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MARYLAND DEPARTMENT OF AGRICULTURE

LEGISLATIVE COMMENT

DATE: February 25, 2020

BILL NUMBER: HOUSE BILL 687

SHORT TITLE: AGRICULTURE - COST-SHARING PROGRAM - FIXED NATURAL FILTER PRACTICES

MDA POSITION: INFORMATION

EXPLANATION:

House Bill 687 modifies existing provisions governing State cost-sharing for agricultural best management practices (BMP) to also allow for State cost-sharing for “fixed natural filter practices.” The bill also establishes specified standards/requirements applicable to the State cost-sharing. Finally, the bill allows for specified funding from the Bay Restoration Fund (BRF) to be used for fixed natural filter practices.

BACKGROUND INFORMATION:

The suite of practices defined as a “Fixed Natural Filter Practice,” identified in HB 687 — including riparian forest buffers, riparian herbaceous cover, wetland restoration and pasture management practices, and livestock fencing and watering systems—are currently eligible for cost-share assistance through the Maryland Agricultural Water Quality Cost-Share Program (MACS). These long-term capital projects are paid through General Obligation (GO) bonds approved by the Board of Public Works (BPW). The Maryland Department of Agriculture (MDA) does not currently anticipate a demand for additional funding through the BRF to implement Fixed Natural Filter Practices or any other capital practices.

Growth in the poultry industry has slowed, meaning fewer farms are in need of animal waste management systems and other poultry-related BMPs. Decreased demand for more expensive manure handling BMPs will free up funding for less costly capital practices such as the fixed natural practices included in this bill.

Maryland’s 2019 Watershed Implementation Plan (WIP) progress report indicates that

82% of forested buffers and 69% grass buffers included in the statewide 2025 WIP III goals have already been established, either through active local, state and/or federal funded agreements or verified through MDA's verification protocol approved by EPA. Verified established practices add credit towards Maryland's agricultural WIP goals without additional cost-share support. MDA has verified 14,000 of the 30,000 capital practices across the state with 75% meeting credit within Maryland's WIP goals. MDA is currently reviewing all MACS-funded practices and program efficiencies and is currently developing better promotion and enhancement of all funded practices.

HB 687 opens up BRF funds to be utilized for other uses at a time when cover crop funding is exhausted. A change in BRF eligibility for practices other than cover crops opens up other possible BRF funding uses down the road that could negatively impact Maryland's ability to reach its cover crop WIP goals by 2025. The Maryland Cover Crop Program was developed as a water quality cost-share practice to meet the state's water quality goals. In recent years, MDA has enhanced the program to address the co-benefits of soil health while keeping water quality the lead objective. Rye is eligible for a \$10/acre incentive if planted as a single species. Considered as the standard by the Chesapeake Bay Program for nutrient reduction efficiency, rye receives the most credit within the Chesapeake Bay model. All other single and multi-species cover crops receive less credit than rye in Maryland's WIP goals but do provide a water quality benefit in the bay model.

Multi-species cover crops are eligible for all other incentives offered within the Cover Crop Program and are not penalized. HB 687 requires cost-share funding rates for multi-species cover crops to be equivalent to, or exceed, single species cover crops at a time when BRF funds are being considered for other uses. If passed, HB 687 could force a reduction in the base rate and incentives used within the Cover Crop Program.

The amortization formula, or "Soil Loss Equation" that HB 687 refers to, is no longer used for pasture management and riparian herbaceous cover practices. This formula has not been a requirement used for riparian forest buffers or wetland restoration practices.

Flat rates for all capital practices are established within each county. HB 687 recommends pasture management cost-share payments be based fully on federal regional cost-share rates regardless of the cost of establishment. In certain circumstances with federal funding, the producer will be paid more than the actual costs of establishing the practices. In other cases, the producers will still need to pay a portion out of pocket. The MACS Program cost-shares up to 87.5% of the invoices submitted for each practice. MDA payment incentives like those paid for the CREP Program are not approved by BPW and are paid out of a separate funding source.

Most practice-based requirements identified in HB 687 are programmatic changes that MDA has already addressed or is currently reviewing.

If you have additional questions, please contact Cassie Shirk, Director of Legislation and Governmental Affairs, at cassie.shirk@maryland.gov or 410-841-5886.