

**Department of Legislative Services**  
 Maryland General Assembly  
 2012 Session

**FISCAL AND POLICY NOTE**

House Bill 1304 (Chair, Environmental Matters Committee)(By Request -  
 Departmental - Agriculture)

Environmental Matters Education, Health, and Environmental Affairs

**Department of Agriculture - Animal Waste Technology Fund**

This departmental bill establishes an Animal Waste Technology Fund administered by the Maryland Department of Agriculture (MDA) to provide financial assistance for animal waste technology projects. The bill also repeals provisions relating to financial assistance for animal waste technology projects from the Maryland Economic Development Assistance Fund (MEDAF) within the Department of Business and Economic Development (DBED).

**Fiscal Summary**

**State Effect:** Special fund expenditures increase by at least \$250,000 annually beginning in FY 2013 to provide financial assistance from the Animal Waste Technology Fund for animal waste technology projects. To the extent other funding sources are not available, it is assumed general funds would be required to capitalize the fund. Special fund revenues increase correspondingly beginning in FY 2013 and may increase further to the extent MDA establishes fees or any loans are repaid.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
SF Revenue	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
GF Expenditure	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
SF Expenditure	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Net Effect	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)

*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 disagrees with this assessment as discussed below.

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## Analysis

**Bill Summary:** The Animal Waste Technology Fund, administered by MDA, is established to provide financial assistance to individuals and business enterprises that:

- conduct research or develop technologies that are intended to reduce the amount of nutrients in animal waste;
- alter the composition of animal waste;
- develop alternative animal waste management strategies; or
- use animal waste in a production process.

The stated goal of the fund is to encourage the development and implementation of economically feasible technologies that help protect the public health and the environment by reducing the amount of nutrients from animal waste to enable farmers to meet nutrient management requirements and provide alternative animal waste management strategies to farmers.

The fund primarily consists of money appropriated in the State budget to the fund and any other money from any other source accepted for the benefit of the fund. Money in the fund may be used both to provide financial assistance to defray the costs of animal waste technology projects and to pay expenses for administrative, actuarial, legal, and technical services associated with operating the fund. Financial assistance provided from the fund may be in the form of a grant, a loan, a loan guarantee, or a loan that is convertible in whole or in part to a grant on the satisfaction of specified conditions. MDA may impose terms and conditions on financial assistance provided from the fund, including administration and transaction fees.

Eligibility of, and preference given to, projects is based on a project's potential for (1) improving the public health and the environment; (2) preserving the viability of the agricultural industry; and (3) having a positive economic development impact in the State.

MDA must establish an Animal Waste Technology Fund Advisory Committee, with the Secretary of Agriculture serving as chair and the department providing staff support. MDA must, in consultation with the advisory committee, develop program criteria, review proposals, and make project funding determinations.

Various provisions relating to financial assistance for animal waste technology projects from MEDAF are repealed, including a provision establishing financial assistance for such projects as one of the purposes of the fund.

**Current Law:** MEDAF was established in DBED to expand employment opportunities in the State by providing financial assistance to businesses that are engaged in eligible industry sectors (including financial assistance for animal waste technology projects); provide financial assistance for the redevelopment of qualified brownfields sites; provide financial assistance to local governments and the Maryland Economic Development Corporation for economic development projects; and provide grants to local economic development funds.

Financial assistance is available for projects in an eligible industry sector that have a strong potential for expanding or retaining employment opportunities in the State. Animal waste technology projects are deemed to be within an eligible industry sector.

## **Background:**

### *Creation of Animal Waste Technology Fund*

MDA indicates that agriculture faces increasingly challenging goals to restore the Chesapeake Bay, with which the Animal Waste Technology Fund, designed to give farmers new answers to manure challenges, could assist. According to MDA, the department is the most logical place to administer financial assistance to animal waste technology projects, based on its existing program structures that provide technical and financial resources.

### *Maryland Economic Development Assistance Fund*

MEDAF, which is commonly referred to as MEDAAF (Maryland Economic Development Assistance Authority and Fund), was established by the General Assembly under Chapter 301 of 1999 as a revolving loan fund. The fund provides below-market, fixed-rate financing in the form of loans, grants, conditional loans, conditional grants, and direct investment to local jurisdictions and businesses. Businesses, in particular those in growth industries that are locating or expanding in priority funding areas, are targeted.

Animal waste technology projects were incorporated as eligible projects under MEDAF under Chapter 305 of 2000, which consolidated six programs, including an existing Animal Waste Technology Fund (created in 1998), into MEDAF to create a large, direct loan, grant, and equity investment fund. DBED indicates that, while there have been some inquiries regarding potential financial assistance from MEDAF for animal waste technology projects, no such projects have received financial assistance from MEDAF in recent years.

**State Fiscal Effect:** Special fund expenditures increase by at least \$250,000 annually to provide financial assistance from the fund for animal waste technology projects. This is assumed to be the minimum funding level needed in order for the fund to be a viable program.

MDA indicates that funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund within the Department of Natural Resources may be available to fund animal waste technology projects under the Animal Waste Technology Fund if legislation proposed by the Administration (HB 446/SB 240) to increase the bay restoration fee is enacted. The fiscal 2013 Annual Work Plan for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund indicates that, if legislation increasing the bay restoration fee is approved, the increased funding for cover crops from the Bay Restoration Fund that will result from that legislation will reduce the need for funding devoted to that purpose from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. The work plan proposes that the potentially freed up funding be allocated to support the farm community in implementing bay restoration goals, including funding for alternative manure use technologies. If such special funds, or any other existing funds, are not available, however, it is assumed that general funds will be required to capitalize the Animal Waste Technology Fund. Special fund revenues to the new fund increase correspondingly, and may increase further to the extent MDA establishes administrative or transaction fees or any loans are repaid.

MDA indicates that, under the program, it would most likely provide grants rather than loans. MDA has a grant structure in place with many years of experience. The department could therefore administer the fund as a grant program with existing resources. If a loan structure is used, however, MDA advises that contractual services would be needed. Staff support for the advisory committee can be handled with existing resources.

**Small Business Effect:** MDA's assessment that the bill has minimal or no impact on small businesses appears to be an assessment of simply the creation of the fund prior to funding being appropriated to it. MDA indicates, however, that when funding is secured for the fund, it will have positive benefits to small businesses and start ups without the financial capital to fully demonstrate or bring into operation promising concepts for animal waste management and utilization.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of Agriculture, Department of Business and Economic Development, Department of Natural Resources, Maryland Department of the Environment, Maryland Energy Administration, University System of Maryland, Department of Legislative Services

**Fiscal Note History:** First Reader - March 15, 2012  
mc/lgc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Department of Agriculture – Animal Waste Technology Fund

BILL NUMBER: HB 1304

PREPARED BY: Royden N. Powell, III/ Maryland Department of Agriculture

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

  X   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.