

# L00A Department of Agriculture

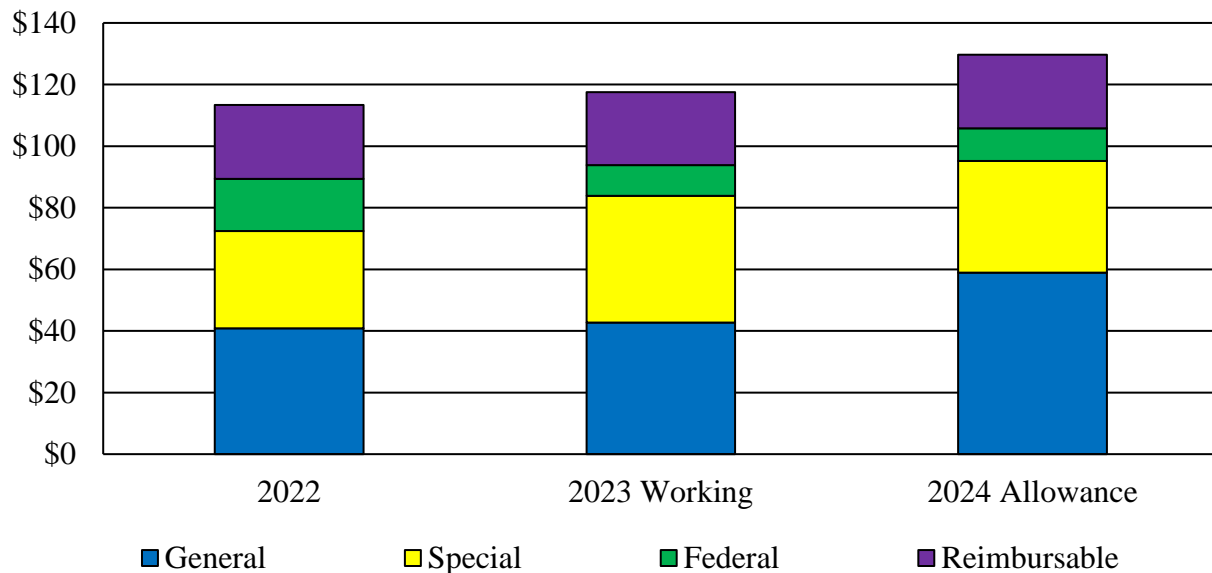
## Program Description

The Maryland Department of Agriculture (MDA) supervises, administers, and promotes agricultural activities throughout the State. MDA's goals are (1) to promote the profitable production, use, and sale of Maryland agricultural products; (2) to protect the health of the public, plant, and animal resources in Maryland; (3) to preserve adequate amounts of productive agricultural land and woodland in Maryland in order to provide for the continued production of food and fiber, to limit random development, and to protect agricultural land and woodland as open space; (4) to provide and promote land stewardship, including conservation, environmental protection, preservation, and resource management; (5) to provide health, safety, and economic protection for Maryland consumers; and (6) for the Rural Maryland Council, to bring together citizens, community-based organizations, federal, State, county, and municipal government officials as well as representatives of the for-profit and nonprofit sectors to collectively address the needs of rural Maryland communities.

## Operating Budget Summary

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**Fiscal 2024 Budget Increases \$12.1 Million, or 10.3%, to \$129.7 Million  
(\$ in Millions)**



Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

For further information contact: Andrew D. Gray

Andrew.Gray@mlis.state.md.us

## *L00A – Department of Agriculture*

- The increase in the fiscal 2024 allowance is primarily attributable to a net increase of \$7.5 million in general funds for Maryland Agricultural and Resource-Based Industry Development Corporation’s (MARBIDCO) Next Generation Farmland Acquisition program mandated by Chapter 39 of 2022 (Great Maryland Outdoors Act).

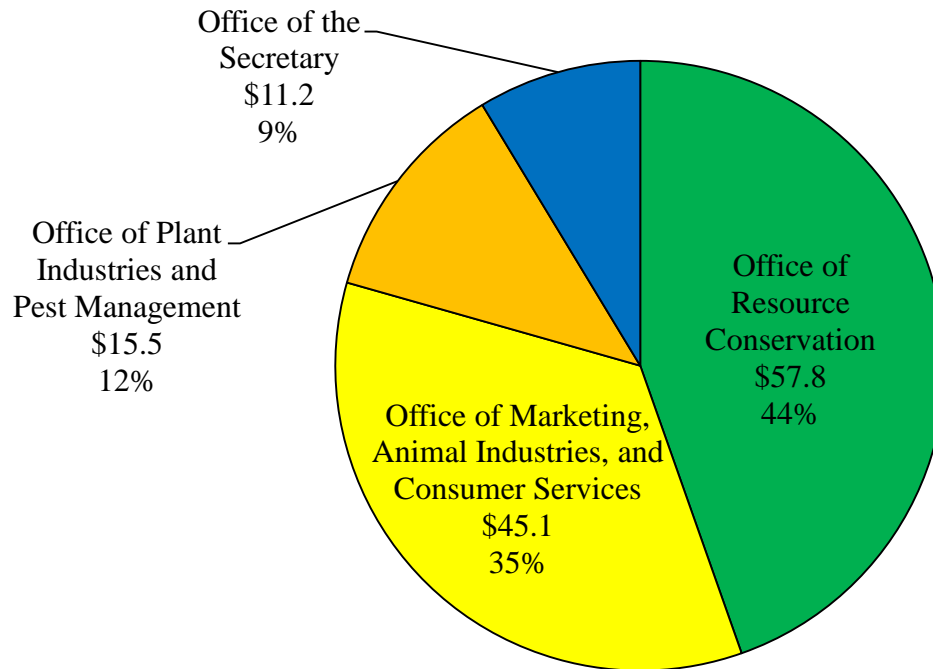
### **Fiscal 2023**

The fiscal 2023 budget restricted \$375,000 in general funds in the Revenue Stabilization Account (also known as the Rainy Day Fund) for the purpose of the Maryland Healthy Soils Program. While this funding was not released under the previous Administration, it has now been released but is not reflected in the fiscal 2023 working appropriation. The \$375,000 provides a down payment of sorts on the \$500,000 in general funds mandated for the Maryland Healthy Soils Program in fiscal 2024 by Chapter 38 of 2022 (Climate Solutions Now Act).

### **Fiscal 2024 Overview of Agency Spending**

MDA is organized into four administrative units and is staffed by 409.2 regular positions and 90.6 contractual full-time equivalents (FTE) in the fiscal 2024 allowance. **Exhibit 1** reflects the \$129.7 million spending breakdown for the four units as follows.

**Exhibit 1**  
**Overview of Agency Spending**  
**Fiscal 2024 Allowance**  
**(\$ in Thousands)**



Source: Department of Budget and Management; Department of Legislative Services

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- **Office of Resource Conservation (\$57.8 Million, 44%):** Advises the Secretary on agricultural soil conservation and water quality; provides financial, technical, and staffing support to the State’s 24 soil conservation districts; provides cost-share funding for best management practice (BMP) implementation, manure transport, and nutrient management plan development; trains, certifies, and licenses nutrient management plan consultants; and oversees Maryland’s agricultural certainty and nutrient trading programs as part of Chesapeake Bay restoration efforts. The main expenditure categories include \$25.5 million for the Cover Crop Program; \$17.4 million for salaries, most of which is for regular positions in soil conservation districts; \$3.6 million for Manure Transport Program support and grants; \$2.5 million for the Tree Solutions Now Act; \$2.0 million for the contract for the University of Maryland Extension nutrient management advisors to write nutrient management plans; and \$1.7 million for Watershed Implementation Plan (WIP) BMP and animal waste technologies on farms.

## *L00A – Department of Agriculture*

- ***Office of Marketing, Animal Industries, and Consumer Services (\$45.1 Million, 35%):*** Provides weights and measures supervision; conducts inspection, grading, monitoring, and testing of agricultural product quality; generates agricultural statistics; protects animal health; regulates veterinarians; promotes the equine industry; assists in the development of agricultural markets; administers the Spay/Neuter program; promotes agriculture through agricultural fairs, shows, and youth activities; supports the transition from tobacco production in Southern Maryland; addresses issues affecting rural quality of life through the Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund; and helps develop resource-based industries through MARBIDCO. The main expenditures include \$15.2 million for MARBIDCO comprised of \$10.0 million for the Next Generation Farmland Acquisition Program as mandated by Chapter 39, \$2.3 million for the base appropriation, \$1.5 million for specific loan programs (meat producers, watermen, and forest owners), \$1.0 million for a new seafood processing project mandated by Chapters 30 and 574 of 2022, and \$0.4 million for the Certified Local Farm Enterprise Food Aggregation Grant Program; \$9.8 million for salaries; \$8.5 million for grants through the Rural Maryland Council; \$2.8 million for the Women, Infants, and Children Coupon Program; \$1.4 million for Maryland Agricultural Fair Board grants; \$0.9 million for the Southern Maryland Agricultural Development Commission for the transition from tobacco production; and \$0.9 million for the Spay and Neuter Grants Program.
- ***Office of Plant Industries and Pest Management (\$15.5 Million, 12%):*** Manages forest pests; implements mosquito control services; regulates pesticides and pesticide applicators; administers nursery inspections, noxious weed control, nuisance bird control, and honeybee registration programs; regulates seed and sod labeling; and regulates the chemical components of pesticides, commercial fertilizers, feeds, pet foods, compost, soil conditioners, and liming materials. The main expenditure categories include \$8.6 million for salaries; \$2.0 million for contractual FTEs; and \$0.5 million for gypsy moth suppression.
- ***Office of the Secretary (\$11.2 Million, 9%):*** Provides administrative support services, advises the Secretary on agricultural issues through the Maryland Agricultural Commission, and administers agricultural land preservation. The main expenditure categories include \$5.0 million for salaries, \$2.0 million for Department of Information Technology (DoIT) services allocation, and \$1.2 million for contractual arrangements related to agricultural easement purchases.

## **Proposed Budget Change**

The MDA fiscal 2024 allowance increases by \$12.1 million, or 10.3%, relative to the adjusted fiscal 2023 working appropriation, as shown in **Exhibit 2**. Changes in personnel funding are discussed first and then other administrative changes.

**Exhibit 2  
Proposed Budget  
Department of Agriculture  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
Fiscal 2022 Actual	\$40,813	\$31,616	\$16,959	\$23,963	\$113,350
Fiscal 2023 Working Appropriation	42,727	41,099	10,011	23,701	117,538
Fiscal 2024 Allowance	<u>58,984</u>	<u>36,231</u>	<u>10,562</u>	<u>23,875</u>	<u>129,650</u>
Fiscal 2023-2024 Amount Change	\$16,257	-\$4,868	\$550	\$173	\$12,112
Fiscal 2023-2024 Percent Change	38.0%	-11.8%	5.5%	0.7%	10.3%

**Where It Goes:**

**Personnel Expenses**

	<b><u>Change</u></b>
Reclassifications in Horse Industry Board and Office of Resource Conservation .....	\$751
Employee and retiree health insurance.....	588
Annualization of the November 2022 4.5% COLA .....	382
Regular earnings.....	131
Retirement contributions .....	122
Other fringe benefit adjustments .....	18
Turnover adjustments .....	-106

**Other Changes**

***Legislation and Policy***

Next Generation Farmland Acquisition funding mandated by Chapter 39 of 2022 .....	7,500
Seafood processing project mandated by Chapters 30 and 574 of 2022 .....	1,000
Maryland Healthy Soils Program .....	500
Urban Agriculture Water and Power Infrastructure Grant Program .....	498
Maryland Farms and Families Fund.....	200
Maryland Food and Agricultural Resiliency Mechanism Grant Program .....	200
Wine and Grape Promotion Fund moved to Department of Commerce .....	-200

***Office of Resource Conservation Reimbursable Fund Grants***

Conservation Incentive Grants .....	500
Watershed Implementation Plan and Animal Waste Technology Fund projects .....	-100
Manure Transport Program .....	-200
Agricultural Drainage Management Program .....	-300
Chesapeake Bay Regulatory and Accountability Program grants.....	-500

*L00A – Department of Agriculture*

<b>Where It Goes:</b>	<b><u>Change</u></b>
<i><b>Routine Operations</b></i>	
Department of Information Technology services allocation .....	315
Women, Infants and Children Farmers’ Market Nutrition Program increase .....	279
Other .....	232
Costs for an additional 3.00 contractual FTEs .....	148
University of Maryland Extension nutrient management plan writing and training .....	146
Printing related to agricultural mediation, crop insurance, and Maryland’s Best .....	100
Chemical costs, primarily in Mosquito Control, State Chemist, and Plant Protection .....	98
Additional equipment purchases, primarily in the State Chemist .....	74
Travel costs .....	57
Advertising costs associated with Agricultural Marketing .....	42
One-time State Chemist laboratory equipment replacement purchase .....	-50
Vehicle replacement costs decrease, primarily in Office of Resource Conservation .....	-92
County and federal cost share for gypsy moth suppression program .....	-105
Energy performance contract loan repayment decrease .....	-115
<b>Total</b>	<b>\$12,112</b>

COLA: cost-of-living adjustment  
 FTE: full-time equivalent

Note: Numbers may not sum to total due to rounding. The fiscal 2023 working appropriation includes deficiency appropriations including this agency’s share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

## **Personnel**

MDA’s overall personnel expenditures increase by \$1,885,555 in the fiscal 2024 allowance. The largest increase is \$750,501 for reclassifications comprised of \$525,000 in Resource Conservation Operations, \$125,501 in the Watershed Implementation Program, and \$100,000 in the Maryland Horse Industry Board. Other increases include \$588,293 for employee and retiree health insurance and \$382,081 for the annualization of the November 2022 4.5% cost-of-living adjustment. The largest decrease is an increase in the budgeted turnover rate from 6.85% to 7.1%, which reduces the amount available to fill positions by \$105,895.

In fiscal 2021, MDA’s Office of Resource Conservation received 53 regular positions funded through the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to help meet agricultural technical assistance needs. The COVID-19 pandemic delayed the hiring process, and last year’s analysis noted that MDA has held three recruitments to fill 47 of the 53 positions and was working on a fourth recruitment to fill the remaining 6 positions. However, MDA now reports that only 44 positions are currently filled as a result of position churn and that a recruitment is underway to fill the remaining 9 vacant positions. While not reflected in MDA’s budget, there is

## *L00A – Department of Agriculture*

an annual salary review increase for agricultural resource conservation specialists budgeted in the Department of Budget and Management’s fiscal 2024 budget. One of the justifications for the annual salary review is the 20% vacancy rate, which would potentially be ameliorated by the proposed one-grade increase funded by \$224,950 in general funds and \$4,567 in special funds for a total of \$229,517. **The Department of Legislative Services (DLS) recommends that MDA comment on the difficulties it has experienced in hiring the 53 regular positions funded through the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.**

### **Other Changes**

Overall, the nonpersonnel portion of the MDA fiscal 2024 allowance increases by \$10,226,443. The main changes may be categorized as legislation and policy, Office of Resource Conservation reimbursable fund grants, and routine operations.

### **Legislation and Policy**

The largest change is a net \$7.5 million increase in general funds for MARBIDCO’s Next Generation Farmland Acquisition program. Chapter 39 mandated the forward funding of \$10.0 million in planned repayments to the Next Generation Farmland Acquisition program in fiscal 2024. The fiscal 2023 appropriation already included \$2.5 million for the program. Therefore, there is a \$7.5 million funding increase.

Another large change is an increase of \$1.0 million in general funds for a seafood processing project by MARBIDCO. This project was mandated by Chapters 30 and 574. Per Chapters 30 and 574, MARBIDCO is required to provide loans for eligible seafood processing projects of up to \$250,000 to licensed seafood dealers to finance costs of eligible seafood processing projects that support the goal of increasing the amount of oyster shells retained in the State and returned to the Chesapeake Bay (with specified loan forgiveness available).

The Maryland Healthy Soils program funding increases by \$500,000. As noted above, this is in part due to the timing of the release of \$375,000 for the same purpose from the Rainy Day Fund in fiscal 2023. Therefore, there is only a \$125,000 increase for this purpose in fiscal 2024.

The Urban Agriculture Water and Power Infrastructure Grant program funding increases by \$498,000. This is comprised of \$475,000 in grant funding and \$23,000 in advertising funding. Chapters 393 and 394 of 2022 established this program and required an annual general fund appropriation of \$500,000. The purpose of the program is to increase the viability of urban farming and community gardens and improve access to urban-grown foods by providing grants to urban agricultural producers and qualified nonprofit organizations for the purchase and installation of (1) agriculture equipment associated with water supply and irrigation and (2) electric power access.

There are increases in the Agricultural Marketing program of \$200,000 each for the Maryland Farm and Families Fund and the Maryland Food and Agricultural Resiliency Mechanism Grant Program. Chapters 574 and 575 of 2019 originally created the Maryland Farm and Families Fund. Subsequently, Chapter 480 of 2022 mandated an appropriation increase from \$100,000 to \$300,000 to the Maryland Farm and Families Fund in fiscal 2024 to support programs

## *L00A – Department of Agriculture*

that match purchases made by Marylanders using federal nutrition assistance like the Supplemental Nutrition Assistance Program (SNAP) at participating farmers markets and farm stands. Chapter 480 also established the Maryland Food and Agricultural Resiliency Mechanism Grant Program and mandated the inclusion of \$200,000 in the annual budget starting in fiscal 2024 to build food system resiliency by leveraging Maryland agricultural products and services to support the State’s food banks and charitable emergency food providers to alleviate food insecurity.

There is a \$200,000 decrease in general funds in the Marketing and Agriculture Development program. Chapters 461 and 462 of 2022 repealed the Maryland Wine and Grape Promotion Fund in MDA and reestablished it as the new Maryland Alcohol Manufacturing Promotion Fund in the Department of Commerce.

### **Office of Resource Conservation Reimbursable Fund Grants**

There is an approximately \$600,000 decrease in Office of Resource Conservation reimbursable fund grants. These grants are supported by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in the Department of Natural Resources. There is an increase of \$500,000 for Conservation Incentive Grants. These grants encourage the adoption of outcomes-based conservation programs on agricultural land. This increase is offset by decreases of \$500,000 for Chesapeake Bay Regulatory and Accountability Program grants, \$300,000 for the Agricultural Drainage Management Program, \$200,000 for the Manure Transport Program, and \$100,000 for WIP and Animal Waste Technology Fund projects.

### **Routine Operations**

The largest change in the routine operations category is an increase of \$314,596 for the DoIT services allocation. The federal Women, Infants, and Children Farmers’ Market Nutrition Program funding increases by \$279,395. Another increase is \$147,712 for contractual FTE costs. This reflects a net increase of 3.00 contractual FTEs. The memorandum of understanding with the University of Maryland Extension for nutrient management plan writing and farmer training increases by \$146,132 in federal funds. There is also an increase of \$100,000 for printing related to agricultural mediation, crop insurance, and Maryland’s Best to promote specialty crops.

The costs for chemicals increase by \$98,157 across the agency. There is a net increase of \$74,000 for equipment replacement, primarily due to an increase of \$60,000 in special funds for laboratory and computer equipment in the State Chemist. Travel costs increase \$56,632 across MDA likely due to easing pandemic restrictions. Advertising costs increase by \$42,000 for the Agricultural Marketing program.

In terms of decreases, energy performance contact loan repayment costs decrease by \$115,256 in reimbursable funds. There is a \$105,000 decrease for cost-share for a gypsy moth suppression program comprised of \$70,000 in federal funds and \$35,000 in special funds. Vehicle replacement costs decrease by \$92,247 across MDA. A one-time purchase of additional laboratory equipment in the State Chemist in fiscal 2023 accounts for a \$50,000 decrease in special funds.



***Personnel Data***

	<b><u>FY 22</u></b> <b><u>Actual</u></b>	<b><u>FY 23</u></b> <b><u>Working</u></b>	<b><u>FY 24</u></b> <b><u>Allowance</u></b>	<b><u>FY 23-24</u></b> <b><u>Change</u></b>
Regular Positions	411.70	409.20	409.20	0.00
Contractual FTEs	<u>64.78</u>	<u>87.60</u>	<u>90.60</u>	<u>3.00</u>
<b>Total Personnel</b>	<b>476.48</b>	<b>496.80</b>	<b>499.80</b>	<b>3.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	29.05	7.10%
Positions and Percentage Vacant as of 12/31/22	64.50	15.76%
Vacancies Above Turnover	35.45	

- MDA regular positions remain unchanged between the fiscal 2023 working appropriation and the fiscal 2024 allowance.
- MDA had 64.5 regular positions that were vacant as of December 31, 2022, of which 21.5 positions had been vacant for more than a year. Of the 21.5 vacancies, 11 are in the Office of Resource Conservation’s Resource Conservation Operations, and all but 1 of these 11 positions are soil conservation district field positions, which is indicative of the difficulties MDA has had in recruiting and retaining for these positions.
- MDA FTEs increase by a net of 3.00 in the fiscal 2024 allowance. There is an increase of 2.00 FTEs in Forest Pest Management for gypsy moth egg mass surveys and other forest pest projects and 1.00 FTE in Plant Protection and Weed Management for administrative work related to nursery, ginseng, and apiary program licensing.
- The MDA budgeted turnover rate increased from 6.85% in the fiscal 2023 working appropriation to 7.10% in the fiscal 2024 allowance. Therefore, MDA must hold open 29.05 positions throughout fiscal 2024. MDA had 64.50 positions vacant, or 15.76%, as of December 31, 2022, which means that there are sufficient vacancies for MDA to meet turnover.

## ***Key Observations***

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### **1. Cover Crop Program Performance Review**

Maryland’s Cover Crop Program is a national model. As shown in **Exhibit 3**, Maryland provides the greatest amount of funding and reaps the greatest number of cover crop acres. However, as shown in **Exhibit 4**, its effectiveness appears to have peaked in fiscal 2017. This is reflected in the decline in the number of fall certified acres and contracts signed since fiscal 2017 as well as increases in the dollars per contract and dollars per acre. The reason for the decrease in the estimated phosphorus removed in fiscal 2018 and the increase in estimated nitrogen removed in fiscal 2020 is not clear but may be due to changes in the Chesapeake Bay model.

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**Exhibit 3**  
**Summary of Select State Programs for Cover Crops**

<b><u>State</u></b>	<b><u>Years Active</u></b>	<b><u>Program/Implementing Agency</u></b>	<b><u>Scope of Program (Acres)</u></b>	<b><u>Per-acre Payment Range</u></b>	<b><u>Annual State Spending</u></b>
Maryland	2009-present	Agricultural Water Quality Cost-Share	639,710	\$30-75	\$22.5 million
Iowa	2013-present	Department of Agriculture and Land Stewardship	250,000	15-25	5 million
Virginia	1998-present	Virginia Department of Conservation and Recreation with funding from Water Quality Improvement Fund and real estate recordation fees	200,539 (2016)	15-33	5.1 million (2016)
Missouri	2015-present	Department of Natural Resources	117,175	30-40	3.8 million
Delaware	At least 2011-present	County conservation districts	85,438	30-50	

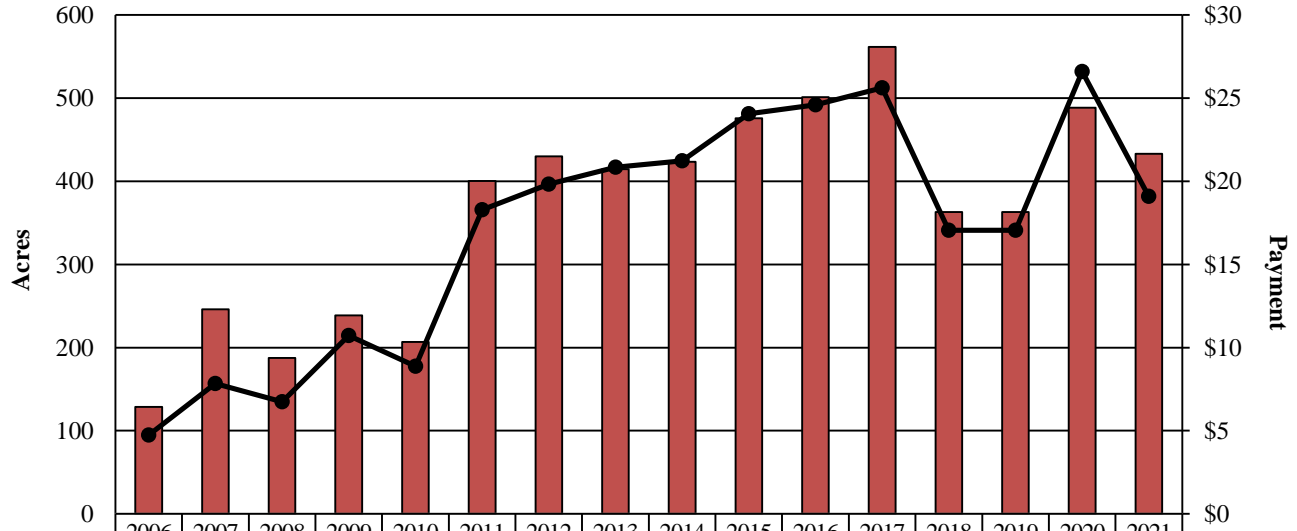
*L00A – Department of Agriculture*

<u>State</u>	<u>Years Active</u>	<u>Program/Implementing Agency</u>	<u>Scope of Program (Acres)</u>	<u>Per-acre Payment Range</u>	<u>Annual State Spending</u>
Ohio	2012-present	Various, including Muskingum Watershed Conservancy Project, Ohio Department of Natural Resources, and Ohio Department of Agriculture	~50,000	12-40	~ 600,000
Indiana	2015-present	Watersheds and county conservation districts with funding from Indiana State Department of Agriculture Clean Water Indiana Grants	18,278	Up to 20	307,385

Note: Maryland’s program acreage may include acres not traditionally included in Maryland’s reported cover crop acres.

Source: U.S. Department of Agriculture, Economic Research Service

**Exhibit 4  
Cover Crop Program Statistics  
Fiscal 2006-2021  
(\$ in Millions)**



■ Fall Certified Acres (in Thousands)	129	246	187	239	207	400	430	415	423	476	501	561	363	363	488	433
● MACS Payment (\$ in Millions)	\$4.7	\$7.8	\$6.7	\$10.7	\$8.9	\$18.3	\$19.8	\$20.8	\$21.2	\$24.1	\$24.6	\$25.6	\$17.1	\$17.1	\$26.6	\$19.1
Contracts	723	1,229	1,180	1,571	1,046	1,567	1,585	1,621	1,571	1,656	1,678	1,688	1,283	1,283	1,469	1,349
Acres Per Contract	178	200	159	152	198	255	271	256	269	287	299	333	283	283	332	321
\$ Per Contract	6,562	6,379	5,706	6,820	8,484	11,670	12,501	12,851	13,511	14,526	14,651	15,173	13,293	13,293	18,106	14,148
\$ Per Acre	37	32	36	45	43	46	46	50	50	51	49	46	47	47	54	44
Est. Nitrogen Removed (in Millions of Pounds)	1.1	2.0	1.8	1.2	1.2	2.4	2.6	2.5	2.5	2.9	3.0	3.4	2.5	2.5	3.4	3.0
Est. Phosphorus Removed (in Thousands of Pounds)	25.7	48.1	41.0	47.8	41.4	80.1	86.0	83.1	84.6	95.1	100.1	111.8	2.9	2.9	3.9	3.5

MACS: Maryland Agricultural Cost-Share Program

Source: Maryland Department of Agriculture

*L00A – Department of Agriculture*

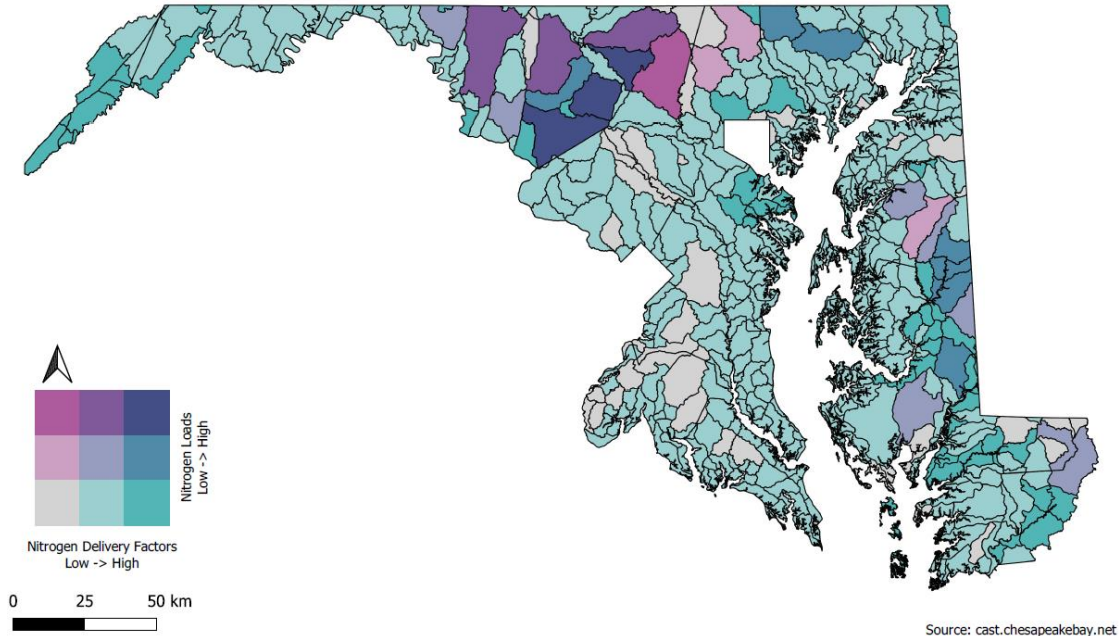
The Lawrence J. Hogan Jr. Administration began the Cover Crop Plus Pilot Program as a pay for success addition to the regular Cover Crop Program. The Cover Crop Plus Pilot Program is described as a financial incentive program for soil health farmers. The program requires farmers to sign a contract to grow cover crop mixes on the same field for three consecutive years. The base rate is \$115 per acre, as compared to the \$55 per acre base rate for the regular Cover Crop Program, and there are three options to layer on additional payments of \$15 per acre as follows: option 1 – conservation crop rotation (add diversity to the current crop rotation); option 2 – integrate livestock into cropland (graze a well-established cover crop); and option 3 – pre-sidedress soil nitrate test (use the test to determine nutrient applications and timing for corn fields that have received organic nitrogen sources).

The initial enrolled acres were modest but reflected interest in the program’s goals. The initial acreage funding will need to be confirmed in spring 2023, but for now reflects a total allocation of \$717,503.50 as follows: base rate – 5,444.50 acres (\$626,117.50 annual payment); option 1 – 3,407.30 acres (\$51,109.50); option 2 – 369.10 acres (\$5,536.50); and option 3 – 2,316 acres (\$34,740.00). While improving upon the annual nature of the regular Cover Crop Program by extending it to a three-year commitment, the Cover Crop Plus Pilot Program could still be made more effective.

Some possible options to improve Cover Crop Program effectiveness are as follows.

- **Targeting:** One of the preliminary findings from the “Comprehensive Evaluation of System Response” being conducted by the Chesapeake Bay Program’s Science and Technical Advisory Committee is the need for targeting to address nonpoint source pollution. The use of geographic information system software has been used to monitor cover crops, but it does not appear to have been used recently to target cover crop funding to areas of greatest need. MDA notes that targeting of funding may become administratively difficult due to farms spanning watersheds and counties, but this should not be a deterrent to the piloted use of targeting to see if cover crop funding can be optimized. Data from the Chesapeake Assessment and Scenario Tool gives an indication of the most effective areas for targeting agricultural BMPs, including cover crops. As can be seen in **Exhibit 5**, the most effective areas for targeting are the areas with both the highest nitrogen delivery factors and load. These areas are shaded dark blue and adjacent colors and can be found around Frederick in Frederick County, Westminster in Carroll County, Aberdeen in Harford County, and both in and around Caroline County.

## Exhibit 5 Maryland Agricultural Targeting: Nitrogen



Source: Chesapeake Assessment and Scenario Tool

- **Time Limited:** The U.S. Department of Agriculture (USDA) – Natural Resources Conservation Service’s Environmental Quality Incentives Program funds cover crops as well but does so for a maximum of five years on the same field. The premise is that the funding is meant to encourage trial adoption of cover crops and then presumably the farmer would fund the practice or seek alternative funding sources. Maryland’s Cover Crop Program could employ a similar model although at the risk that some farmers may not continue the practice after the five-year period.
- **Require Additional Actions:** Instead of making the Cover Crop Program time limited, farmers could be required to implement additional perennial, as opposed to annual, BMPs through the Maryland Agricultural Cost-Share Program to qualify for the Cover Crop Program after an initial five-year period of funding. Chapter 120 of 2021 increased from 87.5% to 100% the percentage of eligible costs for which State cost-sharing funds may be used for projects that prevent or control agriculturally related nonpoint source water pollution. In particular, the changes made by Chapter 120 provide 100% funding for natural filters and agricultural drainage management practices. Natural filters practices include the following: the planting of riparian forest buffers; the planting of riparian herbaceous cover; tree plantings that are on agricultural land and outside a riparian buffer; wetland restoration;

and pasture management, including rotational grazing systems such as livestock fencing, and watering systems implemented as part of the conversion of cropland to pasture.

**DLS recommends that MDA comment on the targeting, time limited, and required additional actions program options for improving the effectiveness of the Cover Crop Program.**

## **2. Highly Pathogenic Avian Influenza Event**

Highly pathogenic avian influenza (HPAI) is a threat both to Maryland’s poultry layer and broiler industries as well as a potential threat to humans via virus mutations. HPAI initially is transmitted by wild birds – ducks, geese, swans, and gulls – and secondarily by cross-contamination at poultry facilities due to lax biohazard controls. The lowly pathogenic strains of avian influenza circulate naturally in wild waterfowl and do not kill chickens but then can mutate into HPAI, which does kill chickens, when the strains are introduced to the high densities of domestic poultry operations.

MDA reported that the winter/spring 2022 HPAI outbreak affected Maryland and 28 other states, including Delaware, Pennsylvania, and Virginia, which resulted in the nationwide depopulation of more than 31 million birds in 155 commercial operations and 80 backyard flocks. While Maryland now has been declared disease free, the general consensus is that the virus is still circulating in the environment and poses significant risk to poultry operations in Maryland. New detections are expected with each migratory season since it is still causing mortalities in the resident black vulture population.

The timeline of HPAI outbreaks and response in Delaware and Maryland was as follows:

- ***February 22, 2022 Outbreak:*** in Delaware;
- ***March 3, 2022 Outbreak:*** two poultry layer farms, totaling 1,160,000 birds, in Cecil County;
- ***March 4, 2022 Response:*** MDA conducted a conference call with the Maryland Department of Emergency Management, the Maryland Department of Health, and the Department of General Services to coordinate emergency operations, and a unified command was implemented in Dover, Delaware involving the Delaware Department of Agriculture, MDA, and USDA;
- ***March 7, 2022 Response:*** MDA executed an emergency contract with Eastern Shore Forest Products, Inc. for \$597,067 to deliver wood grindings for composting;
- ***March 10, 2022 Outbreak:*** poultry broiler farm, totaling 150,000 birds, in Queen Anne’s County;

*L00A – Department of Agriculture*

- **March 17, 2022 Outbreak:** pullet farm – poultry layers raised from eggs – totaling 315,000 birds, in Cecil County next to the two poultry layer farms from the March 3 outbreak;
- **March 30, 2022 Response:** MDA started the process of disposing of 19 million eggs from the poultry layer farms;
- **April 21, 2022 Response:** MDA increased the original March 7 emergency contract for Eastern Shore Forest Products, Inc. by \$584,278 to address the additional locations and expanded scope of work; and
- **June 8, 2022 Response:** MDA sought and received approval from the Board of Public Works for the full emergency contract with Eastern Shore Forest Products, Inc. of \$1,181,345, which was funded by an additional award/agreement with the USDA.

**DLS recommends that MDA comment on the safety of high densities of poultry given the potential for the generation of HPAI; the likelihood of future highly pathogenic avian influenza events in Maryland; the steps MDA currently is taking to limit Maryland’s exposure; and the next steps needed at the State, regional, and national scales by MDA and its state and federal partners to forestall the next outbreak.**

### **3. 2023 Farm Bill**

The Farm Bill is the major federal agricultural and food policy bill, and it is typically renewed every five years. The 2018 Farm Bill – the Agriculture Improvement Act – included 12 titles addressing both mandatory and discretionary (appropriated) program funds and will expire in calendar 2023. The four largest titles accounted for 99% of 2018 Farm Bill mandatory outlays: Nutrition (mostly SNAP payments); Crop Insurance; Commodity Programs; and Conservation. The 2023 Farm Bill offers an opportunity to expand areas of growth in agriculture, including urban agriculture, increasing general farm profitability, and addressing conservation needs.

The nonprofit Environmental Working Group’s Farm Subsidy Database gives a flavor for the benefits that have accrued to Maryland farms from farm bills between calendar 1995 and 2021. According to the data, Maryland farms received a total of \$1.6 billion between calendar 1995 and 2021 with commodity programs receiving the greatest amount of funding at \$906.2 million, followed by crop insurance subsidies (\$378.9 million), conservation programs (\$271.1 million), and disaster programs (\$77.5 million). In terms of other states, Maryland was thirty-sixth out of the 50 states in terms of gross receipts during the 1995 to 2021 time period. The Maryland farm subsidy top programs highlighted in the Environmental Working Group’s data are shown in **Exhibit 6**.



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**Exhibit 6**  
**Maryland Farm Subsidy Top Programs**  
**Calendar 1995-2021**

<u>Rank</u>	<u>Program</u>	<u>Recipients</u>	<u>Subsidy Total</u>
1	Conservation Reserve Program	6,371	\$258,690,036
2	Direct Payment Program	6,313	187,609,358
3	Loan Deficiency	5,216	163,296,647
4	Production Flexibility Program	5,510	99,369,724
5	Market Facilitation Program	2,881	93,373,458
6	Coronavirus Food Assistance Program – Round 2	2,999	70,445,439
7	Agricultural Risk Coverage Program	3,514	66,075,567
8	Market Loss Assistance Program	5,214	61,435,650
9	Dairy Programs	1,321	58,391,632
10	Crop Disaster Assistance Program	2,964	48,955,999

Source: Environmental Working Group, Farm Subsidy Database

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Despite the expansive quality of the benefits provided, the Environmental Working Group’s data reflects that only 3,561, or 28.7%, of Maryland’s 12,429 farms counted in the 2017 USDA Census of Agriculture received subsidies. **DLS recommends that MDA comment on what changes it anticipates in the 2023 Farm Bill, what changes in the 2023 Farm Bill would be beneficial to Maryland farmers, and how more Maryland farms may take advantage of the potential funding from the 2023 Farm Bill.**

#### **4. Enforcement and Inspection Position Strength Assessment and Vacant Position Filling**

Budget bill language in the fiscal 2023 operating budget restricted funding pending the submission of quarterly reports from the Maryland Department of the Environment (MDE) and MDA on compliance and enforcement inspections and positions. The language then further restricted the funding for filling vacant compliance and enforcement positions. The submitted reports note that MDA has returned to nutrient management plan consultant reviews due to MDA reviewing nutrient management plans that are not using the most up-to-date planning software or otherwise lack the most recent recommendations. Certified nutrient management plan consultants are held accountable for nutrient management plans that are inadequate and not the farmer. The 0.5 reviewer, which splits its time with the Turfgrass Nutrient Management Program, has conducted an average of 6 reviews per month between December 2021 and November 2022, which is roughly comparable to the 7 reviews per month between December 2020 and November 2021.

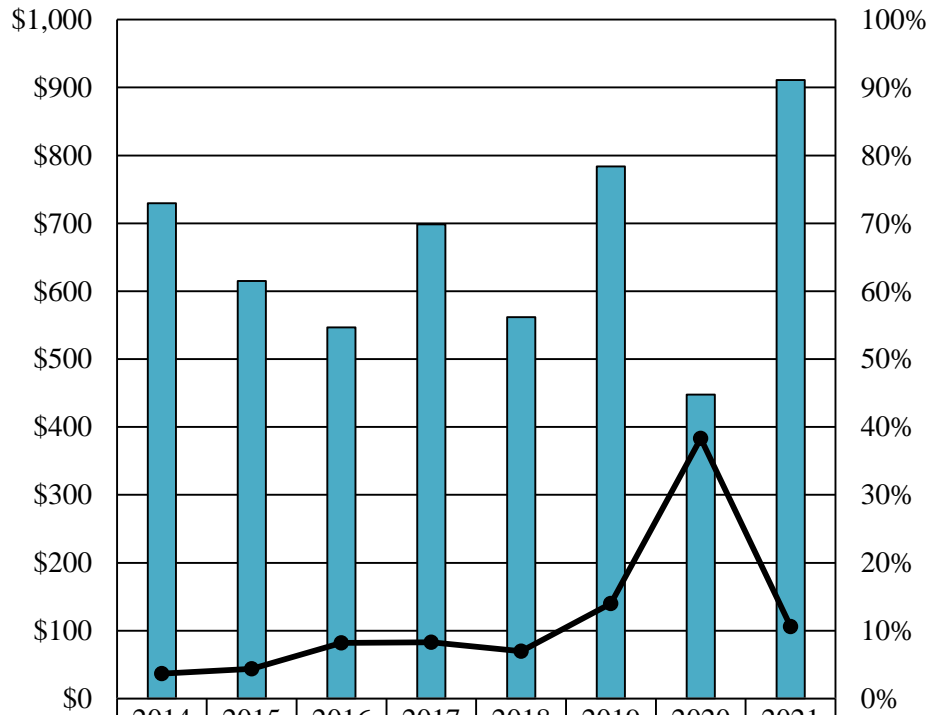
The average number of turfgrass reviews conducted between December 2021 and November 2022 is 15, which is slightly down from the 17 reviews on average between December 2020 and November 2021. **DLS recommends that the budget bill language restricting funding pending the submission of quarterly reports from MDE and MDA on compliance and enforcement inspections and positions be included in the fiscal 2024 budget. For administrative purposes, this recommendation will appear in the operating budget analysis for MDE – U00A.**

## **5. Maryland Agriculture Profitability Highlighted**

The Administration notes the importance of promoting profitable production, use, and sale of Maryland agricultural products in the first goal of its fiscal 2024 Managing for Results submission. While profitability is a laudable goal, it is not clear how much influence MDA has on Maryland agriculture profitability, which could be construed as increasing farm revenues, reducing costs, or both. The clearest indicator of a focus on profitability in the fiscal 2024 budget is the funding for MARBIDCO, which includes \$2.3 million for the base appropriation, \$1.5 million for specific loan programs (meat producers, watermen, and forest owners), and \$1.0 million for a new seafood processing project mandated by Chapters 30 and 574.

However, **Exhibit 7** reflects that, with the exception of calendar 2020, direct government payments are a relatively small percentage of net cash income for Maryland farms. In addition, despite direct government payments being a relatively small percentage of net cash income, the size of the direct government payments suggests that the federal government provides the majority of the funding. **DLS recommends that MDA comment on its plan for increasing farm profitability in terms of programs and funding levels, the magnitude of the impact it expects to achieve, and the economic and regulatory forces that affect farm profitability in Maryland.**

**Exhibit 7**  
**Net Cash Income and Direct Government Payments for Maryland Farms**  
**Fiscal 2014-2021**  
**(\$ in Millions)**



	2014	2015	2016	2017	2018	2019	2020	2021
Net Cash Income	\$730	\$615	\$547	\$698	\$562	\$784	\$448	\$911
Direct Government Payments as a Percentage of Net Cash Income	4%	4%	8%	8%	7%	14%	38%	11%
Gross Cash Income	\$2,751	\$2,516	\$2,429	\$2,610	\$2,545	\$2,640	\$2,518	\$2,790
Cash Expenses	-2,021	-1,901	-1,882	-1,912	-1,983	-1,856	-2,070	-1,879
Direct Government Payments	27	27	45	58	39	110	172	97

Source: U.S. Department of Agriculture, Economic Research Service

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

## ***Updates***

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### **1. State Meat Processing Inspection Feasibility**

The budget committees, interested in exploring the option of returning to State meat processing inspection, directed MDA to establish and lead a task force to study the issue. The task force was requested to do the following: study the feasibility of returning to State meat processing inspection; make recommendations on implementing State meat processing inspection; and advise on necessary rules and regulations relating to meat processing inspection and the establishment of production standards. In addition, the budget committees requested that MDA report the findings and recommendations of the task force to the committees by December 1, 2022.

The submitted report notes that meat and poultry processing establishments have the option to apply for federal or state inspection with the requirement that state programs must enforce requirements at least equal to the federal Meat and Poultry Products Inspection Act and the Humane Methods of Slaughter Act of 1978. The difference between state and federal inspections is that state inspections limit the product produced to intrastate commerce. In other words, a state must opt into an additional cooperative program, the Cooperative Interstate Shipment Program, to be eligible for interstate commerce.

In addition, the report notes that MDA operated a State meat inspection program under the Maryland Wholesome Meat Act until 1992 when it was dropped due to budget constraints and that there are 29 states that currently operate meat and poultry inspection programs in the United States. The USDA – Food Safety and Inspection Service’s website provides more specificity, indicating that Maryland’s meat and poultry inspection program ended April 1, 1991, and that 25 states operate meat and poultry inspection programs, 4 states operate only meat inspection programs (2 states gave up their poultry inspection programs, and 2 states appear to have never had poultry inspection programs), and 21 states gave up both their meat and poultry inspection programs (including Maryland). The dates that states gave up their meat and poultry inspections range from 1971 to 1999.

The report further notes that the requested task force was assembled and one meeting was held. The meeting included testimony by the district manager of field operations at USDA’s Food Safety and Inspection Service and feedback from two Maryland meat processing plant managers. The consensus was that there was no benefit in returning to a State meat inspection program, although there were concerns expressed about the Hazard Analysis and Critical Control Points Plans required for meat and poultry establishments to prevent contamination. Development of Hazard Analysis and Critical Control Points Plans appears to be more of a concern for new meat and poultry processing operations as opposed to established operations. Therefore, the task force recommended some kind of ongoing assistance in the form of either a State assistance program or an ombudsman at MDA. This assistance would help new and existing meat and poultry harvest and processing businesses to negotiate the regulatory process, including support for understanding local zoning, permitting for water and wastewater, and writing Hazard Analysis and Critical Control Points Plans and standard operating procedures.

## 2. Integrated Pest Management in Schools Report

The budget committees were concerned that insufficient information is known about the degree to which the integrated pest management law – Chapter 322 of 1999 – is being enforced in school districts. Therefore, the budget committees requested that MDA, in consultation with the Maryland State Department of Education and the Children’s Environmental Health and Protection Advisory Council (CEHPAC), submit a report on whether school districts are complying with the integrated pest management law. The report was requested to include the status of school districts developing and implementing integrated pest management systems for school interiors and grounds and notifying parents on the pesticide notification list of planned pesticide applications. The report was requested for, and subsequently submitted on, December 1, 2022.

The report included a link to MDA’s website reflecting Maryland public school designated integrated pest management contacts. In addition, MDA submitted the integrated pest management plans for the 24 local jurisdictions (23 counties and Baltimore City) as well as an additional plan for agriscience programs in Montgomery County. MDA notes that each Maryland public school system has developed the required integrated pest management plan and that these plans have been submitted to and approved by MDA. Highlights from the report are as follows.

- ***Integrated Pest Management Plans:*** The plans largely appear to have been completed around the time of their required submission by Chapter 322. The revisions and reviews of plans range from what appears to be the original submission by Garrett County in September 1999, to a plan reviewed by Somerset County in August 2021; the date for Carroll County’s plan is unclear. The plans vary in the level of detail provided about action thresholds for specific pests and allowed pesticides. The fact that some plans are almost 20 years old raises the question of whether the plans are current in terms of allowed pesticides.
- ***Violations:*** MDA has conducted 1,143 inspections and found 287 violations over an unspecified number of years, presumably since around the 2001 school year. This amounts on average to less than 1 violation per inspection with the highest being 0.813 violations per inspection in Charles County and lowest being 0.034 violations per inspection in Washington County. During fiscal 2022, MDA inspectors conducted 88 integrated pest management inspections at Maryland public schools.
- ***Formal Complaints:*** The report notes that formal complaints have been received from three school systems: Baltimore City Public Schools (2010); Howard County Public Schools (2005 and 2020); and Montgomery County Public Schools (2014 and 2021).
- ***Findings:*** CEHPAC submitted two comments in an addendum to MDA’s report. The comments were adopted at a public meeting on November 16, 2022. The first comment was for MDA to maintain the following updated school system information on its website: integrated pest management plans; compliance; violations; and key contacts. The second comment was for MDA to work with school systems to provide training and

*L00A – Department of Agriculture*

updated training materials, such as updated integrated pest management manuals, regarding integrated pest management implementation and children’s environmental health.

- ***MDA’s Plans:*** MDA acknowledged CEHPAC’s concern about updated school system information and notes that it provides an up-to-date contact list for all 24 counties and Baltimore City, although MDA is open to taking CEHPAC’s suggestion into consideration. In addition, MDA notes that it plans to host integrated pest management coordinator trainings in the future and is open to sharing its plans with CEHPAC.

**Appendix 1**  
**2022 Joint Chairmen’s Report Responses from Agency**

The 2022 *Joint Chairmen’s Report* (JCR) requested that MDA prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Integrated Pest Management in Schools Report:*** The budget committees requested that MDA, in consultation with specified partners, submit a report on whether school districts are complying with the integrated pest management law. MDA notes that each Maryland public school system has developed the required integrated pest management plan and that these plans have been submitted to and approved by MDA. Further discussion of this data can be found in Update 2 of this analysis.
- ***Historical and Projected Chesapeake Bay Restoration:*** Section 35 of the fiscal 2023 Budget Bill requested the submission of a report on historical and projected Chesapeake Bay restoration spending and associated impacts and the overall framework needed to meet the calendar 2025 requirement of having all BMPs in place to meet water quality standards for restoring the Chesapeake Bay. Further discussion of this data can be found in the analysis for the Chesapeake Bay Overview – CHESBAY.
- ***Enforcement and Inspection Position Strength Assessment and Vacant Position Filling:*** Budget bill language in the fiscal 2023 operating budget restricted funding pending the submission of quarterly reports from MDE and MDA on compliance and enforcement inspections and positions. Further discussion of this data can be found in Issue 4 of this analysis.



**Appendix 2**  
**Object/Fund Difference Report**  
**Department of Agriculture**

<u>Object/Fund</u>	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u> <u>Appropriation</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23 - FY 24</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
<b>Positions</b>					
01 Regular	411.70	409.20	409.20	0.00	0%
02 Contractual	64.78	87.60	90.60	3.00	3.4%
<b>Total Positions</b>	<b>476.48</b>	<b>496.80</b>	<b>499.80</b>	<b>3.00</b>	<b>0.6%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 33,579,876	\$ 38,036,063	\$ 40,685,779	\$ 2,649,716	7.0%
02 Technical and Special Fees	2,543,400	3,512,552	3,750,155	237,603	6.8%
03 Communication	278,901	335,400	341,369	5,969	1.8%
04 Travel	571,939	516,976	573,608	56,632	11.0%
06 Fuel and Utilities	885,166	742,974	627,718	-115,256	-15.5%
07 Motor Vehicles	1,482,201	1,640,563	1,548,316	-92,247	-5.6%
08 Contractual Services	20,131,912	10,205,510	10,838,973	633,463	6.2%
09 Supplies and Materials	2,519,618	1,583,654	1,681,811	98,157	6.2%
10 Equipment – Replacement	827,768	424,655	498,655	74,000	17.4%
11 Equipment – Additional	33,863	125,500	75,500	-50,000	-39.8%
12 Grants, Subsidies, and Contributions	48,255,148	57,814,078	67,273,493	9,459,415	16.4%
13 Fixed Charges	1,947,044	1,259,109	1,277,707	18,598	1.5%
14 Land and Structures	293,524	487,108	477,108	-10,000	-2.1%
<b>Total Objects</b>	<b>\$ 113,350,360</b>	<b>\$ 116,684,142</b>	<b>\$ 129,650,192</b>	<b>\$ 12,966,050</b>	<b>11.1%</b>
<b>Funds</b>					
01 General Fund	\$ 40,812,866	\$ 42,164,864	\$ 58,983,505	\$ 16,818,641	39.9%
03 Special Fund	31,616,195	40,856,842	36,230,539	-4,626,303	-11.3%
05 Federal Fund	16,958,642	9,960,976	10,561,588	600,612	6.0%
09 Reimbursable Fund	23,962,657	23,701,460	23,874,560	173,100	0.7%
<b>Total Funds</b>	<b>\$ 113,350,360</b>	<b>\$ 116,684,142</b>	<b>\$ 129,650,192</b>	<b>\$ 12,966,050</b>	<b>11.1%</b>

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include contingent reductions or cost-of-living adjustments.