

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

Senate Bill 77 (Chair, Education, Health, and Environmental Affairs
 Committee)(By Request - Departmental - Agriculture)

Education, Health, and Environmental Affairs

Environmental Matters

Department of Agriculture - Organic Certification Program - Fees

This departmental bill eliminates a limit on the fee amount the Secretary of Agriculture has to set to defray the cost of conducting field inspections and laboratory analysis for the Maryland Department of Agriculture’s (MDA) organic certification program. The bill also eliminates a requirement that MDA adopt regulations creating the organic certification program; instead, MDA’s program must conform to applicable federal regulations.

Fiscal Summary

State Effect: Special fund revenue increase of \$12,600 in FY 2010 reflects increased fee collections. Special fund expenditures are not directly affected. Corresponding annual federal fund revenue and expenditure increases reflect federal cost-share money available to MDA for issuance to organic producers and handlers as fee reimbursement. Future years reflect a 10% annual increase in certifications and higher fees.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	\$12,600	\$17,300	\$22,900	\$29,300	\$36,900
FF Revenue	\$9,800	\$13,500	\$17,800	\$22,900	\$28,800
FF Expenditure	\$9,500	\$13,000	\$17,200	\$22,000	\$27,700
Net Effect	\$13,000	\$17,800	\$23,600	\$30,200	\$38,000

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

Local Effect: None.

Small Business Effect: MDA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: MDA is required to establish a certification program governing production and handling of organic agricultural commodities and to adopt regulations creating a program that meets the requirements of the federal Organic Food Production Act. The department is authorized to certify producers or handlers who apply for organic certification; establish requirements governing the production or handling of commodities certified by the department as organically produced; adopt logos for certified organically produced commodities; and deny, suspend, or revoke the logo or certification issued to any producer or handler who violates regulations adopted by the department.

The Secretary of Agriculture has to set a reasonable fee, not exceeding \$500, to defray the cost of conducting field inspections and laboratory analysis.

Background: MDA's certification program was established in 1991 to encourage the development of the State's organic food industry and is designed to provide assurance to consumers that organic products they purchase are grown according to national organic standards. MDA is an accredited certifying agent under the U.S. Department of Agriculture's National Organic Program.

MDA advises that, in fiscal 2002, expenditures to conduct inspections and laboratory testing for the program were 76% general funds and 24% special funds generated from fees. Since fiscal 2002, the number of certified organic operations has increased by approximately 10% each year, yet the amount of general funds appropriated for the program has not increased, reducing the percentage of the inspection and testing costs that are covered by general funds. By fiscal 2008, inspection and testing expenditures were 40% general funds and 60% user fee special funds. According to MDA, the removal of the \$500 fee limit will allow fee increases sufficient to cover operating expenses without delays in issuing organic certifications. The department advises that federal cost-share money is available for reimbursement of 75% of producers' and handlers' certification fees, alleviating the impact of any fee increase on those operations.

According to MDA, the department's organic certification program is required, by the federal Organic Food Production Act, to conduct an organic certification program that implements federal regulations and all subsequent amendments and revisions. This bill allows MDA's program to comply with that requirement without needing to periodically update State regulations to reflect changes in federal regulations.

State Fiscal Effect: Special fund revenues increase by \$12,600 in fiscal 2010. This assumes a \$100 fee increase in fiscal 2010 and accounts for increased fees collected from the 126 currently certified organic operations, with certification renewals in March.

Future years reflect a 10% annual increase in the number of operations certified and a \$25 per year fee increase.

The Governor's proposed fiscal 2010 budget includes \$173,113 of funding for the program (general funds – \$37,121; special funds – \$73,992; federal funds – \$62,000). MDA indicates that the anticipated additional fee revenues are accounted for in the proposed budget to cover costs associated with inspection and laboratory testing. The bill, however, does not require additional expenditures and therefore a special fund expenditure increase is not reflected in this estimate. Given the program's need for additional funding, it is assumed the additional special funds available to the program augment, rather than supplant, existing general fund appropriations for the program.

Federal fund revenues increase by \$9,828 in fiscal 2010 reflecting the federal cost-share reimbursement (of 75% of certification fees) available to MDA for issuance to certified organic producers and handlers and funding for MDA administrative expenses associated with the cost-share reimbursement (equal to 4% of the reimbursement amount). Federal fund expenditures increase by \$9,450 reflecting the issuance of the cost-share reimbursement. Federal cost-share funding is not a certainty beyond September 2010 (MDA has a signed agreement for funding through September 2010), but for purposes of this estimate, funding is assumed to be available in future years.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 26, 2009
ncs/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Department of Agriculture – Organic Certification Program - Fees

BILL NUMBER: SB 77

PREPARED BY: Maryland Department of Agriculture

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.