Working Appropriation		\$27,568	\$30,058	\$4,247	\$23,104	\$84,978
January BPW Across the Board	2% Across-the-board reduction.	-491	0	0	0	-491

L00A – Department of Agriculture

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Deficiency Appropriations	Increase funding for implementation, enforcement, and reporting of Chesapeake Bay watershed activities (\$54,004 special funds), and for Rural Maryland Council development grants to nongovernment entities in rural jurisdictions (\$14,610 special funds).	0	69	0	0	69
Total Actions Since January 2015		-\$491	\$69	\$0	\$0	-\$422
Adjusted Working Appropriation		\$27,077	\$30,127	\$4,247	\$23,104	\$84,555

BPW: Board of Public Works

Source: Department of Legislative Services

Proposed Deficiency

The Governor has submitted deficiency appropriations for the fiscal 2015 operating budget which would increase MDA’s special fund appropriation by \$68,614 for two separate purposes. There is an increase of \$54,004 in Office of Resource Conservation – Nutrient Management from the Chesapeake Bay Trust for the implementation, enforcement, and reporting of Chesapeake Bay watershed activities. In addition, there is \$14,610 in Office of Marketing, Animal Industries, and Consumer Services – Rural Maryland Council from the Regular Share of Racing Revenue in the Rural Maryland Council’s balance for development grants to nongovernmental entities in rural jurisdictions.

Budget Reconciliation and Financing Act of 2015

The BRFA of 2015 includes two cost containment provisions related to MDA: a provision to transfer \$1,375,000 in Bay Restoration Fund special funds attributable to the Cover Crop Program to the general fund and a revision of the mandated appropriation for MARBIDCO. As a result of the Cover Crop Program transfer, estimated to leave a -\$196,798 balance at the end of fiscal 2015, MDA notes that it is too early to determine whether there will be an impact on the program.

The fiscal 2016 allowance proposes a contingent reduction of \$1,125,000 in general funds for MARBIDCO, upon the enactment of a provision in the BRFA of 2015 allowing for the reduction in

the mandated appropriation. The contingent reduction would reduce MARBIDCO’s appropriation from \$4.0 million to \$2.875 million in fiscal 2016. Previously, Chapter 464 of 2014 (the BRFA) mandated that the Governor provide level funding for MARBIDCO for fiscal 2015 at \$2.875 million before increasing the mandate to the \$4.0 million originally contemplated in MARBIDCO’s chartering and extending MARBIDCO’s mandated funding by one year to fiscal 2021. The BRFA of 2015 has a similar provision, but that extends MARBIDCO’s mandated funding by three additional years to fiscal 2024 as shown in **Exhibit 5**. Over the time period shown, MARBIDCO will receive \$1.875 million more under the BRFA provision than under current statute, although there is value attached to receiving funding earlier rather than later since it can then be used for loans.

Exhibit 5
MARBIDCO Funding Comparison Between Current Statute and BRFA of 2015
Fiscal 2013-2024
(\$ in Millions)

<u>Fiscal Year</u>	<u>Current Statute</u>	<u>BRFA of 2015</u>	<u>Difference</u>
2013	\$2.875	\$2.875	\$0.000
2014	2.875	2.875	0.000
2015	2.875	2.875	0.000
2016 to 2021	24.000	17.250	-6.750
2022 to 2024	0.000	8.625	8.625

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

MARBIDCO indicates that it will need \$47.35 million for full capitalization, which is \$4.2 million less than the \$51.5 million anticipated when it was originally created. The reduction in funding needed is due to past experience, current lending practices, and projected revenues and expenses involving, among other things, revolving loan portfolio performance. Based on the Administration’s current funding plan, MARBIDCO would receive \$47.35 million through fiscal 2024, which fully capitalizes MARBIDCO’s planned operations. MARBIDCO would, therefore, be completely self-sustaining beginning in fiscal 2025, and in no further need of subsequent State funding.

Proposed Budget

MDA’s fiscal 2016 adjusted allowance increases by \$1.3 million, or 1.6%, relative to the fiscal 2015 working appropriation, as shown in **Exhibit 6**. The changes by fund in Exhibit 6 reflect a decrease of \$0.1 million in general funds, an increase of \$2.0 million in special funds, a decrease of \$0.3 million in federal funds, and a decrease of \$0.4 million in reimbursable funds. Changes in personnel funding are discussed first and then other changes. Cost containment is included in each section as appropriate.

**Exhibit 6
Proposed Budget
Department of Agriculture
(\$ in Thousands)**

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2014 Actual	\$26,707	\$43,591	\$3,872	\$2,988	\$77,158
Fiscal 2015 Working Appropriation	27,077	30,127	4,247	23,104	84,555
Fiscal 2016 Allowance	<u>27,012</u>	<u>32,126</u>	<u>3,993</u>	<u>22,736</u>	<u>85,867</u>
Fiscal 2015-2016 Amt. Change	-\$65	\$1,999	-\$255	-\$368	\$1,312
Fiscal 2015-2016 Percent Change	-0.2%	6.6%	-6.0%	-1.6%	1.6%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$876
Increments and general salary increase annualization (prior to cost containment)	831
Employee retirement.....	425
Turnover adjustments	132
New positions: State Chemist conversion of 1.0 federal fund contractual full-time equivalent (FTE)	51
Other fringe benefit adjustments.....	8
Section 20: abolition of prior year 2% general salary increase.....	-448
Section 21: abolition of employee increments.....	-368

Other Changes

Nutrient Management

Cover crops.....	1,399
Nutrient trading and nutrient management plans.....	-545
Resource conservation operations.....	-580
Manure transport.....	-257
Agricultural certainty	-64

L00A – Department of Agriculture

Where It Goes:

Public drainage associations	-53
<i>Cost Containment</i>	
MARBIDCO restoration of statutory funding	1,125
MARBIDCO contingent reduction	-1,125
Section 19: difference in 2% across-the-board reduction	-22
<i>Economic Development</i>	
Tobacco Transition Program bond repayment and operating expenses.....	850
Farm to school grant	-93
Rural Maryland Council grant	-80
Horse board funding	-20
<i>Laboratory and Field Work</i>	
Pesticide usage survey	132
Gypsy moth.....	-320
State Chemist laboratory equipment and testing.....	-191
Animal health testing.....	-53
Weights and measures equipment replacement	-49
Spay/Neuter Program.....	-40
<i>Routine Operations</i>	
Contractual FTEs	197
Maryland Agricultural Land Preservation Foundation appraisal and title costs.....	-110
Gas and oil	-70
Advertising and legal publication	-64
Maintenance and repair.....	-58
Statewide personnel system allocation	-50
Other	-54
Total	\$1,312

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Personnel

Changes by Category

MDA’s overall personnel expenditures increase by \$1.5 million in the fiscal 2016 adjusted allowance. Of note, this increase includes two across-the-board reductions that reduce MDA’s personnel expenses by a total of \$815,650. The personnel changes are as follows.

- **Employee and Retiree Health Insurance:** Health insurance costs increase by \$875,976.

L00A – Department of Agriculture

- **Increments and General Salary Increase Annualization (Prior to Cost Containment):** Salary expenses increase by \$830,562, which includes the annualization of the fiscal 2015 cost-of-living adjustment (COLA) and increments.
- **Employee Retirement:** Retirement contribution costs increase by \$424,667.
- **Turnover Adjustments:** Turnover is decreased by \$132,352, a reduction from 6.84% to 6.00%, which increases available funding. The Department of Budget and Management (DBM) notes that in January 2014, MDA was exempted from the hiring freeze process because it was hiring efficiently and dropping below its budgeted turnover rate.
- **New Positions: State Chemist Conversion of 1.0 Federal Fund Contractual Full-time Equivalent (FTE):** There is an increase of 1.0 new position and \$50,873 in the State Chemist Program. The new position – an agricultural inspector II – is a contractual conversion for a contractual FTE that has been with MDA for over four years. The position, among other activities, collects and prepares food samples from distribution centers for chemical analysis in support of the U.S. Department of Agriculture’s (USDA) Pesticide Data Program to monitor the U.S. food supply for pesticides. Funding is provided by a USDA grant – officially known as Market Protection and Promotion – for the Pesticide Data Program. MDA notes that the federal grant award is provided annually, has been in place for more than 20 years, and has already been received for fiscal 2016 in the amount of \$85,000.
- **Section 20: Abolition of Prior Year 2% General Salary Increase:** There is an across-the-board reduction reflected in Section 20 of the budget bill that reduces MDA’s appropriation by a total of \$448,000 – \$322,000 in general funds, \$114,000 in special funds, and \$12,000 in federal funds – to reflect the deletion of the fiscal 2015 COLA that was provided on January 1, 2015, and that would have been annualized in fiscal 2016.
- **Section 21: Abolition of Employee Increments:** The fiscal 2016 adjusted allowance includes a provision in Section 21 that reduces increments as well. In MDA this is reflected as a reduction of \$367,650 – \$261,121 in general funds, \$97,027 in special funds, and \$9,502 in federal funds.

Other Changes

Overall, the nonpersonnel portion of the MDA’s fiscal 2016 adjusted allowance decreases by \$0.2 million. The areas of change may be broadly categorized as nutrient management funding, cost containment, economic development, laboratory and field work, and routine operations. The biggest change is an increase of \$1,399,313 in special funds for Bay Restoration Fund funding of cover crops and a contingent reduction of \$1,125,000 for MARBIDCO. Larger changes include:

Nutrient Management

- **Cover Crops:** Taxable grants, contributions, and subsidies increase by \$1,399,313 in special funds attributable to Bay Restoration Fund special funds budgeted for commodity cover crops in Resource Conservation Grants – Conservation Grants. Overall, there is \$22,450,000 budgeted for cover crops, which is funded from the following sources: the Bay Restoration Fund – \$9,296,000 for traditional cover crops and \$1,904,000 for commodity cover crops; and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund – \$9,337,500 for traditional cover crops and \$1,912,500 for commodity cover crops. MDA notes that it does not typically distinguish between commodity and regular cover crop funding when developing its budget.
- **Nutrient Trading and Nutrient Management Plans:** There is a net decrease of \$544,604 consisting of decreases for nutrient management plan activities offset partially by an increase for nutrient trading activities. The decreases are comprised of \$308,274 in federal funds for costs associated with the writing of comprehensive nutrient management plans and associated best management practices and \$306,330 (\$317,550 reimbursable funds decrease and \$11,220 general fund increase) for providing nutrient management education and outreach programs. These two decreases are offset partially by an increase of \$70,000 in federal funds for costs to implement the Nutrient Trading Marketplace grant, of which the primary change is an increase of \$65,000 for the Texas Institute for Applied Environmental Research to develop the nutrient trading software and interfaces.
- **Resource Conservation Operations:** Resource Conservation Operations decreases by \$579,894. The primary change is a reduction in salary grants for non-State employees in soil conservation districts.
- **Manure Transport:** Manure transport decreases by \$257,045. This reflects a \$500,000 decrease in special funds in Resource Conservation Grants – Administration for manure transport (nonpoultry) that was funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, which is offset partially by an increase of \$242,955 in special funds in Resource Conservation Grants – Administration for manure transport for poultry companies whose commitment to the program has increased, including the addition of two new companies who joined the Manure Transport Cost Share Program.

Cost Containment

- **MARBIDCO Restoration of Statutory Funding:** There is an increase of \$1,125,000 in general funds for MARBIDCO, based on the sunset of Chapter 464 of 2014 (the BRFA) provision that mandated the Governor to provide level funding for MARBIDCO for fiscal 2015. The fiscal 2016 funding level is \$4,000,000 in general funds.

L00A – Department of Agriculture

- **MARBIDCO Contingent Reduction:** The BRFA of 2015 includes a provision that reduces MARBIDCO's appropriation to the fiscal 2015 level of \$2,875,000 resulting in a \$1,125,000 reduction in general funds.
- **Section 19: Difference in 2% Across-the-board Reduction:** The fiscal 2015 adjusted working appropriation included a 2% reduction of \$490,660 in general funds, which is raised to a \$513,000 reduction in the fiscal 2016 adjusted allowance for an additional decrease of \$22,340. MDA notes that DBM will allocate reductions via a budget amendment for fiscal 2016 and that while no guidance has been provided on reductions for fiscal 2016, the new MDA Administration is reviewing all programs for possible reductions.

Economic Development

- **Tobacco Transition Program Bond Repayment and Operating Expenses:** Tobacco Transition Program operating expenses increase by \$850,000 in the fiscal 2016 allowance. This funding includes \$500,000 in special funds for the increase from \$3,323,000 to \$3,823,000 for the tobacco bond buyout repayment required by Chapter 103 of 2001 that required repayment of bond proceeds and issuance costs within eight years of the last bond authorization. There is also an increase of \$350,000 in special funds for an increase of \$100,000 for operating expenses (total is \$600,000) and \$250,000 for infrastructure expenses (total is \$750,000).

Laboratory and Field Work

- **Gypsy Moth:** There is a decrease of \$320,245 (\$328,145 decrease in general funds and \$18,200 special funds and \$26,100 increase in federal funds) in Forest Pest Management. This is due to a reduction in the number of acres estimated to need gypsy moth spraying. The acreage is reduced from 9,000 to 1,625 acres, and there is also a reduction in the projected rate of \$50 per acre to \$32 per acre for treatment.
- **State Chemist Laboratory Equipment and Testing:** Laboratory equipment costs decrease by \$191,099 in special funds in the State Chemist – Administration due to reduced equipment replacement and testing costs.

Routine Operations

- **Contractual FTEs:** Contractual FTE costs increase by \$196,835 (\$8,554 in general funds, \$59,420 in special funds, \$128,537 in federal funds, and \$324 in reimbursable funds). Contractual FTEs increase by 1.0 in Maryland Horse Industry Board – Administration, 1.0 in Nutrient Management – Administration, 1.0 in WIP – Agricultural Certainty, 0.5 in Forest Pest Management – Forest Pest Management, 0.5 in Plant Protection and Weed Management – Field Operations, 0.2 in Food Quality Assurance – Organic Certification, 0.2 in Food Quality Assurance – Grain Inspection, and 0.2 in Animal Health – Headquarters. These increases are offset partially by decreases of 0.6 FTEs in State Chemist – Administration, 0.3 in Mosquito Control – Salisbury, 0.3 in Food Quality Assurance – Grading, 0.2 in Food Quality Assurance

L00A – Department of Agriculture

– Egg Inspection, and 0.2 in Mosquito Control – Leonardtown. MDA notes that the Maryland Horse Industry Board FTE will coordinate social media and website functions and provide administrative support for Horse Pal Program activities for more than 1,000 participants. The Nutrient Management – Administration FTE will support the Urban Nutrient Management programs training, certification, and enforcement activities. The WIP – Agricultural Certainty FTE will support the support the Maryland Certainty Program by providing field evaluations and is funded through the federal Conservation Innovation Grant.

Issues

1. Spay/Neuter Program Review

Chapters 561 and 562 of 2013 (Animal Welfare – Spay/Neuter Fund – Establishment) established a fee on dog and cat commercial feed registered in the State and created a Spay/Neuter Fund in MDA. The fund is intended to reduce animal shelter overpopulation and cat and dog euthanasia rates by financing grants for programs that facilitate and promote spay and neuter services. On November 7, 2013, the Spay and Neuter Advisory Board was selected, a program coordinator was hired on February 19, 2014, final regulations for the program were published in the *Maryland Register* on June 13, 2014, \$388,036 in fees were collected as of June 30, 2014, and the first round of grants were awarded in November 2014.

Background

Chapters 561 and 562 requires MDA to solicit and evaluate grant proposals from local governments and animal welfare organizations for efforts to facilitate and promote the provision of spay and neuter services for cats and dogs. A competitive grant proposal (1) must target low-income communities and populations to the maximum extent possible and detail how that will be accomplished; (2) may target feral cat populations if MDA determines that it does not violate local law; (3) must facilitate and promote the provision of spay and neuter services for cats and dogs; and (4) may include public education and outreach components. MDA must evaluate a grant proposal in accordance with these standards and any additional standards it adopts via regulation. MDA also must adopt regulations requiring grantees to report on how the grant was used, including specified information.

Program Status

The program status is as follows.

- **Revenue:** The program is funded by a fee on dog and cat commercial feed. The Maryland Spay/Neuter Grants Program Annual Report 2014, issued in August 2014, indicates that \$388,036 was collected as of June 30, 2014. This reflected a 92% collection success for the 325 invoices sent. There were 23 delinquent companies as of June 30, 2014, with a total amount outstanding of \$14,014. MDA has estimated that the fee will bring in \$400,000 in fiscal 2014, \$600,000 in fiscal 2015, and \$800,000 in fiscal 2016 through 2023 – the bill terminates September 30, 2022.
- **Advisory Board:** As noted above, the advisory board was selected on November 7, 2013, and had its first meeting on December 6, 2013. The next advisory board meeting is scheduled for February 20, 2015, and will be used to complete guidelines for projects that propose to target feral cats by trap, neuter, and return.

L00A – Department of Agriculture

- **Grant Proposals:** The first grant cycle ended August 6, 2014, with 51 applications received requesting \$1,853,255. On or around the beginning of November 2014, 14 projects were awarded \$474,785 as shown in **Appendix 3**. MDA notes that these projects used all the available funding from fiscal 2014 plus a portion of fiscal 2015 revenues. MDA proposes to issue a request for proposals for the second round of grants by March 2015.
- **Position:** DBM reclassified a vacant administrator I (grade 16) position to an agency grant specialist II (grade 15) in September 2013, which reduced the base salary for the position. Subsequently a program coordinator was hired on February 19, 2014.
- **Quarterly Data Reports:** The first quarterly report on shelters/animal care facilities in Maryland covered October to December 2013 and was updated on January 30, 2015. This report reflects data from all 26 facilities that are required to report as well as 3 additional facilities. These 29 facilities reflect approximately 52% of the 56 facilities contacted. MDA notes that a summary report and analysis of the 2014 quarterly surveys of animal control and humane organizations will be available in February 2015.
- **Performance Measures:** MDA notes that the program’s effectiveness will be evaluated based on survey data indicating trends for animal intake and euthanasia. MFR measures for the program will be incorporated into the fiscal 2017 budget cycle.

DLS recommends that MDA comment on the first round of grants, how MDA will use survey data on animal intake and euthanasia trends to determine program effectiveness, and what may be learned about the baseline need for spay/neuter services from the first quarterly survey.

2. MDA Audit Findings Not Resolved

The Joint Audit Committee (JAC) continues to be concerned about the number and frequency of repeat findings in audits conducted by the Office of Legislative Audits (OLA). In an effort to see these findings satisfactorily resolved, JAC has asked the budget committees to consider action in the agency budgets where such findings occur. There were four repeat audit findings in MDA’s April 2013 audit, which met JAC’s threshold, and \$100,000 was restricted in MDA’s fiscal 2015 operating budget until OLA certified that the findings had been resolved. OLA performed a follow-up of its audit findings and noted to the budget committee chairmen in a January 28, 2015 letter that MDA had not taken the necessary corrective actions to implement satisfactorily all the recommendations for any of the four findings. The repeat audit findings, OLA’s recommendation, and the OLA review status are shown in **Exhibit 7**.

Since December 2014, MDA notes that it has resolved Finding 2 – purchase and disbursements, and Finding 4 – accounts receivable. MDA also notes that it is working with a DBM auditor on resolving the two remaining audit findings. **DLS recommends that the \$100,000 in general funds restricted in MDA’s fiscal 2015 budget not be released given that the audit findings have not been fully resolved. In addition, DLS recommends that \$200,000 be withheld in MDA’s fiscal 2016 operating budget until OLA has determined that the repeat audit findings have been corrected.**

Exhibit 7
MDA Repeat Audit Findings and Audit Follow-up

<u>Finding</u>	<u>Prior Recommendations Pertaining to Repeat Findings</u>	<u>Status Based on OLA Review</u>
<p>Cash Receipts – Certain cash receipts were not adequately controlled, verified to deposit, and reconciled with registrations issued. Similar conditions were commented upon in four preceding audit reports dating back to 2001.</p>	<p>1. The Department of Legislative Services (DLS) recommends that the Maryland Department of Agriculture (MDA):</p>	
	<p>a. ensure that the documentation used to initially record collections is given directly to an employee independent of the cash receipts and registration functions for deposit verification.</p>	a. Not resolved.
	<p>b. ensure that all collections received are deposited in a timely manner.</p>	b. Corrected.
	<p>d. implement a procedure to independently reconcile the total value of registrations issued and fees collected according to its records with the related revenues deposited.</p>	d. Not resolved.
<p>Purchases and Disbursements – Proper internal controls were not established over the processing of purchasing and disbursement transactions. A similar condition has been commented upon in the five preceding audit reports dating back to 1998.</p>	<p>2. DLS recommends that MDA establish independent online approval requirements for all critical purchasing and disbursement transactions.</p>	2. Not resolved.
<p>Property – Significant control deficiencies continued to exist over property records and physical inventories. The failure to maintain adequate accountability and control over equipment has been commented on in preceding audit reports dating back to 1990. MDA has generally concurred with the recommendations and indicated that appropriate actions would be taken to correct the noted problems. However, little or no action has been taken to correct these deficiencies.</p>	<p>3. DLS recommends that MDA comply with the <i>Inventory Control Manual</i> requirements.</p>	3. Not resolved.

L00A – Department of Agriculture

<u>Finding</u>	<u>Prior Recommendations Pertaining to Repeat Findings</u>	<u>Status Based on OLA Review</u>
Accounts Receivable – Procedures and controls over noncash credit adjustments were not adequate.	4b. DLS recommends that MDA separate the capabilities for initiating and approving noncash credit adjustments and ensure these employees do not have access to cash receipts.	4b. Not resolved.

OLA: Office of Legislative Audits

Source: Maryland Department of Agriculture; Department of Legislative Services

3. Cover Crop Program May Need Special Fund Budget Amendment

Cover crops are one of the most effective best management practices for reducing nitrogen loads to the Chesapeake Bay and are a substantial portion of MDA’s operating budget. The fiscal 2015 budget plan currently anticipates \$11.2 million in Bay Restoration Fund spending but only has an appropriation for \$10.0 million. A special fund budget amendment may be necessary.

Cover Crop Planting History

The Cover Crop Program appears to have plateaued at about 600,000 initial acres and 420,000 final paid acres. The 2014 to 2015 planting season, which reflects fiscal 2015 funding, has yielded an estimated final acreage of 441,945 acres. **Exhibit 8** shows the cover crop history. Since fiscal 2005, there has been an almost 700% increase in the amount of cover crop acres planted.

Exhibit 8
Cover Crop History
Fiscal 2005-2016 Est.

<u>Fiscal Year</u>	<u>Initial Acres</u>	<u>Approved Acres</u>	<u>Fall Certification</u>	<u>Final Paid Acres</u>	<u>Final Paid Acres as a % Initial Acres</u>
2005	106,934	113,522	56,852	53,515	50%
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	60%
2010	330,469	330,469	206,810	206,810	63%
2011	508,069	492,757	400,331	381,949	75%
2012	571,427	567,252	429,818	402,000	70%
2013	607,433	604,186	415,437	413,826	68%
2014	608,427	602,481	423,212	415,550	69%
2015 Est.	641,000	631,350	478,000	441,945	69%
2016 Est.	600,000	600,000	420,000	420,000	70%

Note: The data is as of January 28, 2015. For fiscal 2015, initial, approved, and fall certification acres are actuals but could still be adjusted. Final paid acres for fiscal 2015 is still an estimate. Fiscal 2016 figures are estimates.

Source: Maryland Department of Agriculture; Department of Legislative Services

Fiscal 2015 and 2016 Funding

Exhibit 9 reflects the estimated fiscal 2015 and 2016 funding need and availability. It appears that the budgeted \$10.0 million in fiscal 2015 funding from the Bay Restoration Fund special funds – 9.8 million for cover crops and \$0.2 million for administration – will be insufficient for Cover Crop Program costs based on MDA’s current assumptions about the retention rate and payment per acre and thus, a special fund budget amendment may be necessary. As discussed in the BRFA of 2015 section of this analysis, there is a planned transfer of \$1,375,000 from the Bay Restoration Fund account attributable to Cover Crop Program funding, which is anticipated to leave a fiscal 2015 negative closing balance of \$196,798, as long as adjustments are not made to either revenues or expenditures. **DLS recommends that MDA comment on the likelihood that it will have a sufficient appropriation to pay for the current cover crop acreages for fiscal 2015 and 2016 given the transfer of the \$1,375,000 balance to the general fund in the BRFA of 2015.**

**Exhibit 9
Cover Crop Funding
Fiscal 2015-2016**

	Current <u>2015</u>	Projected <u>2016</u>
Projected Signup Acres	631,350	600,000
Retention Rate	70%	70%
Net Acres	441,945	420,000
Payment Per Acre	\$50.12	\$53.45
Total Projected Cost	\$22,150,283	\$22,449,000
Beginning Fund Balance	\$1,078,788	\$0
Revenues		
Projected Bay Restoration Fund	\$11,200,000	\$11,200,000
Projected 2010 Trust Fund	11,250,000	11,250,000
<i>Proposed Fiscal 2015 BRFA transfer to General Funds</i>	<i>-1,375,000</i>	
Total Resources Available	\$22,153,788	\$22,453,202
Expenditures		
Projected Cover Crop Cost	\$22,150,586	\$22,450,000
Administrative Cost	200,000	
Surplus/Deficit	-\$196,798	\$0

BRFA: Budget Reconciliation and Financing Act

Note: It is assumed that revenue or spending adjustments will resolve the fiscal 2015 negative balance, leaving a \$0 balance for fiscal 2016. It is also assumed that administrative costs will be accounted for in fiscal 2016.

Source: Maryland Department of Agriculture; Department of Legislative Services

Recommended Actions

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

, provided that \$200,000 of this appropriation may not be expended unless:

- (1) MDA has taken corrective action with respect to all repeat audit findings from its April 2013 fiscal compliance audit, on or before November 1, 2015; and
- (2) a report is submitted to the budget committees by the Office of Legislative Audits listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days to review and comment to allow for funds to be released prior to the end of fiscal 2016.

Explanation: In the past, the Joint Audit Committee has requested that budget bill language be adopted for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency was to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by the Office of Legislative Audits (OLA) that each finding was corrected. OLA was to submit reports to the budget committees on the status of repeat findings. Given that the Maryland Department of Agriculture (MDA) has not resolved any of the four repeat findings from its April 2013 fiscal compliance audit that was reviewed by OLA in January 2015, and because \$100,000 was restricted in MDA’s fiscal 2015 budget for that purpose, this action again restricts funding until the repeat findings are resolved.

Information Request	Author	Due Date
Status of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

2. Strike the following language from the general fund appropriation:

~~, provided that this appropriation shall be reduced by \$1,125,000 contingent upon the enactment of legislation reducing the required appropriation.~~

Explanation: The fiscal 2016 budget bill as introduced includes a \$1,125,000 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 2014. This action strikes that contingent reduction.

L00A – Department of Agriculture

	<u>Amount Reduction</u>	
3. This action reduces the Maryland Agricultural and Resource-Based Industry Development Corporation’s appropriation by \$1,125,000 consistent with the proposed contingent reduction in the fiscal 2016 budget. In addition, the appropriation is reduced by \$300,000 since there is \$300,000 in general obligation bond authorization for oyster aquaculture loan activity available from the Department of Natural Resources’ fiscal 2016 capital budget. It is recommended that this additional \$300,000 reduction be made permanent as a cost containment reduction.	\$ 1,425,000	GF
Total General Fund Reductions	\$ 1,425,000	

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 2014					
Legislative Appropriation	\$27,648	\$28,578	\$5,533	\$3,446	\$65,205
Deficiency Appropriation	-1,076	-156	-21	0	-1,253
Budget Amendments	345	17,299	364	188	18,196
Reversions and Cancellations	-210	-2,130	-2,004	-646	-4,990
Actual Expenditures	\$26,707	\$43,591	\$3,872	\$2,988	\$77,158
Fiscal 2015					
Legislative Appropriation	\$27,795	\$30,001	\$4,240	\$3,102	\$65,138
Cost Containment	-387	0	0	0	-387
Budget Amendments	161	57	7	20,002	20,226
Working Appropriation	\$27,568	\$30,058	\$4,247	\$23,104	\$84,978

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

The general fund appropriation decreased by \$940,850. The changes are as follows.

- **Deficiency Appropriation:** A decrease of \$1,075,688 as a result of a decrease of \$799,688 across MDA's budget for negative deficiencies associated with health insurance (\$457,647), retirement (\$274,008), and the State personnel system allocation (\$68,033); a reduction for grants, subsidies, and contributions due to postponing grant funding until fiscal 2015 in the Resource Conservation Operations Program (\$132,320); a reduction for contractual services due to lower gypsy moth eradication as a result of weather changes in the Forest Pest Management Program (\$100,000); a reduction for motor vehicle operation and maintenance for a heavy duty truck that will not be purchased in the Animal Health Program (\$28,680); and a reduction for contractual services in the Administrative Services Program (\$15,000).
- **Budget Amendments:** An increase of \$344,838 due to budget amendments allocating the COLA effective January 1, 2014 (\$234,156), employee salary increments effective April 1, 2014 (\$84,812), personnel classifications as part of the annual salary review (\$15,329), and telecommunications expenditures (\$10,541).
- **Reversions:** A decrease of \$210,000 as a result of reversions primarily in Marketing and Agriculture Development (\$132,276) and Office of the Secretary – Administrative Services (\$48,900).

The special fund appropriation increased by \$15,012,700. The changes are as follows.

- **Deficiency Appropriation:** A decrease of \$156,443 across MDA's budget for negative deficiencies associated with retirement (\$93,038) and health insurance (\$63,405).
- **Budget Amendments:** An increase of \$17,298,650 including funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding from Department of Natural Resources (DNR) totaling \$15,600,000 for cover crops in the Resource Conservation Grants Program (\$10,000,000), agency technical assistance in the Resource Conservation Operations Program (\$2,600,000), grants to farmers for nutrient management regulation assistance in the Resource Conservation Grants Program (\$2,000,000), Conservation Reserve Enhancement Program funding in the Resource Conservation Grants Program (\$500,000), and Manure Transport Program funding in the Resource Conservation Grants Program (\$500,000); for revenue anticipated to be collected in the Spay/Neuter Fund from a cat and dog food surcharge for the new dog and cat Spay/Neuter Program established by Chapters 561 and 562 of 2013 with funding being allocated to grants and salaries and wages for a position that was transferred internally to run the program in the State Board of Veterinary Medical Examiners Program (\$550,000); for a contract extension to continue the development and implementation of remote sensing image acquisition and processing for cover crops in the Resource Conservation Operations Program (\$373,972); for purchasing insecticide supplies for the mosquito ground

L00A – Department of Agriculture

spraying program from County and Other Participation funds in the Mosquito Control Program (\$277,032); for replacement of laboratory equipment and supplies from Registration and Inspection Fees in the State Chemist Program (\$217,427); for salaries and replacement laboratory equipment from License and Registration Fees in the Pesticide Regulation Program (\$87,000); for the fiscal 2014 special fund appropriation for the COLA (\$80,315); for reallocating the fiscal 2014 special fund appropriation for employee salary increments (\$31,222); for operating expenses related to contractual services from Veterinary Registration and Hospital License Fees in the State Board of Veterinary Medical Examiners Program (\$28,762); for replacing aging germination equipment from Seed and Turf Testing funding in the Turf and Seed Program (\$27,906); and for grants from horse racing revenue (codified in Business Regulation Article, section 11-404.1) in the Rural Maryland Council Program (\$25,014).

- **Cancellations:** A decrease of \$2,129,507 primarily due to revenue not being received in Marketing and Agriculture Development (\$539,751), Resource Conservation Grants (\$479,992), Maryland Agricultural Fair Board (\$330,726), and Resource Conservation Operations (\$252,320); and expenditures being less than appropriations in Food Quality Assurance (\$187,578), and Weights and Measures (\$95,669).

The federal fund appropriation decreased by \$1,660,261. The changes are as follows.

- **Deficiency Appropriation:** A decrease of \$20,538 across MDA's budget for negative deficiencies associated with retirement (\$12,485) and health insurance (\$8,053).
- **Budget Amendments:** An increase of \$364,236 for replacement laboratory equipment and salaries from EPA's Performance Partnership Grants in the Pesticide Regulation Program (\$134,896); for gypsy moth suppression from the USDA's Forest Health Protection Program in MDA's Forest Pest Management Program (\$112,952); for the Frederick and Salisbury Animal Health Laboratories to complete maintenance of membership laboratory requirements as part of the National Animal Health Laboratory Network from two USDA Plant and Animal Disease, Pest Control, and Animal Care cooperative agreement extensions in the Animal Health Program (\$101,750); for allocation of the fiscal 2014 federal fund appropriation for the COLA (\$10,758); and for allocation of the fiscal 2014 federal fund appropriation for employee salary increments (\$3,880).
- **Cancellations:** A decrease of \$2,003,959 primarily as a result of projected revenue not being received in the Resource Conservation Operations Program (\$1,180,955), the Marketing and Agriculture Development Program (\$386,128), the State Chemist Program (\$212,269), the Plant Protection and Weed Management Program (\$87,237), and the Pesticide Regulation Program (\$66,031).

The reimbursable fund appropriation decreased by \$457,893. The changes are as follows.

L00A – Department of Agriculture

- **Budget Amendments :** An increase of \$188,151 for supporting activities in Maryland’s rural jurisdictions from the Department of Business and Economic Development (DBED) Invest Maryland grant in the Rural Maryland Council Program (\$111,343); for creating and managing a Rapid Response Team and associated field support services, travel and training for MDA’s agricultural inspectors and laboratory staff to strengthen Maryland’s ability to respond to food-related emergencies from a Department of Health and Mental Hygiene (DHMH) grant in Office of the Secretary – Administrative Services (\$57,370); and for outreach to agricultural landowners related to the Conservation Reserve Enhancement Program using funding transferred from DNR through a memorandum of understanding in the Office of Resource Conservation – Program Planning and Development (\$19,438).
- **Cancellations:** A decrease of \$646,044 primarily as a result of projected revenue not being received in the Resource Conservation Operations Program (\$216,160), the Central Services Program (\$192,409), the Rural Maryland Council (\$95,586), and the Resource Conservation Grants Program (\$91,663).

Fiscal 2015

MDA’s general fund appropriation decreases by \$226,645 as follows.

- **Cost Containment:** A decrease of \$387,210 reflects the July 2, 2014 BPW actions that reduce funding for a long-term vacant agricultural inspector II position (deleted), new vehicles, unneeded office space, and contractual services in Forest Pest Management (\$126,400); for operations to be replaced with special funds in the Weights and Measures Program (\$100,000); for State cost-share assistance for development of nutrient management plans due to low demand in Office of Resource Conservation – Resource Conservation Grants (\$75,000); for a long-term vacant agricultural laboratory scientist III position (deleted) and vehicle operations funding in the Animal Health Program (\$70,511); and for new vehicles in Mosquito Control (\$15,299).
- **Budget Amendments:** An increase of \$160,565 to allocate the COLA effective January 1, 2015.

MDA’s special fund appropriation increases by \$57,181 and federal fund appropriation increases by \$6,740 to allocate the COLA effective January 1, 2015.

MDA’s reimbursable fund appropriation increases by \$20,001,786 due to budget amendments as follows: for allocation of \$19,600,000 in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding transferred from DNR for cover crops in the Resource Conservation Grants Program (\$11,250,000), for agricultural technical assistance in Resource Conservation Operations (\$2,600,000), for animal waste technology programs in Resource Conservation Grants (\$2,500,000), for grants to farmers in Resource Conservation Grants (\$2,000,000), for Manure Transport Program in Resource Conservation Grants (\$750,000), and for the Conservation Reserve Enhancement Program in Resource

L00A – Department of Agriculture

Conservation Grants (\$500,000); for recognition of payments made to the UMPC in fiscal 2014 for providing nutrient management education and outreach programs as well as supporting nutrient management software development, revisions, and maintenance transferred from MDE/EPA Chesapeake Bay Regulatory and Accountability Program and used in the Office of Resource Conservation – Nutrient Management Program (\$346,800); for development grants to nongovernment entities in rural Maryland jurisdictions transferred from DBED as the remaining balance of the fiscal 2012 \$250,000 grant to the Rural Maryland Council (\$42,686); for a no-cost extension to provide outreach for Conservation Reserve Enhancement Program signups and to support the Chesapeake Watershed Enhancement federal fiscal 2010 federal grant transferred from DNR and used in the Office of Resource Conservation – Program Planning and Development (\$7,300); and for increasing the annual grant for the Mosquito Control Program to conduct West Nile Virus and Arbovirus surveillance transferred from DHMH and used in the Office of Plant Industries and Pest Management – Mosquito Control (\$5,000).

Major Information Technology Projects

Maryland Department of Agriculture Telecomm/Datacomm Upgrade

Project Status	Planning		New/Ongoing Project:	New project.				
Project Description:	This project upgrades the telephone system and replaces the network backbone.							
Project Business Goals:	The existing phone system can no longer be maintained and so there is the risk of a major outage resulting in an emergency procurement. This project will keep that from happening.							
Estimated Total Project Cost:	\$1,135,750			Estimated Planning Project Cost¹:	\$101,600			
Project Start Date:	September 2, 2014.			Projected Completion Date:	June 30, 2016.			
Schedule Status:	The project currently is in the initiation phase. Forms and paperwork are being submitted.							
Cost Status:	No funding has been received yet.							
Scope Status:	The project has not yet begun.							
Project Management Oversight Status:	It is noted that outside assistance will be required for the technical design and configuration.							
Identifiable Risks:	In addition to outside assistance, it is noted that internal communication will be a medium-level risk.							
Additional Comments:	None.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	0.0	0.1	0.7	0.2	0.1	0.0	0.0	1.1
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$0.0	\$0.1	\$0.7	\$0.2	\$0.1	\$0.0	\$0.0	\$1.1

**Spay/Neuter Program Funded Projects
Fiscal 2015**

<u>Project Title</u>	<u>Applying Organization</u>	<u>Target Area</u>	<u>Description</u>	<u>Budget</u>	<u>No-cost Surgeries</u>			<u>Total</u>
					<u>Cats</u>	<u>Dogs</u>	<u>Unspecified</u>	
Fix Anne Arundel	Rude Ranch/Spay Spa and Neuter Nook	Anne Arundel County	Targets low-income pet owners in Glen Burnie, Brooklyn Park, Severn, and Pasadena and would provide no-cost surgeries to 400 cats and 100 dogs.	\$29,275	400	100	0	500
We Pay to Spay	Caroline County Humane Society	Caroline County	Targets low-income pet owners in Federalsburg and Denton and will provide no-cost surgeries to 175 cats and 50 pit bulls.	22,150	175	50	0	225
Baltimore Humane Society Spay/Neuter Outreach Program	Baltimore Humane Society	Baltimore County	Targets Milford Mill (located between Randallstown and Woodlawn) and will provide low-income pet owners with education and weekly events providing no-cost surgeries to 150 dogs and 50 cats.	34,416	50	150	0	200
The Lifesaver Spay/Neuter Program	HART for Animals, Inc.	Garrett and Allegany counties	Targets low-income pet owners throughout both counties to provide no-cost surgeries to 400 cats and 275 dogs.	42,345	400	275	0	675
East Laurel Spay and Neuter - Year One	Laurel Cats, Inc.	Prince George's County	Targets low-income pet owners in eastern Laurel and will provide outreach and no-cost surgeries to 300 cats.	18,920	300	0	0	300

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					<u>Cats</u>	<u>Dogs</u>	<u>Unspecified</u>		
Partnering to Provide Free Spay/ Neuter Services	BARCS and Maryland SPCA	Baltimore City	Targets low-income urban pet owners in those zip codes in the city identified through shelter data as sources of significant shelter intake and areas with greatest need will provide outreach, education, and no-cost surgeries to 750 cats and 250 dogs.	94,000	750	250	0	1,000	
Free Spay/ Neuter at HSCC	HSCC	Charles County	Targets low-income pet owners in the towns of Indianhead and Waldorf to provide no-cost surgeries to 220 cats and 110 dogs.	18,348	220	110	0	330	
FREEFix for Prince George's Pets	SPCA/Humane Society of Prince George's County	Prince George's County	Targets low-income pet owners in East Riverdale/Bladensburg and Langley Park, Hillcrest Heights/ Marlow Heights, Glassmanor/Oxon Hill, Suitland/Coral Hills, and Kentland/Palmer Park through 10 events over the course of a year and expect to provide no-cost surgeries to up to 1,000 pets, depending on how many of the serviced pets are cats versus dogs.	20,000	0	0	1,000	1,000	
A Spay A Day Keeps the Litter Away	Prince George's County	Prince George's County	Provides outreach, education and no-cost spay/neuter services (with transportation if necessary) to low-income pet owners in towns throughout western Prince George's County and will provide no-cost surgeries to 146 cats and 219 dogs.	49,580	146	219	0	365	

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					<u>Cats</u>	<u>Dogs</u>	<u>Unspecified</u>	
Four Cities Spay/Neuter Initiative	City of Greenbelt, Planning and Development	Prince George's County	A four-city partnership that targets low-income pet owners in Greenbelt, College Park, New Carrollton, and the Town of Berwyn Heights and provides outreach, transportation, and no-cost surgeries to 636 cats and 315 dogs.	74,562	636	315	0	951
A Targeted Spay/Neuter Project for Companion Dogs in the Park Heights	ReLove Animals, Inc.	Baltimore City	Provides low-income dog owners in Park Heights with transportation and no-cost surgeries to 120 dogs.	12,859	0	120	0	120
Fiscal 2014-2015 Spay/Neuter NO Cost Program	Humane Society of Wicomico County	Wicomico County	Provides transportation and no-cost surgeries to any low-income county residents but especially targets low-income pet owners in the north side of Salisbury, southwest side of Delmar, Sharptown, and Pittsville to 234 cats and 78 dogs.	31,810	234	78	0	312
Spay/Neuter Assistance Program-Focus On Dogs	Talbot Humane	Talbot County	Targets low-income pit bull owners in Talbot County and will provide no-cost surgeries to 100 dogs.	9,180	0	100	0	100

<u>Project Title</u>	<u>Applying Organization</u>	<u>Target Area</u>	<u>Description</u>	<u>No-cost Surgeries</u>				<u>Total</u>
				<u>Budget</u>	<u>Cats</u>	<u>Dogs</u>	<u>Unspecified</u>	
Embedded Community Outreach in Baltimore City	Charm City Companions	Baltimore City	Targets low-income pet owners in northeast Baltimore City, in and around McElderry Park area and will provide no-cost surgeries to 200 pets.	17,340	0	0	200	200
Total				\$474,785	3,311	1,767	1,200	6,278

BARCS: Baltimore Animal Rescue and Care Shelter, Inc.
HSCC: Humane Society of Charles County
SPCA: Society for the Prevention of Cruelty to Animals
Source: Maryland Department of Agriculture

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	383.10	383.10	384.10	1.00	0.3%
02 Contractual	41.80	39.80	42.80	3.00	7.5%
Total Positions	424.90	422.90	426.90	4.00	0.9%
Objects					
01 Salaries and Wages	\$ 27,439,218	\$ 28,595,041	\$ 30,917,542	\$ 2,322,501	8.1%
02 Technical and Spec. Fees	1,345,486	1,170,184	1,367,019	196,835	16.8%
03 Communication	734,413	770,314	716,388	-53,926	-7.0%
04 Travel	341,156	357,973	394,391	36,418	10.2%
06 Fuel and Utilities	991,014	939,542	937,444	-2,098	-0.2%
07 Motor Vehicles	1,217,059	1,300,607	1,140,248	-160,359	-12.3%
08 Contractual Services	5,855,429	6,115,155	5,436,285	-678,870	-11.1%
09 Supplies and Materials	1,314,117	1,276,909	1,143,268	-133,641	-10.5%
10 Equipment – Replacement	811,815	602,254	409,320	-192,934	-32.0%
11 Equipment – Additional	79,649	69,935	40,145	-29,790	-42.6%
12 Grants, Subsidies, and Contributions	32,421,190	39,009,573	40,704,850	1,695,277	4.3%
13 Fixed Charges	4,497,645	4,455,023	4,909,136	454,113	10.2%
14 Land and Structures	110,175	315,000	205,000	-110,000	-34.9%
Total Objects	\$ 77,158,366	\$ 84,977,510	\$ 88,321,036	\$ 3,343,526	3.9%
Funds					
01 General Fund	\$ 26,707,370	\$ 27,567,964	\$ 29,233,494	\$ 1,665,530	6.0%
03 Special Fund	43,590,563	30,058,349	32,337,313	2,278,964	7.6%
05 Federal Fund	3,872,454	4,247,122	4,014,044	-233,078	-5.5%
09 Reimbursable Fund	2,987,979	23,104,075	22,736,185	-367,890	-1.6%
Total Funds	\$ 77,158,366	\$ 84,977,510	\$ 88,321,036	\$ 3,343,526	3.9%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

**Fiscal Summary
Department of Agriculture**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
11 Office of The Secretary	\$ 8,123,985	\$ 8,353,430	\$ 8,528,445	\$ 175,015	2.1%
12 Office of Marketing, Animal Industries and Consumer Services	18,558,241	20,463,958	22,600,222	2,136,264	10.4%
14 Office of Plant Industries And Pest Management	10,754,179	10,989,387	11,154,731	165,344	1.5%
15 Office of Resource Conservation	39,721,961	45,170,735	46,037,638	866,903	1.9%
Total Expenditures	\$ 77,158,366	\$ 84,977,510	\$ 88,321,036	\$ 3,343,526	3.9%
General Fund	\$ 26,707,370	\$ 27,567,964	\$ 29,233,494	\$ 1,665,530	6.0%
Special Fund	43,590,563	30,058,349	32,337,313	2,278,964	7.6%
Federal Fund	3,872,454	4,247,122	4,014,044	-233,078	-5.5%
Total Appropriations	\$ 74,170,387	\$ 61,873,435	\$ 65,584,851	\$ 3,711,416	6.0%
Reimbursable Fund	\$ 2,987,979	\$ 23,104,075	\$ 22,736,185	-\$ 367,890	-1.6%
Total Funds	\$ 77,158,366	\$ 84,977,510	\$ 88,321,036	\$ 3,343,526	3.9%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.