

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

**FISCAL AND POLICY NOTE**

Senate Bill 428 (Senator Glassman, *et al.*)  
 Education, Health, and Environmental Affairs

**Commission to Study Expanding the Voluntary Agricultural Nutrient Credit Certification Program**

This bill establishes a Commission to Study Expanding the Voluntary Agricultural Nutrient Credit Certification Program staffed by the Maryland Department of Agriculture (MDA). A report of the commission’s findings and recommendations must be provided to the Governor and the General Assembly by December 31, 2012.

The bill takes effect June 1, 2012, and terminates May 31, 2013.

**Fiscal Summary**

**State Effect:** Given the State’s fiscal difficulties, agency budgets have been constrained. Thus, the requirement to staff the commission and develop the report is not absorbable within the existing budgeted resources of MDA. Instead, MDA general fund expenditures increase by \$75,000 in FY 2013 for contractual services. Revenues are not affected.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	75,000	0	0	0	0
Net Effect	(\$75,000)	\$0	\$0	\$0	\$0

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

**Local Effect:** The bill does not materially affect local operations or finances.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The commission must study the feasibility of expanding MDA's nutrient credit certification program to allow (1) agricultural operations to receive payment for nitrogen reduction in order to assist with achieving baseline goals; and (2) local governments, municipalities, private industry, and other entities to receive credits for specified purchase agreements that may be put toward the entity's nitrogen reduction goals. Also, the commission must make recommendations regarding a trade ratio that achieves more nutrient reduction from an agricultural operation than from the credits generated by the purchasing entity.

Commission members may not receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations, as provided in the State budget.

**Current Law/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 the Maryland Department of the Environment to address the need for growth offsets and the certification and verification of nutrients credits in the agricultural sector. 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.

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.

**State Expenditures:** MDA general fund expenditures increase by \$75,000 in fiscal 2013 for contractual costs associated with contributing to meetings, assessing the feasibility of expanding programs, and developing recommendations within a short timeframe. This estimate assumes that MDA redirects resources from other projects so it may absorb (1) a potentially significant amount of staff time associated with coordinating the commission, holding meetings, and contributing to the report; and (2) reimbursements for the commission members.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 24, 2012  
ncs/lgc

---

Analysis by: Amanda Mock

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510