

**Department of Legislative Services**  
**Maryland General Assembly**  
**2001 Session**

**FISCAL NOTE**  
**Revised**

Senate Joint Resolution 12      (Senators Frosh and Stoltzfus)  
 Budget and Taxation

Environmental Matters

**Cover Crop Cost Share Program - Expanded Area and Increased Appropriation**

This joint resolution urges the Governor to recognize the vital significance of the Cover Crop Cost Share Program to the environmental and economic well-being of the State by expanding the geographic area covered under the program to include the entire State and by including a sufficient amount in the annual State budget to fund that objective. The resolution also urges the Maryland Department of Agriculture (MDA) to explore the availability of federal funding for the program.

**Fiscal Summary**

**State Effect:** Because a joint resolution is an expression of legislative intent only, compliance is not required and State operations and finances are not directly affected. Should the terms of this joint resolution be met, however, general fund expenditures could increase by approximately \$3 million annually beginning in FY 2002. Revenues are not anticipated to be affected.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Net Effect	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Compliance with this joint resolution could result in an increase in workload for some local soil conservation districts related to providing additional technical assistance to farmers.

**Small Business Effect:** Potential meaningful impact for some farmers if the terms of the joint resolution are met.

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## Analysis

**Current Law:** Under the Maryland Agricultural Water Quality Cost Share Program, the Maryland Department of Agriculture (MDA) and the Maryland Department of the Environment must: (1) identify geographic areas in watersheds that have a high potential for agriculture related soil erosion or movement of sediments, animal wastes, or agricultural chemicals into the surface waters of the State; (2) designate priority areas for cost-sharing; and (3) establish program requirements. State cost sharing in any “project” may be made available for up to 87.5% of eligible costs not to exceed \$50,000. “Project” means a project to prevent or control agriculture related nonpoint source water pollution by establishing best management practices (BMPs) on a farm.

**Background:** One of the State’s goals with respect to the 1987 Chesapeake Bay Agreement is to reduce controllable nutrient loads into the Chesapeake Bay by 40%. Chesapeake 2000 calls for a continuation of efforts to achieve and maintain this goal. According to the MDA, research has demonstrated that of all BMPs, the planting of cover crops is the most effective strategy that farmers can utilize to reduce nutrient runoff into the State’s waters.

The Water Quality Improvement Act of 1998 authorized \$1.5 million in funding to provide grants to farmers on the Eastern Shore for planting cover crops. During the drought of 1999, the cover crop program was temporarily expanded to central, southern, and western Maryland. In fiscal 1999 MDA received over 800 applications for grants under the program. Funding for the program was increased to \$2 million in fiscal 2001; however, according to MDA, applications for the program outnumbered available funds.

**State Fiscal Effect:** The Governor’s proposed fiscal 2002 budget includes \$2.5 million in general funds for the existing cover crop grant program. According to MDA, a total of approximately \$5.5 million would be needed for the expanded program. Accordingly, if the terms of the joint resolution are met, general fund expenditures could increase by an estimated \$3 million annually beginning in fiscal 2002. As a result of the expansion of the program, MDA expects to receive an estimated 2,400 additional applications for the program. Accordingly, it would need to hire one soil conservation specialist to process and manage additional grant applications for the expanded program. It is assumed that the additional funding for the expanded program (estimated at \$3 million) would cover the additional administrative costs (\$34,800 in fiscal 2002) that would be incurred as a result of expanding the program to the entire State.

MDA advises that it already explores the availability of federal funding. For example, MDA reports that it has been awarded approximately \$300,000 for cover crop activities in Frederick County. MDA also reports that it knows of no federal programs specifically targeted to cost-sharing for cover crop activities. Accordingly, the joint resolution is not anticipated to materially affect federal fund revenues.

**Small Business Effect:** Most farms are small businesses. To the extent that the joint resolution results in additional funding for the program, farmers receiving grants under the program would realize an increase in revenues for the planting of cover crops. The existing program is limited to the Eastern Shore. If the terms of this joint resolution are met, farmers in other regions of the State would become eligible for the program.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HJ 7 (Delegate Guns) – Environmental Matters.

**Information Source(s):** Maryland Department of Agriculture, Department of Legislative Services

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