

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

**FISCAL AND POLICY NOTE**

Senate Bill 118 (Chair, Education, Health, and Environmental Affairs  
Committee)(By Request - Departmental - Agriculture)  
Education, Health, and Environmental Affairs Environmental Matters

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**Voluntary Agricultural Nutrient and Sediment Credit Certification Program**

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This departmental bill authorizes the Maryland Department of Agriculture (MDA) to establish requirements for the voluntary certification and registration of sediment credits on agricultural land.

The bill takes effect June 1, 2012.

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**Fiscal Summary**

**State Effect:** The bill's changes can be handled with existing budgeted resources.

**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.

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**Analysis**

**Current Law:** MDA is authorized to establish requirements for the voluntary certification and registration of nutrient credits on agricultural land. The requirements must include (1) application and eligibility requirements for certification; (2) standards for quantifying nutrient credits resulting from any existing or proposed agronomic, land use, and structural practice; (3) requirements governing the duration and maintenance of credits; and (4) establishment of a credit registry accessible to the public. The Secretary of Agriculture is authorized to suspend or revoke approval or certification of nutrient credits when specified violations occur.

MDA's authority does not supplant or limit the Maryland Department of the Environment's (MDE) authority to establish eligibility and other requirements for the use of nutrient offset credits under any State or federal permit or other regulatory program.

It is the General Assembly's intent that MDA retain authority to establish requirements for the voluntary certification and registration of nutrient credits on agricultural land.

**Background:** Nutrient and sediment trading is a market-based approach for protecting and improving water quality. Nutrient and sediment trading involves (1) establishing a total amount of allowable pollution in a specified area and allocating this amount among the participating sources; and (2) allowing sources to trade in ways that meet local and watershed-wide water quality goals. Once pollution allowances are allocated, sources with low-cost pollution reduction options have an incentive to reduce nutrient loadings beyond what is required of them and to sell the excess credits to sources with higher control costs. This framework allows sources facing high pollution reduction costs to purchase less costly reductions from other sources.

Chapter 447 of 2010 authorized MDA to certify nitrogen and phosphorus credits as part of a nutrient credit certification program. The program is a joint effort between MDA and MDE to address the need for growth offsets and the certification and verification of nutrients credits in the agricultural sector. While the nutrient credit certification program began with nitrogen and phosphorus, it was designed with the capacity to add both sediment and carbon.

MDA's nutrient credit certification program is involved with verifying and certifying tradable credits, reviewing technical elements and approving practices, and facilitating transactions between participating parties. The program utilizes an online suite of tools, including an assessment tool to determine baseline compliance and calculate credits generated by agricultural practices; a registry to catalogue certified credits and completed trades; a marketplace to allow participants to post, track, and trade credits and manage individual accounts; and an administrative module to assist MDA in supervising the overall program and generating relevant reports. The program was initiated with a multi-year \$512,000 federal grant from the U.S. Department of Agriculture's Natural Resources Conservation Service; those monies can be used for this program as well.

Although no trades have been implemented to date, two nutrient applications from Charles County have been verified and the credits certified and registered. In addition, MDA was recently asked to help the Howard County Soil Conservation District, which is acting on behalf of a local homeowners association and an aggregator representing a public utility, locate nitrogen credits to use as offsets for new discharge permits.

To meet federal Chesapeake Bay restoration requirements, programs that help reduce the amount of nitrogen, phosphorus, and sediment pollution going into the bay must be in place by 2025. MDA advises that the federal government expects Maryland to accommodate any new or increased nutrient and sediment loadings with offsets provided by credible and transparent trading programs. The bill helps respond to this requirement by giving MDA the authority to also certify sediment credits.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Maryland Department of Agriculture, Maryland Department of the Environment, Department of Legislative Services

**Fiscal Note History:** First Reader - February 2, 2012  
ncs/lgc

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Voluntary Agricultural Nutrient and Sediment Credit Certification Program

BILL NUMBER: SB 118

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.