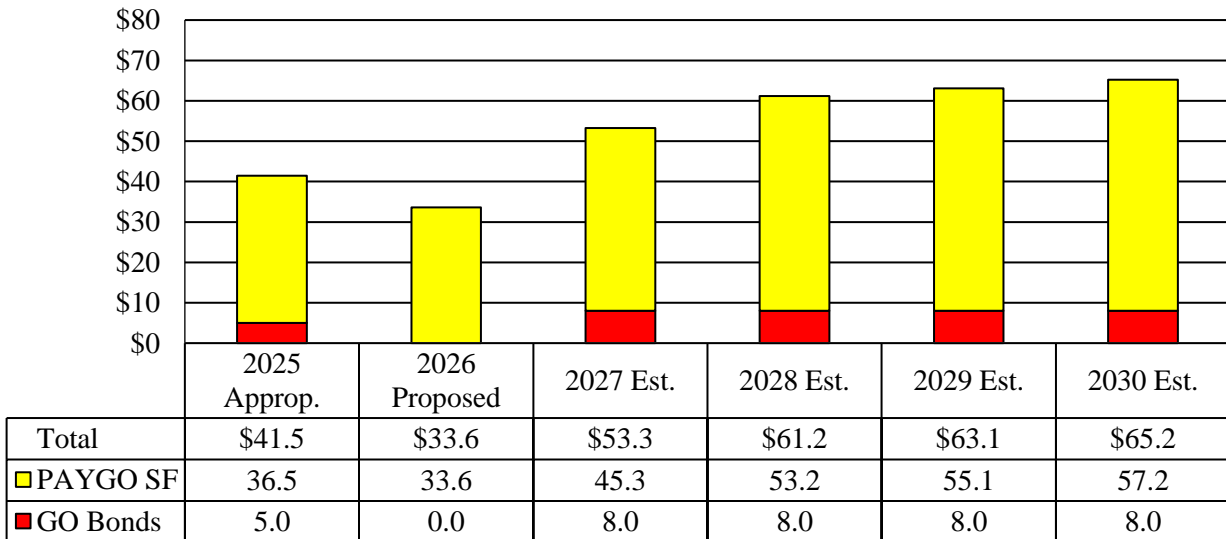
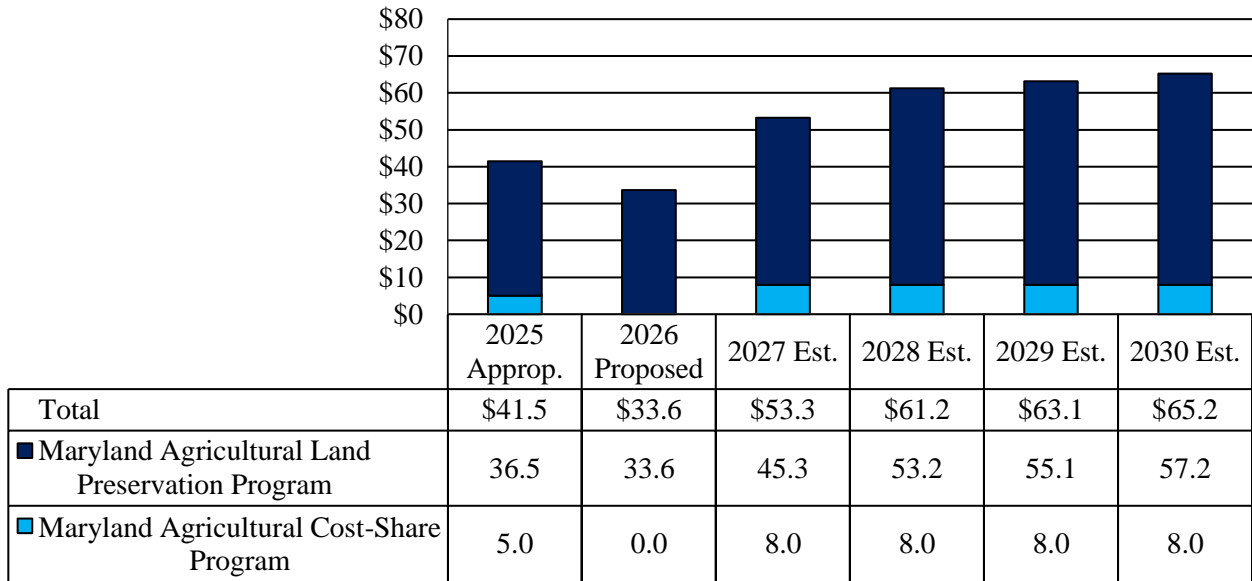


LA00
Department of Agriculture – Capital

Capital Budget Summary

Grant and Loan Capital Improvement Program – Uses and Sources
(\$ in Millions)



GO: general obligation
PAYGO: pay-as-you-go
SF: special funds

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Key Observations

- ***Transfer Tax Revenues Down Due to Fiscal 2024 Underattainment and Revenue Estimate Decrease:*** The \$2.8 million decrease in Maryland Agricultural Land Preservation Program (MALPP) funding between fiscal 2025 and 2026 is due to (1) fiscal 2024 actual transfer tax revenues came in less than the amount budgeted, and this underattainment is deducted from the amount distributed to MALPP from fiscal 2026 estimated revenues and (2) a decrease in the overall transfer tax revenue estimate between fiscal 2025 and 2026.
- ***Maryland Agricultural Cost-Share (MACS) Program Receives No Funding in Fiscal 2026:*** There is no funding budgeted for the MACS program in fiscal 2026 due to the availability of fund balance to support projects. This represents an \$8.0 million decrease compared to the amount programmed in the 2024 *Capital Improvement Program* (CIP) for fiscal 2026. There have been no changes in the planned out-year funding levels.
- ***Maryland Food Center Authority Wholesale Produce Market Construction Delayed:*** The Maryland Food Center Authority Wholesale Produce Market project has been delayed again.
- ***Agricultural Land Preservation Goals Reflect Out-year Challenges:*** MALPP supports two State land preservation goals: (1) the goal set in 2002 to conserve 1,030,000 acres of productive agricultural land by calendar 2030; and (2) the goal set in 2023 to conserve 30% of Maryland land acres by calendar 2030 and 40% by calendar 2040. Maryland will need to preserve approximately 25,000 acres per year over the next six years to meet the 2002 goal. Maryland has met the 30% by 2030 goal with six years remaining but is challenged by the 40% by 2040 goal.

PAYGO Recommended Actions

1. Concur with Governor’s allowance.

Updates

- ***Maryland Food Center Authority Wholesale Produce Market:*** The fiscal 2023 budget included \$10.0 million in the Dedicated Purpose Account for the Maryland Food Center Authority Wholesale Produce Market project. This funding was moved to the Maryland Department of Agriculture (MDA) budget for administrative and oversight purposes, since the Maryland Food Center Authority is a nonbudgeted agency. MDA has entered into a contract with the Maryland Food Center Authority for disbursement of the funds within

five years. The plan was for quarterly reports to be submitted by the authority and for funds to be disbursed upon completion of tasks.

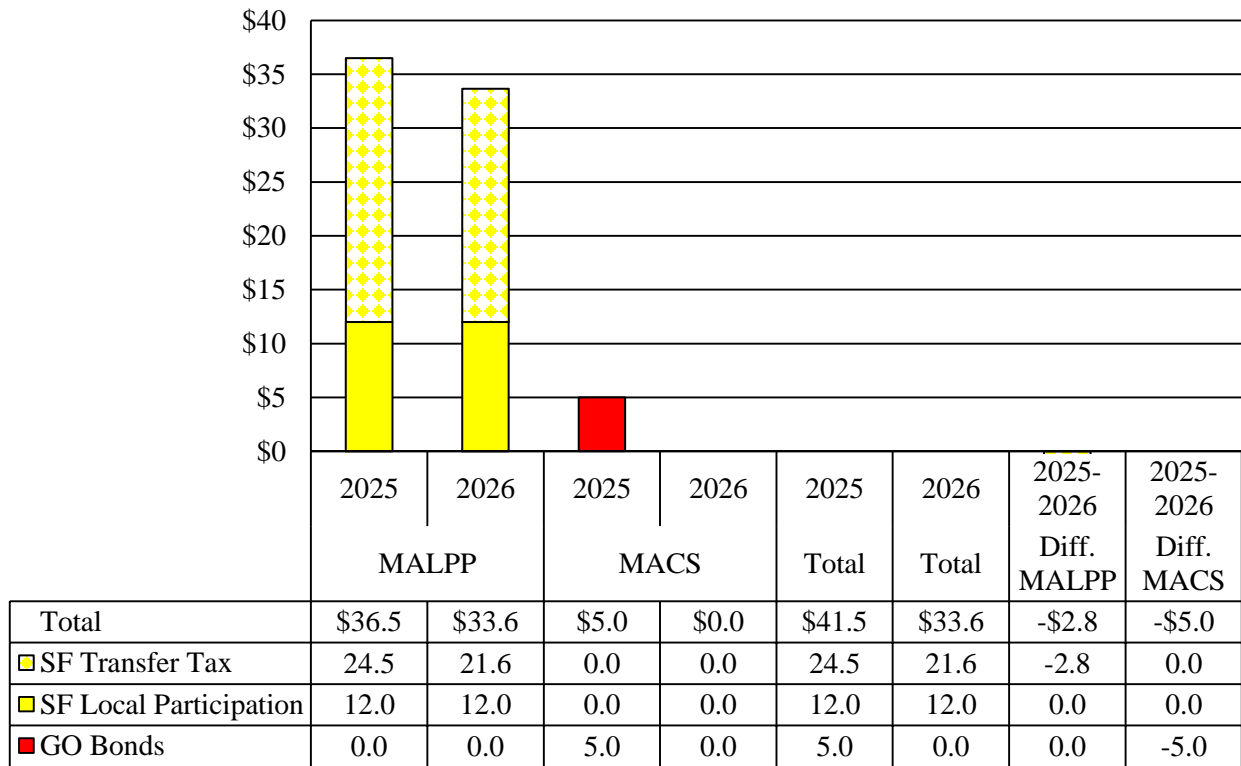
- ***Project Scope:*** As planned, the project would (1) expand the existing dock, which provides an additional 73,693 square feet (SF) of refrigerable warehouse space; (2) enclose the existing back dock, which provides an additional 36,102 SF of enclosed refrigerable warehouse space; and (3) renovate the existing nonrefrigerated tenanted warehouse space to bring the 249,240 SF building to code.
- ***Project Schedule Delayed:*** The plan was for the construction documents phase to run from July 1, 2023, to December 15, 2023, and then to go out for construction bid in January 2024. However, there was a delay in the procurement of architectural and engineering services, which were needed before the project could go out for construction bid, and the revised construction for the initial phase of the project was shifted out to June or July 2024. Subsequently, the authority went through multiple rounds of sharing design documents with the tenants in order to get buy-in for the final project design. In December 2024, the authority completed a final round of discussions with tenants about how many doors should be built into each unit that is part of the expansion. The design documents are in the final phase of revisions by the architectural and engineering consultants to account for the decision about the number of doors to be built into each unit. The date to bid out for construction is now to be decided by the architectural and engineering consultants, but the project could go out to bid by August 2025.
- ***Funding Update:*** The total project cost is still estimated at \$12.0 million, but the final cost will not be known until the estimation process is completed on the bid package. The authority intends to provide the difference between the final project cost and the \$12.0 million estimate. The State has provided the \$10.0 million noted previously. The Maryland Food Center Authority is also seeking \$2.0 million from Howard County over two fiscal years, of which \$1.0 million has been provided, and the remaining \$1 million has been committed.

Budget Overview of Grant and Loan Programs

The fiscal 2026 allowance includes \$33.6 million in special funds.

Exhibit 1 compares the fiscal 2025 and 2026 funding levels for MALPP and MACS. The fiscal 2026 funding level for MALPP is \$2.8 million less than fiscal 2025 due to transfer tax revenue reductions. MACS does not receive any funding in fiscal 2026, which is \$5.0 million less than the general obligation bond funding provided in fiscal 2025 and \$8.0 million less than the amount programmed in the 2024 CIP for fiscal 2026. The 2025 CIP reflects \$8.0 million for MACS from fiscal 2027 through 2030, which is in concert with the amounts programmed in the 2024 CIP for fiscal 2027 through 2029.

Exhibit 1
Fiscal 2025 Appropriation and Fiscal 2026 Request by Fund Source
 (\$ in Millions)



GO: general obligation
 MACS: Maryland Agricultural Cost-Share Program
 MALPP: Maryland Agricultural Land Preservation Program
 SF: special funds

Source: Department of Budget and Management

Maryland Agricultural Land Preservation Program

Program Description: MALPP preserves productive agricultural land and woodland to limit the extent of urban development and protects agricultural land and woodland as open space. MALPP, with the assistance and cooperation of landowners and local governments, purchases development rights easements as a means of protecting agricultural land and woodland production activities. The easement value is determined by subtracting the agricultural value from the appraised fair market value of the property. Once the development rights have been sold, the property is perpetually protected from further development, with certain rights available only to the owners who originally sold the easement.

Fund Sources:						
(\$ in Millions)	2025 Approp.	2026 Request	2027	2028	2029	2030
SF	\$36.493	\$33.650	\$45.295	\$53.215	\$55.116	\$57.206
Total	\$36.493	\$33.650	\$45.295	\$53.215	\$55.116	\$57.206

- Changes:** The fiscal 2026 budget provides \$21.7 million in transfer tax special funds and \$12.0 million in local transfer tax contribution. The \$2.8 million decrease in MALPP funding between fiscal 2025 and 2026 is due to (1) fiscal 2024 actual transfer tax revenues came in less than the amount budgeted, and this underattainment is deducted from the amount distributed to MALPP from fiscal 2026 estimated revenues and (2) a decrease in the overall transfer tax revenue estimate between fiscal 2025 and 2026. The local transfer tax contribution estimate remains the same at \$12.0 million.
- Encumbrances and Expenditures:** Data as of December 2024 indicates that, for all years prior to fiscal 2022, there is no funding to be encumbered or expended, which is a substantial improvement relative to the encumbrance and expenditure levels in last year’s analysis. MDA worked with the Department of Budget and Management to reduce prior year authorizations to reflect local match funding that was not used and to account for the double counting of funding that was brought in from fund balance via budget amendment. The current planned activity for fiscal 2025 reflects \$83.3 million in revenues and \$65.0 million in encumbrances, which leaves \$18.3 million available for fiscal 2026. Historically, the program is very efficient at encumbering and expending funds.
- Concerns:** At its April 23, 2024 meeting, MALPP’s board of trustees voted to combine the fiscal 2025/2026 easement funding cycles into a single cycle with new applications accepted July 1, 2024, but no new applications on July 1, 2025. This was last implemented in fiscal 2018 due to the reduced availability of transfer tax revenues at the time. MALPP intends to return to a single year easement funding cycle for fiscal 2027. No federal funding is reflected for MALPP, which means that there has been no change in the restrictive indemnification requirements attached to the federal funding from the Agricultural Easement Conservation Program, which conflicts with the Maryland Constitution.

- Other Comments:** As of July 1, 2024, MALPP received 218 applications for the fiscal 2025/2026 easement application cycle, and the estimated cost per acre has increased slightly from \$4,350 to \$4,600. In fall 2024, MALPP formed a committee to learn more about whether produce auctions – wholesale fruit, vegetable, and flower sales – should be an allowed use on a MALPP easement property. MALPP passed the \$1 billion mark for purchasing easements and protecting farmland in fall 2024. Staffing has been an ongoing challenge for MALPP due to staff turnover, the support required from the Department of General Services, and the increased processing needs resulting from the more recent increase in the amount of transfer tax supporting the program. MDA’s fiscal 2025 operating budget includes 2 new positions – an administrator I and an administrator II – to support the new easement acquisitions and ongoing stewardship requirements of MALPP. The administrator II position was filled as of December 11, 2024, and the administrator I position is in the early stages of recruitment

Maryland Agricultural Cost-Share Program

Program Description: MACS provides financial assistance to Maryland farmers for installing 1 or more of 40 nationally recognized best management practices (BMP) that reduce soil and nutrient runoff from farmland. MACS requires a minimum 12.5% cost-share match from grantees for all but fixed natural filter practices. State financial assistance for most BMPs is limited to \$150,000 per project. This limit increases to \$200,000 per project and \$450,000 per farm when the proposed BMPs include animal waste storage facilities. 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 non-point-source water pollution by using fixed natural filter practices. Fiscal 2026 is the final year for this cost-share provision.

Fund Sources:						
(\$ in Millions)	2025 Approp.	2026 Request	2027	2028	2029	2030
GO Bonds	\$5.000	\$0.000	\$8.000	\$8.000	\$8.000	\$8.000
Total	\$5.000	\$0.000	\$8.000	\$8.000	\$8.000	\$8.000

- Changes:** There is no funding budgeted for fiscal 2026 due to the availability of fund balance to support projects. This represents an \$8.0 million decrease compared to the amount programmed in the 2024 CIP for fiscal 2026. There have been no changes in the planned out-year funding levels.
- Concerns:** The MACS program is integral to the success of the agricultural component of Chesapeake Bay restoration. Despite the increase to 100% cost-sharing for fixed natural filter practices, MACS still was unable to use all of its prior year funding in a timely fashion and thus is not able to justify receiving a fiscal 2026 authorization, which calls into question its ability to support Chesapeake Bay restoration.

Performance Measures and Outputs

Maryland Agricultural Land Preservation Program

Land Preservation Goals and Out-year Challenges

MALPP supports two State land preservation goals. Joint Resolutions 16 and 17 of 2002 created a goal to, by calendar 2022, triple the number of acres – now considered to be a goal of 1,030,000 total acres – of productive agricultural land preserved by MALPP, the Maryland GreenPrint Program, the Rural Legacy Program, and local preservation programs. This goal would not have been met by 2022, given the land preservation progress up to that point. Chapters 284 and 285 of 2021 established the agricultural land preservation goal in statute, extended the deadline from calendar 2022 to 2030 and included acres preserved through the Maryland Environmental Trust and the Maryland Agricultural and Resource-Based Industry Development Corporation’s Next Generation Farmland Acquisition Program. State data as of September 2024 indicates that approximately 904,800 acres, or 88% of the goal, have been preserved under these programs. This means that approximately 125,200 acres need to be preserved before calendar 2030, or approximately 25,000 acres per year over the next five years. Of note, some counties have established land conservation goals as part of Priority Preservation Area Elements within local comprehensive plans, which will help to reach this goal as well as the following goal.

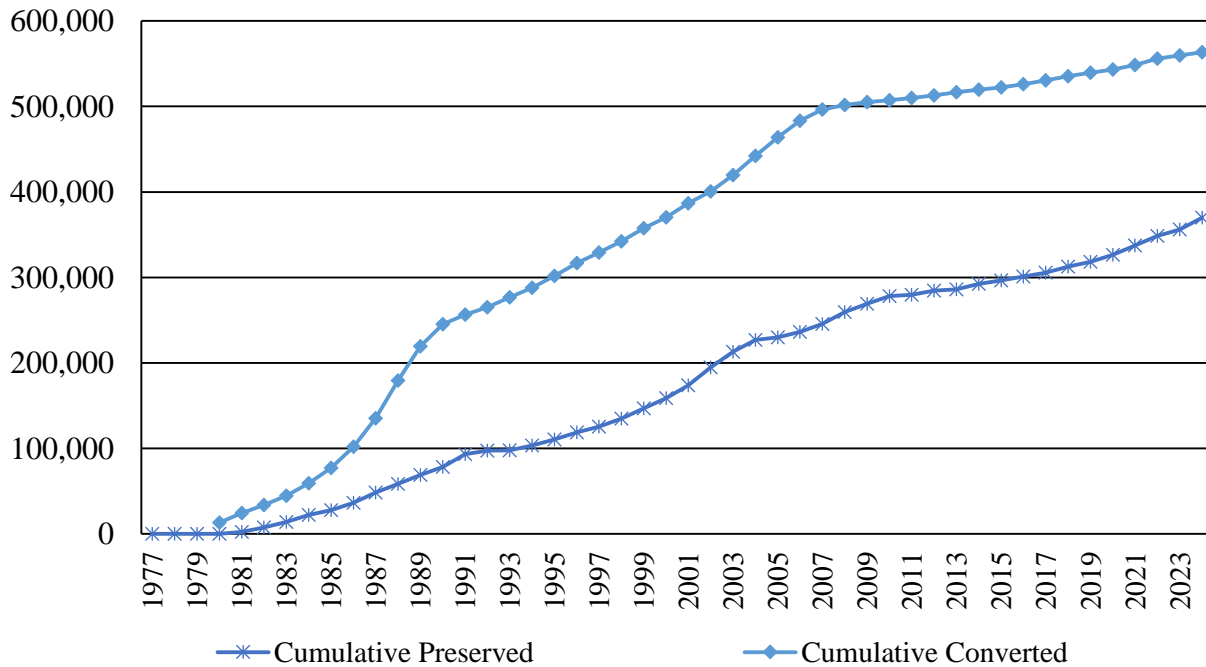
The second State land preservation goal is codified by Chapter 546 of 2023. Chapter 546 provides that (1) by calendar 2030, 30% of lands in the State be conserved and (2) by calendar 2040, 40% of lands in the State be conserved. Based on the 6,189,629 land acres in Maryland, Maryland met the 30% by calendar 2030 goal, with 1.85 million acres preserved as of February 2024. The Maryland Protected Lands Dashboard notes that as of September 2024, 1,871,462 acres have been preserved, or 75.6% of the 40% of land conserved by calendar 2040 goal (which is 2,475,852 acres). Meeting the 2040 goal will depend on a high degree of coordination, especially given that (1) the existing conserved lands date back to before the establishment of Program Open Space in 1969, while only 15 years remain to meet the calendar 2040 goal; (2) large land parcels are less common than in the past, as many have been subdivided or developed; (3) land values have increased substantially; and (4) the land developed per person has not been reduced appreciably at the same time that Maryland’s population is expected to increase by 20% between calendar 2022 and 2050. Chapter 546 required the submission of a Smart Growth Subcabinet Five-Year Plan by July 1, 2024, which is required to be updated at least every five years thereafter. The July 1, 2024 report notes that based on historical data and current progress, Maryland is on track to conserve 37% of its land by 2040, which reflects the achievement of 93% of the 2040 goal.

Land Preserved Versus Converted

Agricultural land is desirable for conversion to other uses, such as residential development. MALPP is one tool for keeping farmland in agricultural production, and the agricultural use assessment is another tool for taxation purposes. **Exhibit 2** reflects the cumulative agricultural land preserved by MALPP versus the agricultural land converted to development purposes from

fiscal 1977 to 2024. During this period, the amount of cumulative agricultural land converted has exceeded the cumulative amount conserved. As shown in **Exhibit 3**, more recently during the peak Great Recession years, significantly more farmland was preserved than converted to nonagricultural use, which correlates with less development pressures occurring during an economic recession. Since that time, as the State’s fiscal condition improved, more land also has been preserved than developed. In fiscal 2024, for instance, there was a net increase in the annual acres preserved due to 14,012 acres being preserved, which was almost four times as much as the 3,833 acres converted to development. The acreage protected under MALPP in fiscal 2024 was the highest number protected since fiscal 2003, and the 10,179 net increase in annual acres preserved in fiscal 2024 is the highest net increase for the time period shown. In contrast, the 3,833 acres converted to development in fiscal 2024 is the lowest number of acres converted since fiscal 2020.

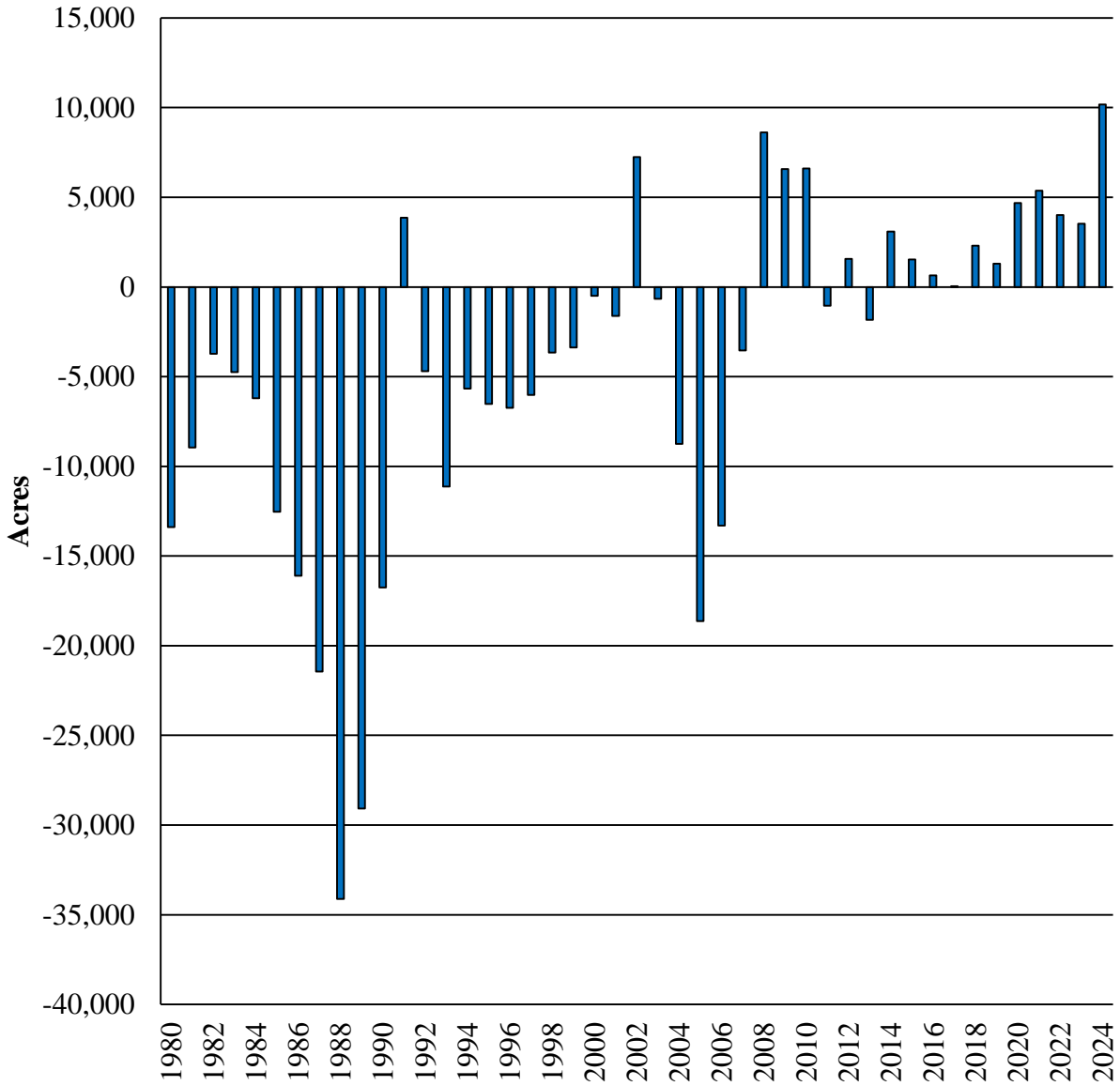
Exhibit 2
Cumulative Agricultural Land Preserved by
Maryland Agricultural Land Preservation Program versus
Cumulative Agricultural Land Converted
Fiscal 1977-2024
(in Acres)



Note: Includes easements under the Maryland Agricultural Land Preservation Foundation and the now defunct GreenPrint Program. State records do not exist for agricultural land converted before fiscal 1980.

Source: Maryland Department of Agriculture; State Department of Assessments and Taxation

Exhibit 3
Net Difference in Annual Farmland Preserved and Converted
Fiscal 1980-2024
(in Acres)



Source: Maryland Department of Agriculture; State Department of Assessments and Taxation