

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 91

(Chairman, Environmental Matters Committee)
(By Request – Departmental – Agriculture)

Environmental Matters

Education, Health, and Environmental Affairs

Department of Agriculture - Cost Sharing for Water Pollution Control

This departmental bill increases from \$75,000 to \$100,000 the maximum dollar amount of State cost-sharing for water pollution control projects under the Maryland Agricultural Water Quality Cost Share Program (MACS).

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None. The bill is not expected to alter overall State funding for the MACS program.

Local Effect: None.

Small Business Effect: The Maryland Department of Agriculture (MDA) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: The maximum dollar amount of State cost-sharing for water pollution control projects under the MACS program is \$75,000. State cost-sharing may not exceed 87.5% of eligible costs.

Background: The MACS program was established in 1983 to help farmers pay the cost of installing pollution control practices that protect water quality. MACS provides farmers with grants to cover up to 87.5% of the cost of installing one or more of approximately 29 nationally recognized best management practices (BMPs) on their farms to control soil erosion, manage nutrients, and safeguard water quality in streams, rivers, and the Chesapeake Bay.

The cost of installing a BMP varies from project to project and farm to farm and depends on a number of factors. The maximum levels of assistance available through MACS are as follows:

Animal Waste Treatment and Containment Projects

- Up to \$75,000 per farm, with a maximum of \$100,000 per farm when combined with other BMPs.
- Up to \$75,000 per project under a pooling agreement to solve a pollution problem on two or more farms.

All Other BMPs

- Up to \$20,000 per project, with a maximum of \$50,000 per farm.
- Up to \$40,000 per project under a pooling agreement to solve a pollution problem on two or more farms.

The MACS program is funded through general obligation bonds. The fiscal 2005 appropriation was \$6.0 million; the fiscal 2006 appropriation was \$5.5 million. The Governor's proposed budget for fiscal 2007 is \$4.6 million.

State Fiscal Effect: MDA indicates that the current cost share cap of \$75,000 has been in place for over five years but that the cost of materials and labor associated with the construction of BMPs has increased significantly in recent years. It is estimated that some of the more complex BMPs can cost \$120,000 to \$200,000. MDA also advises that some farmers are delaying the construction of important BMPs due to increased costs.

The increase in the State's share of eligible costs is an attempt to continue to provide an incentive for farmers to construct BMPs that provide important environmental benefits in the face of rising construction costs.

The result of the increase in the maximum State match will not affect the overall State funding for the program, but could result in fewer projects being funded.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 30, 2006
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