

**L00A**  
**Department of Agriculture**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$26,676	\$26,967	\$29,459	\$2,492	9.2%
Deficiencies and Reductions	0	355	-75	-430	
<b>Adjusted General Fund</b>	<b>\$26,676</b>	<b>\$27,322</b>	<b>\$29,384</b>	<b>\$2,062</b>	<b>7.5%</b>
Special Fund	26,695	32,195	34,040	1,846	5.7%
Deficiencies and Reductions	0	0	-31	-31	
<b>Adjusted Special Fund</b>	<b>\$26,695</b>	<b>\$32,195</b>	<b>\$34,009</b>	<b>\$1,815</b>	<b>5.6%</b>
Federal Fund	3,819	4,482	3,630	-852	-19.0%
Deficiencies and Reductions	0	55	-4	-59	
<b>Adjusted Federal Fund</b>	<b>\$3,819</b>	<b>\$4,537</b>	<b>\$3,626</b>	<b>-\$912</b>	<b>-20.1%</b>
Reimbursable Fund	19,181	25,317	23,342	-1,975	-7.8%
<b>Adjusted Reimbursable Fund</b>	<b>\$19,181</b>	<b>\$25,317</b>	<b>\$23,342</b>	<b>-\$1,975</b>	<b>-7.8%</b>
<b>Adjusted Grand Total</b>	<b>\$76,371</b>	<b>\$89,371</b>	<b>\$90,360</b>	<b>\$990</b>	<b>1.1%</b>

- The Maryland Department of Agriculture (MDA) budget includes a fiscal 2016 deficiency of \$410,243 (comprised of \$354,960 in general funds and \$55,283 in federal funds). The funding would be used to reimburse expenses related to preparation for a highly pathogenic avian influenza outbreak.
- The overall adjusted change in the MDA fiscal 2016 allowance is an increase of \$990,000, or 1.1%. The major change is an increase of \$2 million in general funds for the Rural Maryland Council to improve rural Maryland working and living conditions.

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

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## ***Personnel Data***

	<b><u>FY 15</u></b> <b><u>Actual</u></b>	<b><u>FY 16</u></b> <b><u>Working</u></b>	<b><u>FY 17</u></b> <b><u>Allowance</u></b>	<b><u>FY 16-17</u></b> <b><u>Change</u></b>
Regular Positions	381.10	380.10	376.10	-4.00
Contractual FTEs	<u>39.00</u>	<u>44.80</u>	<u>43.60</u>	<u>-1.20</u>
<b>Total Personnel</b>	<b>420.10</b>	<b>424.90</b>	<b>419.70</b>	<b>-5.20</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	24.56	6.53%
Positions and Percentage Vacant as of 12/31/15	48.00	12.63%

- MDA regular positions decrease by 4.0 in Plant Protection and Weed Control in the fiscal 2017 allowance. The reductions are as follows: 1.0 weed control specialist IV, 2.0 administrative officer IIIs, and 1.0 administrator I. The reductions are due to the elimination of the Weed Control Program and all the positions are currently filled.
- MDA has 10.0 regular positions that have been vacant for more than a year.
- MDA contractual full-time equivalents (FTE) decrease by a net of 1.2 FTEs in the fiscal 2017 allowance. The changes are as follows: decreases of 2.0 in Watershed Implementation Program, 1.0 in Maryland Horse Industry Board, 0.8 FTEs in Plant Protection and Weed Management, which are offset partially by increases of 1.0 in Resource Conservation Grants, 0.7 in Forest Pest Management, 0.5 in Food Quality Assurance, 0.3 in Mosquito Control, and 0.1 in Animal Health.
- The MDA turnover rate decreased slightly from 6.54% in the fiscal 2016 working appropriation to 6.53% in the fiscal 2017 allowance, which reflects a decrease from 24.86 necessary vacancies to 24.56 necessary vacancies. MDA has 48.0 positions vacant as of December 31, 2015, which is relatively high at 12.63%, but this will allow MDA to meet turnover.
- MDA notes that 4.0 regular positions were reclassified and moved from policy programs to the Office of the Secretary as part of the fiscal 2016 working appropriation actions due to the upcoming retirement of senior staff.

## *Analysis in Brief*

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### Major Trends

***The Gypsy Moth Returns:*** The number of acres where protective treatment is environmentally and economically feasible for the gypsy moth increased to 9,000 acres in the fiscal 2017 estimate. MDA notes that 9,000 acres is a guess based on historical population trends and that actual acreage will be impacted by spring weather and disease. One indicator of likely need is that neighboring states are experiencing outbreak levels of the gypsy moth and have increased spraying programs. Therefore, it is highly likely that Maryland will become part of the same outbreak. A better estimate of the future will come in July/August 2016. **DLS recommends that MDA comment on long-term climatological impacts on gypsy moth numbers and the overall impact of the gypsy moth on Maryland forest health and productivity.**

***Shelter/Animal Care Facility Data Shows Slight Decrease in Euthanasia:*** The overall euthanasia numbers over the past six quarters – not including the most recent quarter analyzed – have averaged 1,934 a quarter for dogs and 4,844 a quarter for cats, which combined is an average of 6,788 that were euthanized in each quarter. In the most recent quarter analyzed – the second quarter of 2015 – there were 1,771 dogs euthanized and 4,069 cats, which is a total of 5,840. The 5,840 euthanized in the second quarter of 2015 is less than the average number of dogs and cats euthanized in the prior six quarters and reflects a slight decrease in euthanasia. **DLS recommends that MDA comment on how it will use shelters/animal care facilities data to inform the allocation of resources for the Spay/Neuter Program in fiscal 2017.**

***Highly Pathogenic Avian Influenza Spurs Preparations:*** Highly pathogenic avian influenza is a combination of Asian and North American influenza strains carried by wild birds and transmitted to domestic birds such as chickens. Through June 2015, it has been detected in 21 states, primarily in the West and Midwest, and a total of 211 commercial and 21 backyard poultry premises have been affected resulting in the depopulation of 7.5 million turkeys and 42.1 million egg-layer and pullet chickens, with a cost of over \$950 million. **DLS recommends that MDA comment on its preparations for a highly pathogenic avian influenza outbreak and the possible economic impact on Maryland’s poultry industry.**

### Issues

***Cover Crop Database and Mapping:*** Cover crops are one of the most effective best management practices for reducing nitrogen loads to the Chesapeake Bay and represent a substantial portion of the MDA operating budget. Given the funding level in the budget, it is imperative that funding be efficiently applied to the available cover crop acreage opportunities. **DLS recommends that MDA comment on how the geospatial data on cover crop applications can be used to optimize cover crop funding for nutrient loading reductions.**

***Nutrient Trading Regulations Impact on MDA:*** On December 28, 2015, MDA published regulations in the *Maryland Register* that establish the requirements and standards for the generation and certification of nonpoint source nutrient and sediment credits on agricultural land under the Agricultural Nutrient and Sediment Certification Program. MDA indicated that the impact on the department is nominal because administrative and other program expenditures associated with the regulations are funded by federal grant money. However, the federal funding that it currently receives relating to nutrient and sediment trading ends in March 2016 and is not expected to be renewed in the immediate future. MDA anticipates using savings associated with the Agricultural Certainty Program to fund the work and position needs. **DLS recommends that MDA comment on what the likely methodology will be for incorporating inspections into the price of a nutrient credit and who will enforce the contractual instrument between the buyer and seller of credits.**

***New and Proposed Fee Reductions Impact Revenues:*** The Administration implemented fee reductions on September 15, 2015, that impacted State Board of Veterinary Medical Examiner program veterinary fees. In addition, the Administration has introduced SB 389 and HB 459 (Fee, Surcharge, and Tax Reduction Act of 2016) in the 2016 legislative session that would reduce Weights and Measures program fees as well. **DLS recommends that MDA comment on the balances, revenues, and expenditures history for all funds receiving revenues from the fees reduced by the September 15, 2015 actions, and the proposed reductions in SB 389 and HB 459 and the impact on operations of both sets of fee reductions.**

***New Rural Maryland Council Spending Guided by Legislation:*** The Rural Maryland Council receives a nonmandated \$2,000,000 general fund enhancement in the fiscal 2017 allowance. This funding is budgeted in the Rural Maryland Prosperity Investment Fund to implement Chapter 469 of 2014 (Rural Maryland Prosperity Investment Fund – Revisions and Extension of Termination Date). The Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund already each receive \$167,000 in general funds for fiscal 2017. In addition, the assumption is that the Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund receive allocations of \$375,000 each from the Rural Maryland Prosperity Investment Fund. **DLS recommends that the \$167,000 general fund appropriations for the Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund each be deleted given the \$375,000 that will be available to each from the \$2,000,000 allocation of the Rural Maryland Prosperity Investment Fund. In addition, DLS recommends that \$100,000 be restricted in the MDA budget pending the submission of a report on July 1, 2016, specifying the criteria and rationale for the allocation of funding from the Rural Maryland Prosperity Investment Fund and a report on January 1, 2016, specifying the actual allocation of fiscal 2017 funding.**

## Recommended Actions

	<u>Funds</u>
1. Reduce funding and restrict remaining funding pending submission of reports on the Rural Maryland Prosperity Investment Fund.	
2. Reduce funding for the Maryland Agricultural Education and Rural Development Assistance Fund.	\$ 167,000
<b>Total Reductions</b>	<b>\$ 167,000</b>

## Updates

**MDA Repeat Audit Findings Still in Limbo:** Funding has been withheld in each of the MDA fiscal 2015 and 2016 budgets in order to compel resolution of repeat audit findings. For fiscal 2015, \$100,000 in general funds was withheld and then not released because the findings were not resolved to the satisfaction of the Office of Legislative Audits (OLA). Similarly, \$200,000 in general funds has been withheld in the MDA fiscal 2016 appropriation. As of this writing, OLA has received the status report from MDA and has completed its follow-up work but has not yet issued the draft letter to MDA for its review.

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**L00A**  
**Department of Agriculture**

***Operating Budget Analysis***

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**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, an independent agricultural development agency that is budgeted within MDA. The office also administers the 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; trains, certifies, and licenses nutrient management plan consultants; and oversees Maryland's certainty and nutrient trading programs as part of Chesapeake Bay restoration.

## *L00A – Department of Agriculture*

The primary goals of MDA are to:

- promote profitable production, use, and sale of Maryland agricultural products (goal 1);
- protect the health of the public, plant, and animal resources in Maryland (goal 2);
- preserve adequate amounts of productive agricultural land and woodland in Maryland (goal 3);
- provide and promote land stewardship, including conservation, environmental protection, preservation, and resource management (goal 4); and
- provide health, safety, and economic protection for Maryland consumers (goal 5).

### **Performance Analysis: Managing for Results**

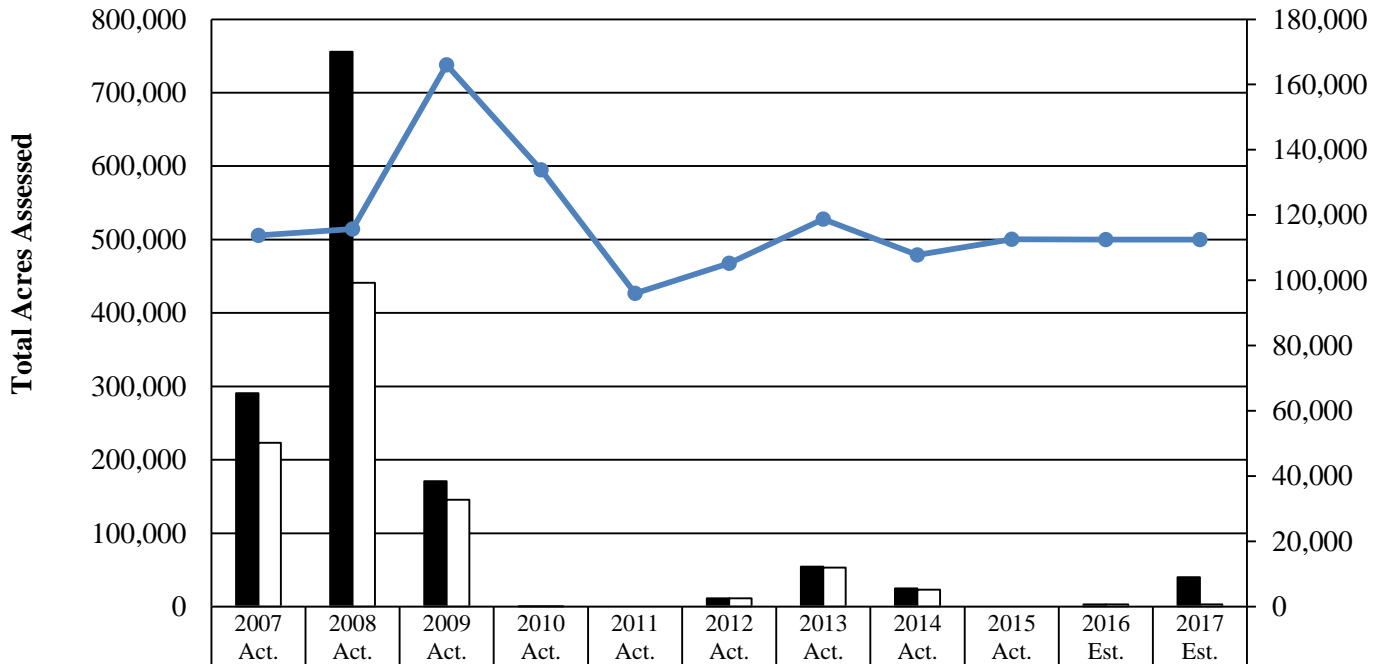
The analysis of the MDA fiscal 2017 Managing for Results (MFR) submission reflects that a gypsy moth outbreak is anticipated and euthanasia of dogs and cats in Maryland shelters has decreased slightly per second quarter data in calendar 2015. In addition, there is a discussion of the impact of the highly pathogenic avian influenza and the ensuing preparations in Maryland.

#### **1. The Gypsy Moth Returns**

The second MDA goal – protect the health of the public, plant, and animal resources in Maryland – has an objective to successfully complete gypsy moth and hemlock woolly adelgid pest management activities where economically and environmentally feasible. As shown in **Exhibit 1**, the number of acres where protective treatment is environmentally and economically feasible for the gypsy moth increased to 9,000 acres in the fiscal 2017 estimate. MDA notes that 9,000 acres is a guess based on historical population trends and that actual acreage will be impacted by spring weather and disease. One indicator of likely need is that neighboring states are experiencing outbreak levels of the gypsy moth and have increased spraying programs. Therefore, it is highly likely that Maryland will become part of the same outbreak. A better estimate of the future will come in July/August 2016. **The Department of Legislative Services (DLS) recommends that MDA comment on long-term climatological impacts on gypsy moth numbers and the overall impact of the gypsy moth on Maryland forest health and productivity.**



**Exhibit 1  
Gypsy Moth Outbreak Anticipated  
Fiscal 2007-2017 Est.**



■ Acres Where Protective Treatment Is Environmentally and Economically Feasible	65,431	170,000	38,454	144	0	2,530	12,289	5,594	0	700	9,000
□ Acres of Treatment Completed	50,173	99,222	32,722	144	0	2,530	11,994	5,164	0	700	700
● Acres Assessed	505,734	514,403	737,944	595,033	426,679	467,815	527,837	479,198	500,254	500,000	500,000

Source: Department of Budget and Management

## 2. Shelter/Animal Care Facility Data Shows Slight Decrease in Euthanasia

The Spay/Neuter Program was initiated in fiscal 2015 but does not yet have any associated MFR measures. The most recent quarterly report covered April 1 to June 30, 2015, and was posted on September 24, 2015. Overall, the concern addressed by the Spay/Neuter Program is the amount of pet euthanasia being conducted in Maryland, which may be considered as part of goal 2 of MDA– to protect the health of the public, plant, and animal resources in Maryland.

As shown in **Exhibit 2**, the 30 shelters/animal care facilities required to report had a combined total of 3,266 cats and dogs at the beginning of April 2015. During the subsequent three-month period, the shelters/animal care facilities took in 19,990 cats and dogs, 612.1% of the beginning number of cats and dogs. Of the now 23,256 pets in their care, the shelters/animal care facilities disposed of 18,143 of the pets through a combination of 5,840 that were euthanized – both owner-requested and other types of euthanasia – and 12,303 noneuthanasia dispositions. The noneuthanasia dispositions include 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 5,113 cats and dogs, 156.6% of the beginning number of cats and dogs. The overall euthanasia numbers over the past six quarters – not including the most recent quarter analyzed – averaged 1,934 a quarter for dogs and 4,844 a quarter for cats, which combined is an average of 6,788 that were euthanized in each quarter. In the most recent quarter analyzed – the second quarter of 2015 – there were 1,771 dogs euthanized and 4,069 cats, which is a total of 5,840. The 5,840 euthanized in the second quarter of 2015 is less than the average number of dogs and cats euthanized in the prior six quarters and reflects a slight decrease in euthanasia. **DLS recommends that MDA comment on how it will use shelters/animal care facilities data to inform the allocation of resources for the Spay/Neuter Program in fiscal 2017.**

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**Exhibit 2**  
**Combined Dog and Cat Statewide Numbers for Maryland Facilities**  
**April 1 through June 30, 2015**

	<u>Cats and Dogs</u>	<u>Beginning Quarter</u>
Beginning Quarter	3,266	100.0%
Intake	19,990	612.1%
<b>Disposition</b>		
Noneuthanasized	12,303	376.7%
Euthanized	5,840	178.8%
<b>Total</b>	<b>18,143</b>	<b>555.5%</b>
<b>End Quarter</b>	<b>5,113</b>	<b>156.6%</b>

Source: Maryland Department of Agriculture; Department of Legislative Service

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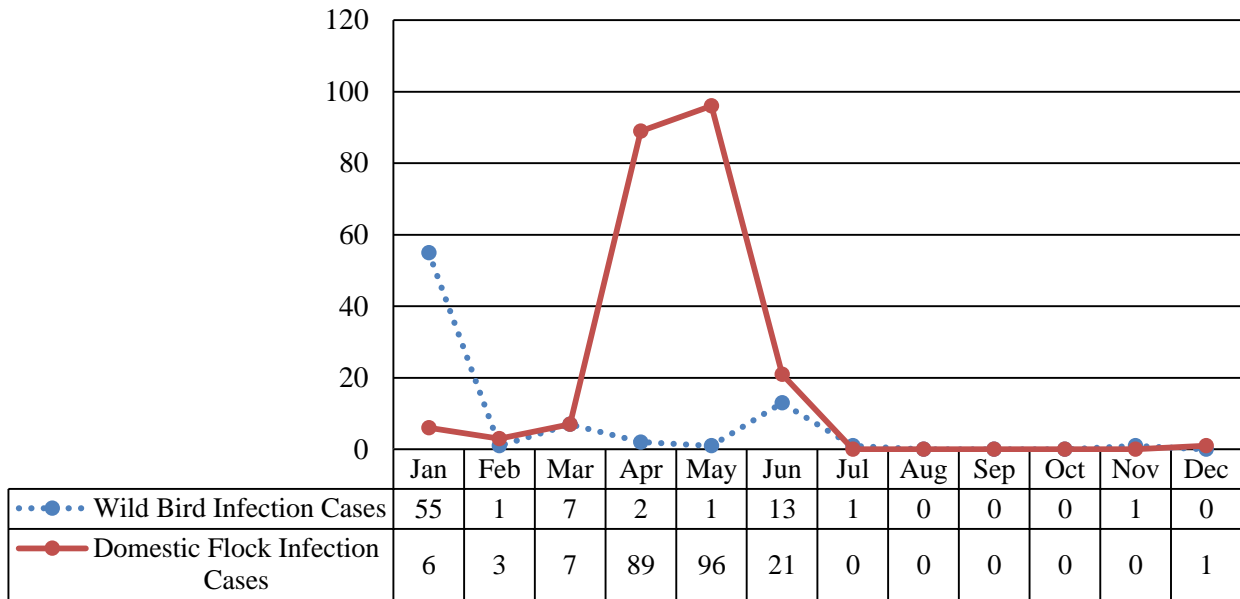
### **3. Highly Pathogenic Avian Influenza Spurs Preparations**

Highly pathogenic avian influenza impacts two of the MDA goals: goal 1 of MDA – to promote profitable production, use, and sale of Maryland agricultural products; and goal 2 of MDA – to protect the health of the public, plant, and animal resources in Maryland. According to the U.S. Department of Agriculture – Animal and Plant Health Inspection Service’s 2016 *HPAI Preparedness and Response Plan*, updated on January 11, 2016, highly pathogenic avian influenza is due to the commingling of migratory birds between northeast Asia and Alaska, which has allowed for the reassortment of Asian highly pathogenic avian influenza strains with North American low pathogenic avian influenza. The result is a virus that infects wild birds – primarily ducks, geese, and shorebirds – which is then transmitted to domestic chickens and other commercially grown birds.

The first identified case of highly pathogenic avian influenza was in December 2014 in the Pacific Northwest; the most recent case – confirmed on January 15, 2016 – was discovered in a commercial turkey flock in Dubois County, Indiana. Through June 2015, highly pathogenic avian influenza has been detected in 21 states, primarily in the West and Midwest, and a total of 211 commercial and 21 backyard poultry premises had been affected resulting in the depopulation of 7.5 million turkeys and 42.1 million egg-layer and pullet chickens, with a cost of over \$950 million.

**Exhibit 3** shows the calendar 2015 national data on wild bird and domestic flock cases of highly pathogenic avian influenza. As can be seen, there was a high of 55 wild bird infection cases in January 2015 and a high of 96 domestic flock cases in May 2015. The identification of highly pathogenic avian influenza in the Indiana turkey flock has raised concerns about the exposure of Maryland’s poultry industry, especially since the Atlantic Flyway appears to be the only wild bird migration route that has not been impacted yet. As noted in the fiscal 2016 budget section of this analysis, there is a \$410,243 deficiency appropriation for preparation for a highly pathogenic avian influenza outbreak. **DLS recommends that MDA comment on its preparations for a highly pathogenic avian influenza outbreak and the possible economic impact on Maryland’s poultry industry.**

**Exhibit 3  
National Wild Bird and Domestic Flock  
Highly Pathogenic Avian Influenza Infection Cases  
Calendar 2015**



Source: U.S. Department of Agriculture, Animal, and Plant Health Inspection Service

**Fiscal 2016 Actions**

Two actions impact the MDA fiscal 2016 budget: a proposed deficiency and cost containment.

**Proposed Deficiency**

The Governor has submitted a \$410,243 deficiency appropriation for the fiscal 2016 operating budget, which would increase the MDA appropriation in Animal Health by \$354,960 in general funds and \$55,283 in federal funds. The funding would be used to reimburse expenses related to preparation for a highly pathogenic avian influenza outbreak and consists of \$250,556 for equipment replacement, \$158,187 for supplies and materials, and \$1,500 for travel. The federal funds come from the U.S. Department of Agriculture – Animal and Plant Health Inspection Service’s Plant and Animal Disease, Pest Control, and Animal Care funding.

## Cost Containment

The MDA fiscal 2016 budget is reduced by the 2% across-the-board reduction implemented in the 2015 legislative session. The MDA share of the reduction was \$513,000 in general funds and 2 abolished positions as shown in **Exhibit 4**.

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**Exhibit 4**  
**2% Across-the-board Reductions for MDA**  
**Fiscal 2016**

<u>Program</u>	<u>Action</u>	<u>Funding</u>	<u>Position</u>
Office of the Secretary – Central Services	Shift costs for utilities to available reimbursable funds, which is comprised of \$100,000 from the Weights and Measures program and \$50,000 from the State Board of Veterinary Medical Examiners.	\$150,000	0.0
ORC – Nutrient Management	Reduce the nutrient management grant to the University of Maryland and replace with Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding originally allocated for the Cover Crop Program.	150,000	0.0
ORC – Resource Conservation Operations	Abolish a vacant program manager IV position.	114,841	1.0
Office of Plant Industries and Pest Management – Turf and Seed	Abolish a vacant laboratory position.	50,255	1.0
Office of the Secretary – Administrative Services	Reduce laptop purchases.	47,904	
<b>Total</b>		<b>\$513,000</b>	<b>2.0</b>

MDA: Maryland Department of Agriculture  
ORC: Office of Resource Conservation

Source: Department of Budget and Management

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## Proposed Budget

The MDA fiscal 2016 adjusted allowance increases by \$990,000, or 1.1%, relative to the fiscal 2016 working appropriation, as shown in **Exhibit 5**. The changes by fund in Exhibit 5 reflect an

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increase of \$2.1 million in general funds, an increase of \$1.8 million in special funds, a decrease of \$0.9 million in federal funds, and a decrease of \$2.0 million in reimbursable funds. Changes in personnel funding are discussed first and then other changes.

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

<b>How Much It Grows:</b>	<b><u>General</u> <u>Fund</u></b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Federal</u> <u>Fund</u></b>	<b><u>Reimb.</u> <u>Fund</u></b>	<b><u>Total</u></b>
Fiscal 2015 Actual	\$26,676	\$26,695	\$3,819	\$19,181	\$76,371
Fiscal 2016 Working Appropriation	27,322	32,195	4,537	25,317	89,371
Fiscal 2017 Allowance	<u>29,384</u>	<u>34,009</u>	<u>3,626</u>	<u>23,342</u>	<u>90,360</u>
Fiscal 2016-2017 Amount Change	\$2,062	\$1,815	-\$912	-\$1,975	\$990
Fiscal 2016-2017 Percent Change	7.5%	5.6%	-20.1%	-7.8%	1.1%

**Where It Goes:**

**Personnel Expenses**

Employee and retiree health insurance.....	718
Retirement contribution.....	543
Additional assistance.....	58
Reclassification.....	51
Turnover expectancy.....	35
Other fringe benefit adjustments.....	5
Salaries and other compensation.....	-527
Abolished 4.0 positions.....	-347

**Other Changes**

*Agricultural Policy*

Rural Maryland Council.....	2,000
Cover crops.....	1,040
Animal Waste Technology Fund.....	-1,034
One-time deficiency for highly pathogenic avian influenza.....	-410
Tobacco Transition Program.....	-400

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**Where It Goes:**

<i>Routine Operations</i>	
Soil conservation district funding.....	-545
Electricity .....	-114
Gas and oil.....	-49
Contractual full-time equivalents decrease by 1.2.....	-17
Other.....	-17
<b>Total</b>	<b>\$990</b>

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

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Employee increments and associated expenses (including Social Security, retirement, unemployment compensation, and turnover) are included in the budget of the Department of Budget and Management, and \$475,963 in total funds comprised of \$320,935 in general funds, \$120,554 in special funds, \$14,833 in federal funds, and \$19,641 in reimbursable funds will be distributed to MDA by budget amendment for the start of the fiscal year.

**Personnel**

- **Employee and Retiree Health Insurance:** Employee and retiree health insurance costs increase by \$718,329.
- **Retirement Contribution:** Retirement contribution increases by \$543,229.
- **Additional Assistance:** Additional assistance increases by \$58,000. The fiscal 2015 actual appropriation was \$28,075, which increased to the fiscal 2016 working appropriation of \$56,000 and then increases again to the fiscal 2017 allowance of \$114,000.
- **Reclassification:** There is a position reclassification that increases by \$50,970.
- **Turnover Expectancy:** Turnover expectancy increases by \$34,628.
- **Salaries and Other Compensation:** Salaries decrease by \$526,849.
- **Abolished 4.0 Positions:** The reduction of 4.0 filled positions in the Weed Control Program reflects the end of the program and a reduction of \$346,911. **DLS recommends that MDA comment on the rationale for and impact of the ending of the Weed Control Program.**

## Other Changes

Overall, the nonpersonnel portion of the MDA fiscal 2017 adjusted allowance decreases by \$0.5 million. The areas of change may be broadly categorized as agricultural policy and routine operations. The biggest change is an increase of \$2,000,000 in general funds for the Rural Maryland Council. Larger changes include the following.

### Agricultural Policy

- **Rural Maryland Council:** The Rural Maryland Council receives a nonmandated \$2,000,000 general fund enhancement in the fiscal 2017 allowance. This funding is budgeted in the Rural Maryland Prosperity Investment Fund to implement Chapter 469 of 2014 (Rural Maryland Prosperity Investment Fund – Revisions and Extension of Termination Date) and is to be used to further the purposes of the legislation by encouraging and increasing entrepreneurship; reducing unemployment and underemployment; preserving valuable working landscapes; promoting intergovernmental cooperation and public-private partnerships throughout the State; and enhancing housing, transportation, water, wastewater, and broadband infrastructure and services. MDA notes that decisions on grant awards are determined by the Maryland Agricultural Education and Rural Development Assistance Board.
- **Cover Crops:** There is an increase of \$1,040,000 (\$840,000 in reimbursable funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund and \$200,000 special funds from the Bay Restoration Fund) for cover crops. Overall, there is a total of \$22,650,000 for cover crops: \$11,250,000 from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund) and \$11,400,000 from the Bay Restoration Fund.
- **Animal Waste Technology Fund:** The Animal Waste Technology Fund appropriation reflects a \$1,033,728 decrease as a result of a reduction of \$2,033,728 in reimbursable funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, which is partially offset by an increase of \$1,000,000 from the Strategic Energy Investment Fund.
- **One-time Deficiency for Highly Pathogenic Avian Influenza:** The one-time deficiency to prepare for a highly pathogenic avian influenza outbreak accounts for a decrease of \$410,243.
- **Tobacco Transition Program:** Tobacco Transition Program funding for infrastructure grants decreases by \$400,000 in Cigarette Restitution Fund special funds in the fiscal 2017 allowance.

### Routine Operations

- **Soil Conservation District Funding:** Soil conservation district funding for Western and Central Maryland decreases by \$545,385 in reimbursable funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.



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- **Electricity:** There is a decrease of \$113,755 for Utilities – Electricity across the agency, primarily due to a reduction of one-time funding of \$150,000 in reimbursable funds that were transferred internally from the State Board of Veterinary Examiners and Weights and Measures programs to the Central Services program in order to backfill the utilities funding reduced by the 2% cost containment reduction in Section 19 of the fiscal 2016 budget bill.
- **Gas and Oil:** Gas and oil costs decrease by \$48,709 across the agency, primarily due to the reduction of \$21,045 in general funds in the Weed Control Program as a result of the elimination of the program.
- **Contractual Full-time Equivalent (FTE) Decrease by 1.2:** The MDA contractual FTEs complement decrease by a net of 1.2 FTEs as shown in **Exhibit 6**.

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**Exhibit 6**  
**Contractual Full-time Equivalent Changes**  
**Fiscal 2017 Allowance**

<u>Program</u>	<u>Change</u>	<u>Explanation</u>
Watershed Implementation Program	-2.0	Transfer to another program and end of a federal grant.
Maryland Horse Industry Board	-1.0	Fiscal constraints.
Plant Protection and Weed Management	-0.8	Reduction in federal funds.
Resource Conservation Grants	1.0	Enhancing the Manure Transport Program.
Forest Pest Management	0.7	Expectation of additional U.S. Forest Service funding to support gypsy moth suppression.
Food Quality Assurance	0.5	Additional on-call inspector.
Mosquito Control	0.3	Need to conduct field work at the Salisbury Regional Office.
Animal Health	0.1	
<b>Total</b>	<b>-1.2</b>	

Source: Maryland Department of Agriculture

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## **Across-the-board Reductions**

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. The MDA share of these reductions totals \$110,587 and is comprised of \$75,273 in general funds, \$31,338 in special funds, and \$3,976 in federal funds. There is an additional across-the-board reduction to abolish positions statewide, but the amounts have not been allocated by agency.

## Issues

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### 1. Cover Crop Database and Mapping

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 the MDA operating budget. Given the funding level in the budget, it is imperative that funding be efficiently applied to the available cover crop acreage opportunities.

#### 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 2015 to 2016 planting season, which reflects fiscal 2016 funding, has yielded an estimated final acreage of 448,700 acres. **Exhibit 7** shows the cover crop history. Since fiscal 2005, there has been an almost 700% increase in the amount of cover crop acres planted.

**Exhibit 7**  
**Cover Crop History**  
**Fiscal 2005-2017 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	238,597	60%
2010	330,469	330,469	206,810	206,810	63%
2011	508,304	492,757	400,331	381,257	75%
2012	571,427	567,252	429,818	402,000	70%
2013	607,433	604,186	415,437	413,826	68%
2014	602,481	602,481	423,212	415,550	69%
2015	617,714	617,714	475,839	427,458	69%
2016 Est.	641,000	654,153	485,000	448,700	70%
2017 Est.	641,100	650,000	485,000	448,700	70%

Note: The data is as of January 28, 2016. For fiscal 2016, initial, approved, and fall certification acres are actuals but could still be adjusted. Final paid acres for fiscal 2016 is still an estimate. Fiscal 2017 figures are estimates.

Source: Maryland Department of Agriculture; Department of Legislative Services

## Fiscal 2016 and 2017 Funding

**Exhibit 8** reflects the estimated fiscal 2016 and 2017 funding need and availability. There appears to be sufficient funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, the Bay Restoration Fund, and available fund balance to pay for the estimated 448,700 acres of cover crops in each year. Of note, the Bay Restoration Fund revenue estimate has increased by \$200,000.

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### Exhibit 8 Cover Crop Funding Fiscal 2016-2017

	<b>Current <u>2016</u></b>	<b>Projected <u>2017</u></b>
Projected Signup Acres	641,000	641,000
Retention Rate	70%	70%
Net Acres	448,700	448,700
Payment Per Acre	\$50	\$50
Total Projected Cost	\$22,435,000	\$22,435,000
<b>Beginning Fund Balance</b>	<b>\$437,866</b>	<b>\$252,866</b>
<b>Revenues</b>		
Projected Bay Restoration Fund	\$11,200,000	\$11,400,000
Projected 2010 Trust Fund	11,250,000	11,250,000
<b>Total Resources Available</b>	<b>\$22,450,000</b>	<b>\$22,650,000</b>
<b>Expenditures</b>		
Projected Cover Crop Cost	\$22,435,000	\$22,435,000
Administrative Cost	200,000	200,000
<b>Surplus/Deficit</b>	<b>\$252,866</b>	<b>\$267,866</b>

Source: Maryland Department of Agriculture; Department of Legislative Services

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## Cover Crop Targeting

MDA notes that in December 2015 it completed a task order with Towson University for the next phase of the online cover crop database, which will allow for the migration of historical cover crop and other Maryland Agricultural Cost-Share Program data into a Microsoft SQL database. There is \$50,000 budgeted for the software as part of the operating costs from the Bay Restoration Fund. Ultimately, this database will allow for entering application data by soil conservation district with

implementation expected for the fiscal 2018 cover crop program year. MDA notes that it is in the midst of beta testing the mapping of cover crop applications. **DLS recommends that MDA comment on how the geospatial data on cover crop applications can be used to optimize cover crop funding for nutrient loading reductions.**

## **2. Nutrient Trading Regulations Impact on MDA**

On December 28, 2015, MDA published regulations in the *Maryland Register* that establish the requirements and standards for the generation and certification of nonpoint source nutrient and sediment credits on agricultural land under the Agricultural Nutrient and Sediment Certification Program. MDA indicated that the impact on the department is nominal because administrative and other program expenditures associated with the regulations are funded by federal grant money. However, the federal funding that it currently receives relating to nutrient and sediment trading ends in March 2016 and is not expected to be renewed in the immediate future. Assuming that other funding is not available within the department's existing budget to replace the federal funding, State general fund expenditures increase by approximately \$25,000 in fiscal 2016 and by \$170,000 in fiscal 2017. These amounts reflect the cost of a program coordinator for the agricultural nutrient and sediment credit certification program (\$25,000 for the final three months of fiscal 2016 and \$100,000 annually thereafter) and the cost of contractual services for an upgrade to the online Maryland Nutrient Tracking Tool expected in fiscal 2017 (\$65,000) and ongoing annual maintenance for the online tool (\$5,000).

MDA notes that it intends to use the existing federal funding through the Natural Resources Conservation Service – Conservation Innovations Grant Program to fund the nutrient trading coordinator position through March 2016 and that, as a result of achieving general fund salary savings associated with the Agricultural Certainty Program, there will be general funds available to support the position through June 2016. For fiscal 2017, MDA intends to realign the Watershed Implementation Plan (WIP), combining the Nutrient Trading and Agricultural Certainty Programs, which will result in both programs being managed by a single general funded coordinator position. In addition, as the Maryland Nutrient Tracking Tool is now being used by other Chesapeake Bay jurisdictions, maintenance of the newly developed Chesapeake Bay Nutrient Tracking Tool will be funded jointly through additional federal grants secured by partner jurisdictions. Additionally, the costs of inspections associated with the Agricultural Nutrient and Sediment Certification Program will be incorporated into the price of a nutrient credit, and thus additional funding will not be needed for inspections. Finally, MDA notes that it will not be involved in the enforcement of credits, because enforcement will take place through the contractual agreement between the buyer and seller of credits. **DLS recommends that MDA comment on what the likely methodology will be for incorporating inspections into the price of a nutrient credit and who will enforce the contractual instrument between the buyer and seller of credits.**

## **3. New and Proposed Fee Reductions Impact Revenues**

The Administration implemented fee reductions on September 15, 2015, that impacted State Board of Veterinary Medical Examiner program veterinary fees. In addition, the Administration has

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introduced SB 389 and HB 459 (Fee, Surcharge, and Tax Reduction Act of 2016) in the 2016 legislative session that would reduce Weights and Measures program fees as well.

The September 15, 2015 fee reductions are estimated to have a \$178,825 impact on State Board of Veterinary Medical Examiner program revenues. However, MDA notes that veterinary fee revenues have been increasing, and the special fund balance has been growing; therefore, the reduction in fees will not affect the program since the program has been generating more revenue than needed. DLS notes that fees were increased in fiscal 2012 in order to address revenues that have lagged expenditures in the State Board of Veterinary Medical Examiners program since fiscal 2009.

SB 389 and HB 459 as introduced, would reduce the fees for registering each weight and measure device used for commercial purposes. MDA indicates that the revenue reduction as a result of the bills would be \$340,000 but that fiscal 2017 spending has not been adjusted. Of note, the fees are credited to a special fund, and any unspent funds collected revert to the General Fund. The proposed fee modifications are as follows:

- **Scales with a Capacity of up to 100 Pounds:** Reduce the maximum fee per business location from \$375 to \$325 and strike the provision for a \$50 fee for each business location.
- **Scales with a Capacity of More Than 100 Pounds, up to 2,000 Pounds:** Reduce from \$60 to \$50.
- **Scales with a Capacity of More Than 2,000 Pounds:** Reduce from \$100 to \$75.
- **Vehicle Scales:** Reduce from \$250 to \$225.
- **Retail Motor Fuel Dispenser Meter of under 20 Gallons Per Minute:** Increase from \$12.50 to \$15.00, add a provision creating the maximum per business location fee of \$375.00, and strike the provision for a \$50.00 fee for each business location.
- **Retail Motor Fuel Dispenser Meter of 20 Gallons Per Minute or More:** Reduce from \$45 to \$35.

**DLS recommends that MDA comment on the balances, revenues, and expenditures history for all funds receiving revenues from the fees reduced by the September 15, 2015 actions, and the proposed reductions in SB 389 and HB 459 and the impact on operations of both sets of fee reductions.**

#### **4. New Rural Maryland Council Spending Guided by Legislation**

The Rural Maryland Council receives a nonmandated \$2,000,000 general fund enhancement in the fiscal 2017 allowance. This funding is budgeted in the Rural Maryland Prosperity Investment Fund

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to implement Chapter 469 of 2014 (Rural Maryland Prosperity Investment Fund – Revisions and Extension of Termination Date).

Chapter 621 of 2006 (Rural Maryland Prosperity Investment Fund) initially established the Rural Maryland Prosperity Investment Fund, and specified that it be administered by the Rural Maryland Council with the assistance of the Maryland Agricultural Education and Rural Development Assistance Board. The objective of the fund is to help raise the overall standard of living in rural areas to a level that meets or exceeds statewide benchmark averages by 2020, while preserving the best aspects of a pastoral heritage and rural way of life. The bill authorized the Governor, for fiscal 2008 through 2020, to include an appropriation in the budget bill for the fund. In addition, Chapter 621 allocated disbursements from the fund.

Chapter 469 of 2014 subsequently extended the authorization for annual appropriations to the fund, modified the allocation of disbursements from the fund, and extended the fund's termination date from June 30, 2020, to June 30, 2030. Under Chapter 469 one-third of appropriated funding is to be allocated equally to the five regional councils as grants for rural regional planning and development assistance. The remaining two-thirds is allocated equally as grants among (1) specified regional infrastructure projects; (2) rural entrepreneurship development; (3) rural community development, programmatic assistance, and education, divided equally between the Rural Maryland Council and the Maryland Agricultural Education and Rural Development Assistance Fund; and (4) rural health care organizations. If revenues appropriated to the fund in any fiscal year are insufficient to fully fund all grants, \$500,000 must be allocated to Rural Maryland Council, with \$250,000 used to support the operations of the council and \$250,000 allocated to the Maryland Agricultural Education and Rural Development Assistance Fund. Any remaining funds must then be allocated as described above.

While the Rural Maryland Council has received a reimbursable fund appropriation from the Department of Commerce (formerly the Department of Business and Economic Development), including a \$250,000 grant in fiscal 2012, and general fund appropriations since fiscal 2014 of approximately \$167,000 per year, no funding has formally been provided for the Rural Maryland Prosperity Investment Fund.

Based on the fiscal 2017 allowance of \$2,000,000, which triggers the provision that the alternative distribution plan be followed, it is assumed that the funding would be distributed as shown in **Exhibit 9**. Of note, the Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund already each receive \$167,000 in general funds for fiscal 2017 and the five regional councils receive \$200,000 each in the Department of Commerce budget. In addition, the assumption is that the Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund receive two allocations to be divided equally: \$500,000 initially and \$250,000 from the two-thirds remaining distribution. **DLS recommends that the \$167,000 general fund appropriations for the Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund each be deleted given the \$375,000 that will be available to each from the \$2,000,000 allocation of the Rural Maryland Prosperity Investment Fund. In addition, DLS recommends that \$100,000 be restricted in MDA's budget pending the submission of a report on July 1, 2016, specifying the criteria to be used for allocating funding from the Rural**

Maryland Prosperity Investment Fund and a report on January 1, 2017, specifying the actual allocation of fiscal 2017 funding.

**Exhibit 9**  
**Rural Maryland Prosperity Investment Fund Distribution**  
**Fiscal 2017 Allowance**

<u>Calculation</u>	<u>Recipient</u>	<u>Purpose</u>	<u>Amount</u>
Initial \$500,000	Rural Maryland Council	\$250,000 for operations and \$250,000 for the Maryland Agricultural Education and Rural Development Assistance Fund	\$500,000
Remaining funding \$1,500,000			
<i>One-third of remaining funding:</i>			
	Five Regional Councils	\$100,000 for each regional council	500,000
<i>Two-thirds of remaining funding, divided equally:</i>			
	Regional Infrastructure Projects		250,000
	Rural Entrepreneurship Development		250,000
	Rural Community Development, Programmatic Assistance	\$125,000 for Rural Maryland Council and \$125,000 for Maryland Agricultural Education and Rural Development Assistance Fund	250,000
	Rural Health Care Organizations		250,000
<b>Total</b>			<b>\$2,000,000</b>

Source: Department of Legislative Services



## ***Recommended Actions***

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

, provided that \$167,000 of this appropriation made for the purpose of operating expenses in the Rural Maryland Council shall be reduced.

Further provided that \$100,000 of the remaining appropriation shall be restricted pending the submission of a report on July 1, 2016, specifying the criteria and rationale for the allocation of the Rural Maryland Prosperity Investment Fund funding and a report on January 1, 2017, specifying the actual allocation of funding. The budget committees shall have 45 days to review and comment. Funding shall be released in \$50,000 increments pending submission of each report. Funds restricted pending the receipt of the reports may not be transferred by budget amendment or otherwise to any other purpose and shall be reverted if the reports are not submitted to the budget committees.

**Explanation:** The fiscal 2017 allowance includes a \$2,000,000 general fund appropriation to the Rural Maryland Prosperity Investment Fund. According to Chapter 469 of 2014 (Rural Maryland Prosperity Investment Fund – Revisions and Extension of Termination Date), the Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund each receive \$375,000 from the allocation, which is in addition to the \$167,000 in general funds also budgeted for each program. This budget bill language reduces the \$167,000 in general funds from the Rural Maryland Council’s appropriation providing for a measured increase in funding. In addition, the budget bill language restricts \$100,000 of the Rural Maryland Prosperity Investment Fund funding pending the submission of reports on the criteria and rationale for the allocation of the Rural Maryland Prosperity Investment Fund funding and the actual allocation of funding.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Report on the criteria and rationale for the allocation of the Rural Maryland Prosperity Investment Fund funding	Maryland Department of Agriculture (MDA)	July 1, 2016
Report on the actual allocation of Rural Maryland Prosperity Investment Fund funding	MDA	January 1, 2017

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	<b><u>Amount Reduction</u></b>	
2. Reduce funding for the Maryland Agricultural Education and Rural Development Assistance Fund. The fiscal 2017 allowance includes a \$2,000,000 general fund appropriation to the Rural Maryland Prosperity Investment Fund. According to Chapter 469 of 2014 (Rural Maryland Prosperity Investment Fund – Revisions and Extension of Termination Date), the Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund each receive \$375,000 from the allocation, which is in addition to the \$167,000 in general funds also budgeted for each program. This reduction of \$167,000 in general funds from the Maryland Agricultural Education and Rural Development Assistance Fund’s appropriation provides for a measured increase in funding.	\$ 167,000	GF
<b>Total General Fund Reductions</b>	<b>\$ 167,000</b>	

## ***Updates***

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### **1. MDA Repeat Audit Findings Still in Limbo**

Funding has been withheld in each of the MDA fiscal 2015 and 2016 budgets in order to compel resolution of repeat audit findings. For fiscal 2015, \$100,000 in general funds was withheld and then not released because the findings were not resolved to the satisfaction of the Office of Legislative Audits (OLA). Similarly, \$200,000 in general funds has been withheld in the MDA fiscal 2016 appropriation. As of this writing, OLA has received the status report from MDA and has completed its follow-up work but has not yet issued the draft letter to MDA for its review.

## *Current and Prior Year Budgets*

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2015</b>					
Legislative Appropriation	\$27,795	\$30,001	\$4,240	\$3,102	\$65,138
Deficiency Appropriation	0	69	0	0	69
Cost Containment	-878	0	0	0	-878
Budget Amendments	69	2,190	180	20,371	22,811
Reversions and Cancellations	-310	-5,565	-601	-4,293	-10,769
<b>Actual Expenditures</b>	<b>\$26,676</b>	<b>\$26,695</b>	<b>\$3,819</b>	<b>\$19,181</b>	<b>\$76,371</b>
<b>Fiscal 2016</b>					
Legislative Appropriation	\$26,645	\$32,081	\$3,984	\$22,736	\$85,446
Budget Amendments	322	114	498	2,580	3,514
<b>Working Appropriation</b>	<b>\$26,967</b>	<b>\$32,195</b>	<b>\$4,482</b>	<b>\$25,317</b>	<b>\$88,960</b>

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

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## **Fiscal 2015**

The general fund appropriation decreased by \$1,119,010. The changes are as follows:

- **Cost Containment:** A decrease of \$877,870 reflects the July 2, 2014, Board of Public Works (BPW) actions that reduced funding for a long-term vacant agricultural inspector II position (deleted), new vehicles, unneeded office space, contractual services in Forest Pest Management, operations funding to be replaced with special funds in the Weights and Measures Program, State cost-share assistance for development of nutrient management plans due to low demand in the Office of Resource Conservation – Resource Conservation Grants, a long-term vacant agricultural laboratory scientist III position (deleted), vehicle operations funding in the Animal Health Program, for new vehicles in Mosquito Control (\$387,210), and the January 2015 2% reduction for contractual services across the agency (\$490,660).
- **Budget Amendments:** A net increase of \$68,865 to allocate the cost-of-living adjustment (COLA) effective January 1, 2015 (\$160,565), which is offset partially by decreases to reflect the State Employee Voluntary Separation Program as authorized by Section 22 of the fiscal 2016 operating budget bill (\$75,000), and to realign appropriation between State agencies based on the fiscal 2015 estimated expenditures for telecommunications (\$16,700).
- **Reversions:** A decrease of \$310,005 as a result of reversions, primarily in the Office of the Secretary – Executive Direction due to the reduction of funding since repeat audit findings were not corrected (\$100,000), and for funding not being needed in Resource Conservation Operations (\$80,316) and Animal Health (\$79,114).

The special fund appropriation decreased by \$3,306,442. The changes are as follows.

- **Deficiency Appropriation:** An increase of \$68,614 for two separate purposes. There is an increase of \$54,004 in the 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 the 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 Amendments:** An increase of \$2,190,415 for cover crop payments from Bay Restoration Fund revenues in Resource Conservation Grants (\$1,200,000), for replacement laboratory equipment and other fixed costs from Registration and Inspection Fees in the State Chemist (\$440,715), for replacing general fund reductions implemented as part of the July 2014 BPW cost containment and for replacement equipment costs from the Equipment Testing and Licensing and Registration funds in Weights and Measures (\$234,122), for covering agricultural easement costs from the fund balance in the Maryland Agricultural Land Preservation Foundation (\$107,454), for salaries and online registration and database development costs from License and Registration Fees in Pesticide Regulation (\$102,741), for

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allocating the COLA effective January 1, 2015 (\$57,181), for animal disease testing laboratory costs from additional laboratory testing services revenue in Animal Health (\$19,992), for salary and health insurance costs from the Maryland Horse Industry Board Fund in the Maryland Horse Industry Board (\$14,660), and for replacing aging germination and labeling equipment from Seedman's Permit and Seed and Turf Testing funds in Turf and Seed (\$13,550).

- **Cancellations:** A decrease of \$5,565,471 primarily due to the Tobacco Transition Program bond repayment being offset against the revenue transfer instead of expenditures and Spay/Neuter Program appropriation not being needed (\$3,657,885), revenue not being received in Resource Conservation Grants (\$812,069), appropriation not being needed in the State Chemist (\$298,249), racing revenue not being received in the Maryland Agricultural Fair Board (\$244,813), and appropriation not being needed in the Weights and Measures program (\$176,906).

The federal fund appropriation decreased by \$421,013. The changes are as follows.

- **Budget Amendments:** An increase of \$180,183 for salary and fringe benefit costs associated with animal disease surveillance from U.S. Department of Agriculture Plant and Animal Disease, Pest Control, and Animal Care funding in the Animal Health program (\$74,566); for salary and fringe benefit costs related to implementation of an agricultural nutrient trading or offset program to manage nutrient loads from point and nonpoint sources from U.S. Department of Agriculture Environmental Quality Incentives Program funding in Resource Conservation Operations (District Operations) (\$46,021); for salaries and fringe benefits from federal meat and egg shell inspections fee-for-service in Food Quality Assurance (\$24,743); for salary and fringe benefit costs from U.S. Environmental Protection Agency Performance Partnership Grants funding in Pesticide Regulation (\$16,113); for utility costs from federal indirect cost recovery due to additional federal awards in Central Services (\$12,000); and for allocating the COLA effective January 1, 2015 (\$6,740).
- **Cancellations:** A decrease of \$601,196 primarily as a result of projected revenue not being received in the WIP (\$151,817), Resource Conservation Operations (\$130,051), Forest Pest Management (\$112,921), and Plant Protection and Weed Management (\$107,927).

The reimbursable fund appropriation increased by \$16,078,770. The changes are as follows:

- **Budget Amendments:** An increase of \$20,371,391 due to budget amendments for allocation of \$19,600,000 in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding transferred from the Department of Natural Resources (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 the Manure Transport Program in Resource Conservation Grants (\$750,000); for the Conservation Reserve Enhancement Program in Resource Conservation Grants (\$500,000), for additional indirect revenue from MDA programs to cover heating, ventilation, and cooling and

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other repair costs at the headquarters and Salisbury office locations (\$369,443); for recognition of payments made to the University of Maryland, College Park in fiscal 2014 for providing nutrient management education and outreach programs as well as supporting nutrient management software development, revisions, and maintenance transferred from the Maryland Department of the Environment (MDE)/U.S. Environmental Protection Agency's Chesapeake Bay Regulatory and Accountability Program and used in the Office of Resource Conservation – Nutrient Management Program (\$346,800); for development grants to nongovernmental entities in rural Maryland jurisdictions transferred from the Department of Commerce 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 grant transferred from DNR and used in the Office of Resource Conservation – Program Planning and Development (\$7,300); for increasing the annual grant for the Mosquito Control Program to conduct West Nile Virus and Arbovirus surveillance transferred from the Department of Health and Mental Hygiene and used in the Office of Plant Industries and Pest Management – Mosquito Control (\$5,000); and for the full State Highway Administration grant funding for managing invasive weeds in the Plant Protection and Weed Management program (\$162).

- **Cancellations:** A decrease of \$4,292,621 primarily as a result of not spending the entire Chesapeake and Atlantic Coastal Bays 2010 Trust Fund money in Resource Conservation Grants (\$2,500,374) and Resource Conservation Operations (\$821,154), not receiving the entire revenue supporting the appropriation in Central Services (\$528,858), and not being able to bill DNR because the University of Maryland was late billing MDA in the Nutrient Management program (\$353,429).

## **Fiscal 2016**

The MDA general fund appropriation increases by \$322,000 due to a budget amendment allocating the funding in Section 48 of the fiscal 2016 budget bill that restored the 2% State salary reduction.

The MDA special fund appropriation increases by \$114,000 due to a budget amendment allocating the funding in Section 48 of the fiscal 2016 budget bill that restored the 2% State salary reduction.

The MDA federal fund appropriation increases by \$497,614 due to budget amendments. The budget amendments reflect appropriation increases for technical fees, grants and subsidies, contractual services, and supplies and materials in the Office of Resource Conservation – Watershed Implementation for innovative and emerging technologies in reducing nutrient and sediment runoff into the Chesapeake Bay (\$263,291); for Office of Resource Conservation – Program Planning and Development disbursement of Regional Conservation Partnership Program funding to the Virginia Department of Conservation and Recreation and Delaware DNR and Environmental Control for accelerating the implementation of Chesapeake Bay watershed conservation measures (\$222,323); and

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for allocating the funding in Section 48 of the fiscal 2016 budget bill that restored the 2% State salary reduction (\$12,000).

The MDA reimbursable fund appropriation increases by \$2,580,463 due to budget amendments. The budget amendments transfer funding from DNR to the MDA Resource Conservation Grants reflecting carryover balances from fiscal 2015 Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding that is to be spent by the Animal Waste Technology Fund over the next two years and that is to be spent by the Manure Transport Program over the next year (\$1,877,400); transfer from DNR to MDA WIP funding for the web-based Chesapeake Bay Nutrient Trading/Tracking Tool and Adapting Innovative Technologies to Mitigate Phosphorus from Dairy Effluent Grant (\$430,517); transfer internally from both the State Board of Veterinary Examiners and Weights and Measures programs to the Central Services program funding to backfill the utilities funding reduced by the 2% cost containment in Section 19 of the fiscal 2016 budget bill (\$150,000); transfer from MDE to MDA WIP funding from the grants titled Agricultural Best Management Practice Verification and Agricultural WIP Coordination (\$59,631); transfer from the Department of Commerce to the Rural Maryland Council for providing the balance of the fiscal 2012 \$250,000 grant that supports development grants to nongovernment entities in rural Maryland jurisdictions (\$43,077); transfer from the Maryland State Department of Education to the MDA Marketing and Agricultural Development program funding for events promoting State agriculture and farm products to Maryland school children (\$15,000); and transfer from the State Highway Administration to the MDA Plant Protection and Weed Management program funding for rearing, releasing, and monitoring biological controls for invasive species (\$4,838).



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

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	381.10	380.10	376.10	-4.00	-1.1%
02 Contractual	39.00	44.80	43.60	-1.20	-2.7%
<b>Total Positions</b>	<b>420.10</b>	<b>424.90</b>	<b>419.70</b>	<b>-5.20</b>	<b>-1.2%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 28,734,018	\$ 29,978,657	\$ 30,625,384	\$ 646,727	2.2%
02 Technical and Special Fees	1,419,398	1,515,633	1,498,220	-17,413	-1.1%
03 Communication	711,637	716,388	750,205	33,817	4.7%
04 Travel	332,822	398,633	350,669	-47,964	-12.0%
06 Fuel and Utilities	822,840	937,444	802,812	-134,632	-14.4%
07 Motor Vehicles	1,106,393	1,140,248	1,136,564	-3,684	-0.3%
08 Contractual Services	5,752,965	6,181,138	5,335,110	-846,028	-13.7%
09 Supplies and Materials	1,205,260	1,160,710	1,114,177	-46,533	-4.0%
10 Equipment – Replacement	673,906	361,416	203,309	-158,107	-43.7%
11 Equipment – Additional	54,035	40,145	64,199	24,054	59.9%
12 Grants, Subsidies, and Contributions	34,066,986	41,415,332	43,193,481	1,778,149	4.3%
13 Fixed Charges	1,065,734	4,909,678	5,061,181	151,503	3.1%
14 Land and Structures	424,758	205,000	335,484	130,484	63.7%
<b>Total Objects</b>	<b>\$ 76,370,752</b>	<b>\$ 88,960,422</b>	<b>\$ 90,470,795</b>	<b>\$ 1,510,373</b>	<b>1.7%</b>
<b>Funds</b>					
01 General Fund	\$ 26,675,598	\$ 26,967,219	\$ 29,459,001	\$ 2,491,782	9.2%
03 Special Fund	26,694,726	32,194,618	34,040,460	1,845,842	5.7%
05 Federal Fund	3,819,369	4,481,937	3,629,548	-852,389	-19.0%
09 Reimbursable Fund	19,181,059	25,316,648	23,341,786	-1,974,862	-7.8%
<b>Total Funds</b>	<b>\$ 76,370,752</b>	<b>\$ 88,960,422</b>	<b>\$ 90,470,795</b>	<b>\$ 1,510,373</b>	<b>1.7%</b>

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

**Fiscal Summary  
Department of Agriculture**

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
11 Office of the Secretary	\$ 9,185,173	\$ 8,371,525	\$ 9,018,108	\$ 646,583	7.7%
12 Office of Marketing, Animal Industries and Consumer Services	16,431,218	21,371,610	23,901,875	2,530,265	11.8%
14 Office of Plant Industries and Pest Management	10,711,125	10,942,233	10,721,324	-220,909	-2.0%
15 Office of Resource Conservation	40,043,236	48,275,054	46,829,488	-1,445,566	-3.0%
<b>Total Expenditures</b>	<b>\$ 76,370,752</b>	<b>\$ 88,960,422</b>	<b>\$ 90,470,795</b>	<b>\$ 1,510,373</b>	<b>1.7%</b>
General Fund	\$ 26,675,598	\$ 26,967,219	\$ 29,459,001	\$ 2,491,782	9.2%
Special Fund	26,694,726	32,194,618	34,040,460	1,845,842	5.7%
Federal Fund	3,819,369	4,481,937	3,629,548	-852,389	-19.0%
<b>Total Appropriations</b>	<b>\$ 57,189,693</b>	<b>\$ 63,643,774</b>	<b>\$ 67,129,009</b>	<b>\$ 3,485,235</b>	<b>5.5%</b>
Reimbursable Fund	\$ 19,181,059	\$ 25,316,648	\$ 23,341,786	-\$ 1,974,862	-7.8%
<b>Total Funds</b>	<b>\$ 76,370,752</b>	<b>\$ 88,960,422</b>	<b>\$ 90,470,795</b>	<b>\$ 1,510,373</b>	<b>1.7%</b>

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.