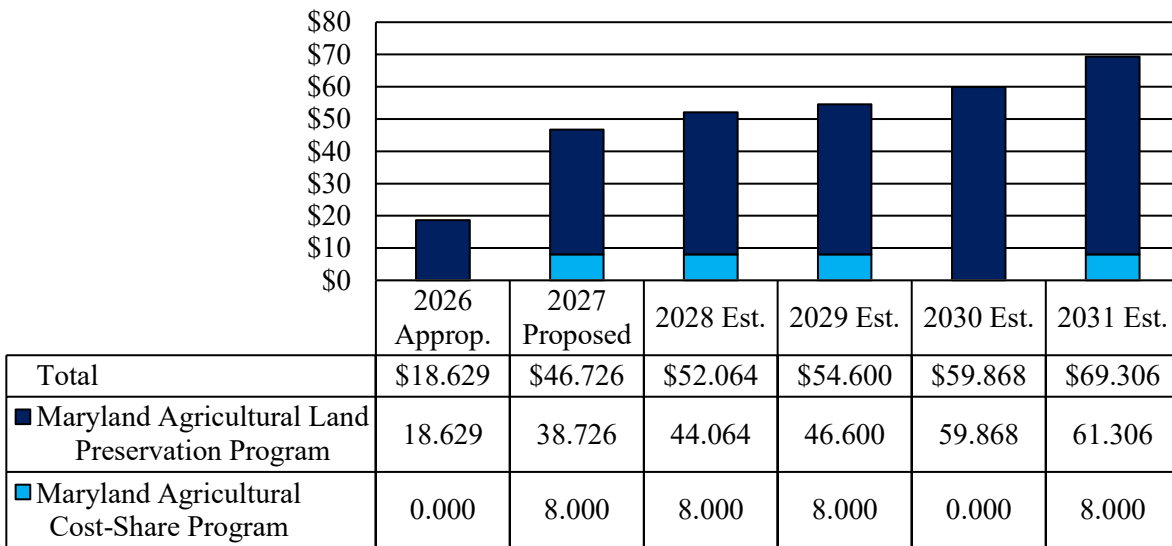


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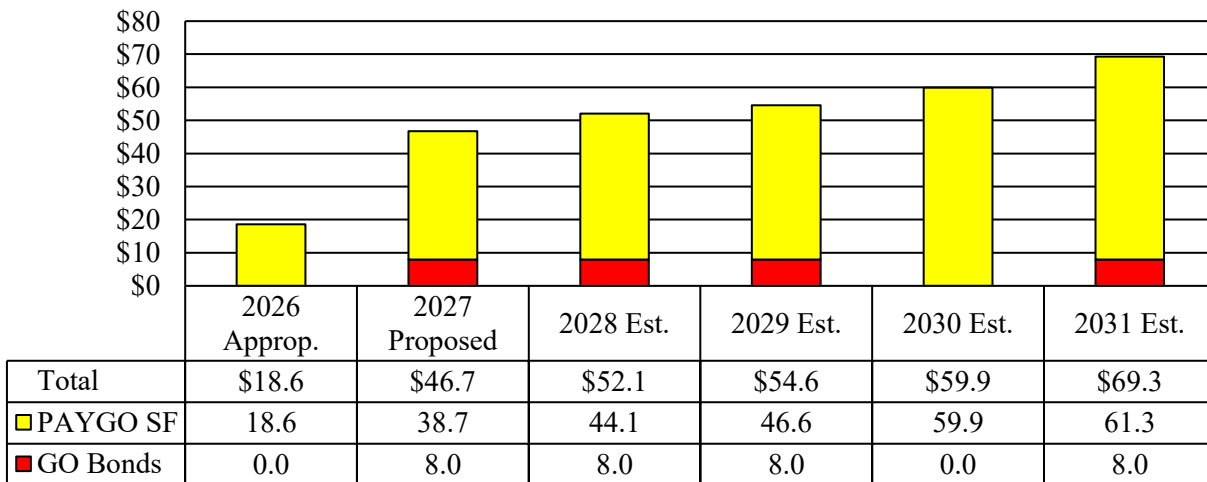
***Capital Budget Summary***

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



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



GO: general obligation  
PAYGO: pay-as-you-go

SF: special funds

For further information contact: Andrew D. Gray

andrew.gray@mga.maryland.gov

## ***Key Observations***

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- ***Special Funds Derived from Transfer Tax Revenues Increase Due to Lower Fiscal 2025 Underattainment and Fiscal 2027 Revenue Estimate Increase:*** The \$20.1 million increase in Maryland Agricultural Land Preservation Program (MALPP) funding between fiscal 2026 and 2027 is due to (1) fiscal 2025 actual transfer tax revenues coming in just under the amount budgeted, meaning that a smaller underattainment is deducted from the amount distributed to MALPP from fiscal 2027 estimated revenues and (2) an increase in the overall transfer tax revenue estimate between fiscal 2026 and 2027.
- ***Maryland Agricultural Cost-Share (MACS) Program Receives Funding in Fiscal 2027 After One-year Hiatus:*** The MACS program is authorized for \$8.0 million in the Governor’s fiscal 2027 budget plan. No funding was budgeted for the MACS program in fiscal 2026 due to the availability of fund balance to support projects.
- ***Maryland Food Center Authority Wholesale Produce Market’s Bids Come in \$20.0 Million Higher Than Originally Estimated:*** On December 3, 2025, the Maryland Food Center Authority (MFCA) received two responsive bids for the Wholesale Produce Market project, reflecting a total project cost \$20.0 million higher than the originally estimated cost. The MFCA Board of Directors responded by laying out a plan for a reduced project scope using available funding.
- ***Agricultural Land Preservation Goals Reflect Out-year Challenges:*** MALPP supports two State land preservation goals: (1) the goal set to conserve 1,030,000 acres of productive agricultural land by calendar 2030; and (2) the goal set to conserve 30% of Maryland land acres by calendar 2030 and 40% by calendar 2040. Maryland will need to preserve 21,839 acres per year over the next four years to meet the first goal. Maryland met the 30% by 2030 goal in February 2024 with six years remaining but is challenged by the 40% by 2040 goal.

## ***PAYGO Recommended Actions***

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1. Concur with Governor’s allowance.

## ***GO Bond Recommended Actions***

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1. Approve the authorization for the Maryland Agricultural Cost-Share Program and the proposed deauthorization for the Salisbury Animal Health Laboratory Replacement project.

## Updates

- ***Salisbury Animal Health Laboratory Replacement Project Partial Deauthorization:*** Chapter 14 of 2019 (fiscal 2020 capital budget bill) authorized \$12,417,000 in general obligation (GO) bonds to complete construction and equipping of a replacement animal health laboratory in Salisbury. The fiscal 2027 capital budget bill deauthorizes \$622,224, reducing the authorization to \$11,794,776. The Department of Budget and Management (DBM) notes that the deauthorization is due to the project having reached substantial completion and remaining funds are no longer required, which is confirmed by the Department of General Services (DGS).
- ***MFCA Wholesale Produce Market's Bids Come in \$20.0 Million Higher Than Originally Estimated Cost:*** The fiscal 2023 budget included \$10.0 million in the Dedicated Purpose Account for the MFCA Wholesale Produce Market project. This funding was moved to the Maryland Department of Agriculture (MDA) budget for administrative and oversight purposes, since MFCA is a nonbudgeted agency. MDA entered into a contract with MFCA 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. On December 3, 2025, MFCA received two responsive bids, both of which came in with a total project cost on the order of \$50.0 million, which is substantially higher than the combination of the State's \$10.0 million and Howard County's \$2.0 million overall planned contribution to the project, although Howard County has provided only \$1.0 million to date. As a result, the MFCA Board of Directors, which includes ex officio members from DGS, MDA, the Comptroller's Office, and the University of Maryland, met to review the viability of the project. The Board of Directors laid out a plan for a reduced project scope using available funding. Separately, MDA has strengthened its oversight of the project, and MFCA's executive director is required to provide regular management updates to the MFCA Board of Directors and the Secretary of Agriculture.

As originally planned, the project would have (1) expanded the existing dock, which provides an additional 73,693 square feet (SF) of refrigerable warehouse space; (2) enclosed the existing back dock, which provides an additional 36,102 SF of enclosed refrigerable warehouse space; and (3) renovated the existing nonrefrigerated tenanted warehouse space to bring the 249,240 SF building to code. The revised project scope would complete market wide electrical and fire suppression improvements to support future refrigeration.

The original plan was for the construction document design phase to be completed by December 2023 and for the construction services contract to be bid in January 2024. However, there was a delay in the design procurement, and the revised construction bid for the initial phase of the project was shifted out to July 2024. Subsequently, the authority went through multiple rounds of sharing design documents with the tenants to get buy-in for the final project design. The Invitation for Bids date for construction was anticipated to

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be by August 2025 but then slipped to September 2026. The recent high bids have changed the project schedule again.

The total project cost initially conveyed for the project was estimated at \$12.0 million, \$10.0 million from the State and \$2.0 million from Howard County, with the final cost to be determined through the construction bid process, while an internal estimate placed the overall project cost at \$30.0 million. The authority initially intended to provide the difference between the construction bid estimate and the \$12.0 million. However, this is no longer feasible. Instead, the project scope has been revised, and MCFA is considering financing through the Maryland Economic Development Corporation.

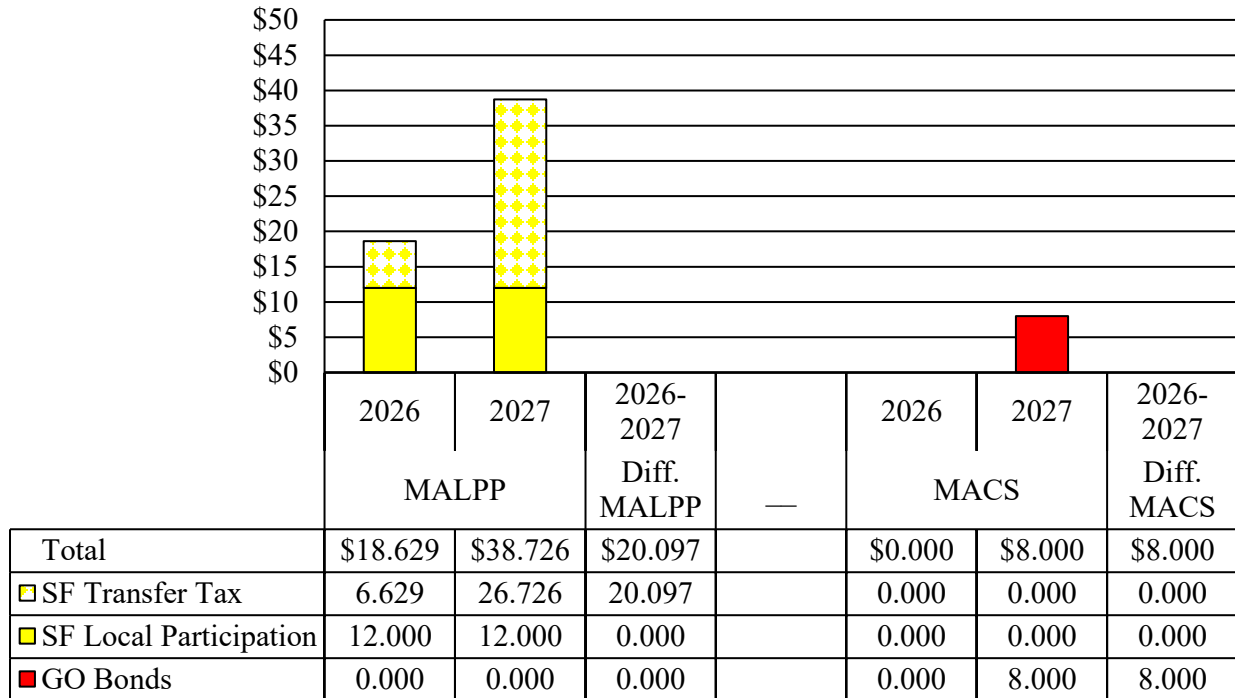
## ***Budget Overview of Grant and Loan Programs***

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The fiscal 2027 allowance includes \$38.7 million in special funds and \$8.0 million in GO bond authorization.

**Exhibit 1** compares the fiscal 2026 and 2027 funding levels for MALPP and MACS. The fiscal 2027 funding level for MALPP is \$20.1 million more than fiscal 2026 due to an increased transfer tax revenue estimate and smaller transfer tax revenue underattainment from fiscal 2025, which impacts the fiscal 2027 allocation for MALPP. Of note, Chapter 604 of 2025 (the Budget Reconciliation and Financing Act (BRFA)) redirected \$25.0 million in transfer tax revenue to the general fund for fiscal 2026 through 2029 from land preservation programs, including MALPP. MALPP's fiscal 2027 proportionate share of the reduction is \$11.7 million, which is \$3.3 million less than the \$15 million transferred in fiscal 2026, which contributes to the overall increased level of funding for the program in fiscal 2027. MACS receives \$8.0 million in fiscal 2027, which is in accord with the amount programmed for fiscal 2027 in the 2025 *Capital Improvement Program* (CIP). The MACS program was not funded in fiscal 2026 because sufficient prior authorized funds were determined to be available to fund projects through fiscal 2026. The 2026 CIP programs \$8.0 million for MACS in each of fiscal 2027 through 2029 and fiscal 2031; a program funding hiatus is programmed in fiscal 2030 to account for the accumulation of canceled encumbrances that are customarily available to support program spending without the need for new authorizations, as was the case in fiscal 2026.

**Exhibit 1  
Fiscal 2027 Request by Fund Source  
(\$ in Millions)**



GO: general obligation

MALPP: Maryland Agricultural Land Preservation Program

MACS: Maryland Agricultural Cost-Share Program

SF: special funds

Note: Chapter 604 of 2025 (the Budget Reconciliation and Financing Act) redirected \$25.0 million in transfer tax revenue to the general fund for fiscal 2026 through 2029. MALPP’s portion of the transfer was \$15.0 million in fiscal 2026 and \$11.7 million in fiscal 2027.

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

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perpetually protected from further development, with certain rights available only to the owners who originally sold the easement.

<b>Fund Sources:</b>						
<b>(\$ in Millions)</b>	<b>2026 Approp.</b>	<b>2027 Request</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>SF</b>	\$18.629	\$38.726	\$44.064	\$46.600	\$59.868	\$61.306
<b>Total</b>	<b>\$18.629</b>	<b>\$38.726</b>	<b>\$44.064</b>	<b>\$46.600</b>	<b>\$59.868</b>	<b>\$61.306</b>

- Changes:** The fiscal 2027 budget provides \$26.7 million in transfer tax special funds and \$12.0 million in local transfer taxes. The \$20.1 million increase in MALPP funding between fiscal 2026 and 2027 is due to (1) fiscal 2025 actual transfer tax revenues coming in less than the amount budgeted but performing better than fiscal 2024 actual transfer tax revenues, so this smaller underattainment is deducted from the amount distributed to MALPP from fiscal 2027 estimated revenues and (2) an increase in the overall transfer tax revenue estimate between fiscal 2026 and 2027. The local transfer tax contribution estimate remains the same at \$12.0 million. The fiscal 2027 funding is estimated to preserve 8,119 additional acres.
- Encumbrances and Expenditures:** Data as of November 2025 indicates that for all years prior to fiscal 2022, there is no funding to be encumbered or expended. MDA has worked with DBM 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 fiscal 2022, 2023, and 2024 easement acquisitions were not completed before the submission of budget data and therefore, the amount of funding to be encumbered is inflated. The beginning balance for fiscal 2026 is \$16.9 million, and the current planned activity for fiscal 2026 reflects \$18.6 million in revenues and \$25.7 million in encumbrances, which leaves \$9.8 million available for fiscal 2027. 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 and 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 will determine after the 2026 session whether to return to a single year easement funding cycle for fiscal 2027 or to combine the fiscal 2027 and fiscal 2028 budget cycles. 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 Conservation Easement Program, which conflicts with the Maryland Constitution. MALPP has discussed the federal funding with the American Farmland Trust, a national nonprofit that supports agriculture and farmland preservation. One possible remedy would be to change the Agricultural Conservation Easement Program to allow

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Maryland to use the standard easement language if the federal consideration is 25% or less. However, this concept would need to be negotiated in a new federal Farm Bill.

- 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 from \$4,600 in fiscal 2024 to \$4,770 in fiscal 2025. MALPP was appropriated \$24.0 million from county contributions for the 2025/2026 cycle, but as of October 29, 2025, the counties have only committed \$16.1 million. 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 DGS, and the increased processing needs resulting from the more recent increase in the amount of transfer tax revenues supporting the program. MDA’s fiscal 2027 operating budget includes 8.0 positions for MALPP, all of which are filled. In fiscal 2025, MALPP was approved for 2 new administrator positions to support the new easement acquisitions and ongoing stewardship requirements of MALPP. One of the administrator positions was filled as of December 11, 2024, but the other position was deleted as part of cost containment.

### **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.

<b>Fund Sources:</b>						
<b>(\$ in Millions)</b>	<b>2026 Approp.</b>	<b>2027 Request</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
<b>GO Bonds</b>	\$0.000	\$8.000	\$8.000	\$8.000	\$0.000	\$8.000
<b>Total</b>	<b>\$0.000</b>	<b>\$8.000</b>	<b>\$8.000</b>	<b>\$8.000</b>	<b>\$0.000</b>	<b>\$8.000</b>

- Changes:** There is \$8.0 million authorized for fiscal 2027, which is consistent with the amount programmed in the 2025 CIP for fiscal 2026. No authorization was ultimately provided in fiscal 2026 due to the availability of fund balance to support projects. The only change in the planned out-year funding levels is the deletion of the \$8.0 million previously planned for fiscal 2030.
- Encumbrances and Expenditures:** The MACS program still has \$749,521 to be encumbered and \$3,066,300 to be expended from before fiscal 2022. The fiscal 2026 budget plan includes an opening balance of \$8,818,348, \$2,500,000 in unspecified revenues, and \$10,500,000 in encumbrances, leaving \$818,348 available for fiscal 2027.

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The capital budget information reflects \$2,500,000 in fiscal 2026 revenues from reversions, which are at least partially due to the addition of a 10% contingency to all Board of Public Works approved project estimates. Of note, MDA reports \$11.5 million in encumbrances in fiscal 2025, which is a recent high amount.

- **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 was not able to justify receiving a fiscal 2026 authorization. MDA notes that there is likely to be an increase in interest for fixed natural filter practices toward the end of fiscal 2026 before the 100% cost-sharing provision sunsets, as noted in further sections.
- **Other Comments:** 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 reduced cost-share provision.

## ***Performance Measures and Outputs***

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### **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 August 2025 indicates that 942,645 acres, or 92% of the goal, have been preserved under these programs. This means that 87,355 acres need to be preserved before calendar 2030, or 21,839 acres per year over the next four 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 second goal.

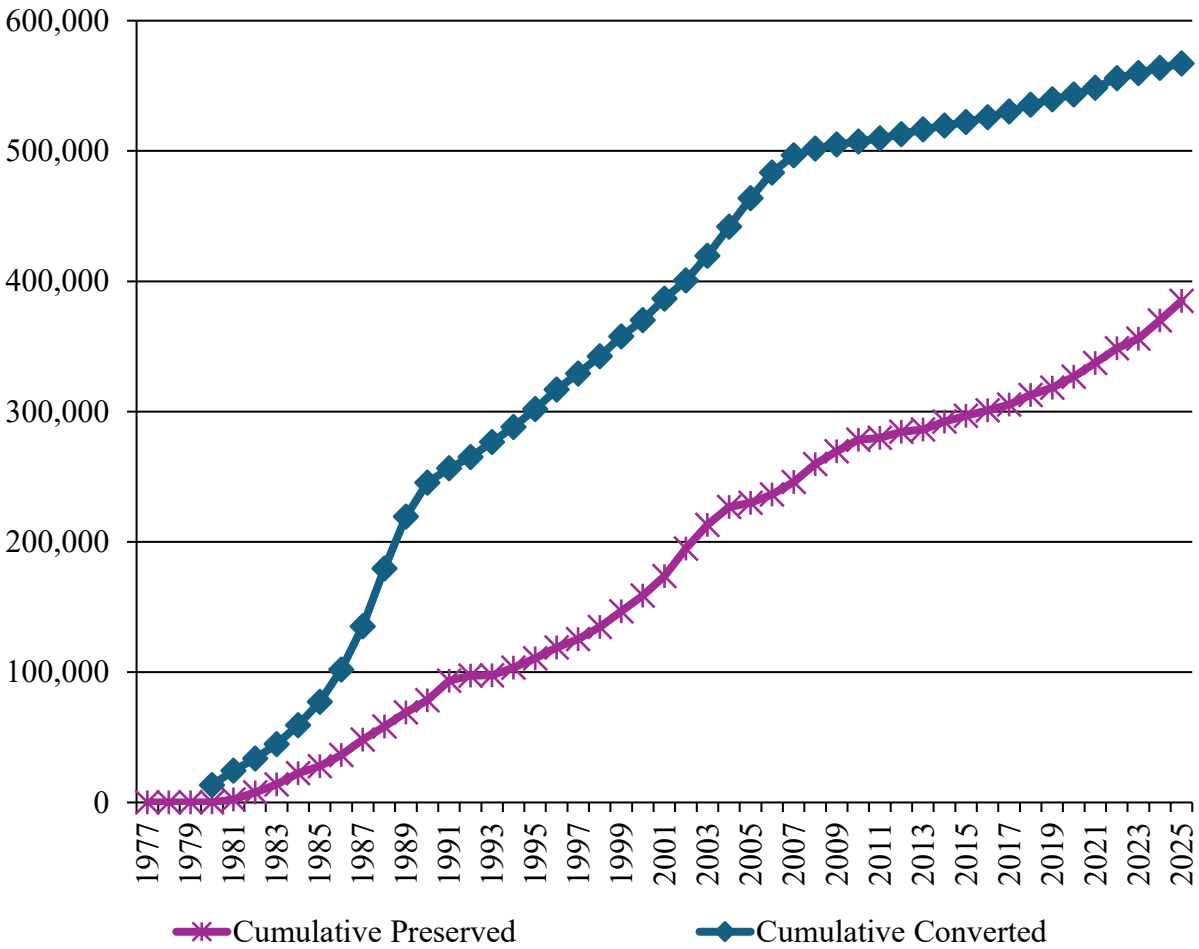
The second State land preservation goal is codified by Chapter 546 of 2023. Chapter 546 provides that (1) by calendar 2030, 30% of lands in the State be conserved and (2) by calendar 2040, 40% of lands in the State be conserved. Based on the 6,189,629 land acres in Maryland, Maryland met the 30% by calendar 2030 goal, with 1.85 million acres preserved as of February 2024. The Maryland Protected Lands Dashboard notes that as of August 2025,

1,908,894 acres have been preserved, or 77.1% 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 14 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** illustrates the cumulative agricultural land preserved by MALPP versus the agricultural land converted to development purposes from fiscal 1977 to 2025. 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 was preserved than developed. In fiscal 2025, for instance, there was a net increase in the annual acres preserved due to 14,923 acres being preserved, which is more than four times as much as the 3,539 acres converted to development. The acreage protected under MALPP in fiscal 2025 was the highest number protected since fiscal 2003, and the 11,384 net increase in annual acres preserved in fiscal 2025 is the highest net increase for the time period shown. In contrast, the 3,539 acres converted to development in fiscal 2025 is the lowest number of acres converted since fiscal 2015.

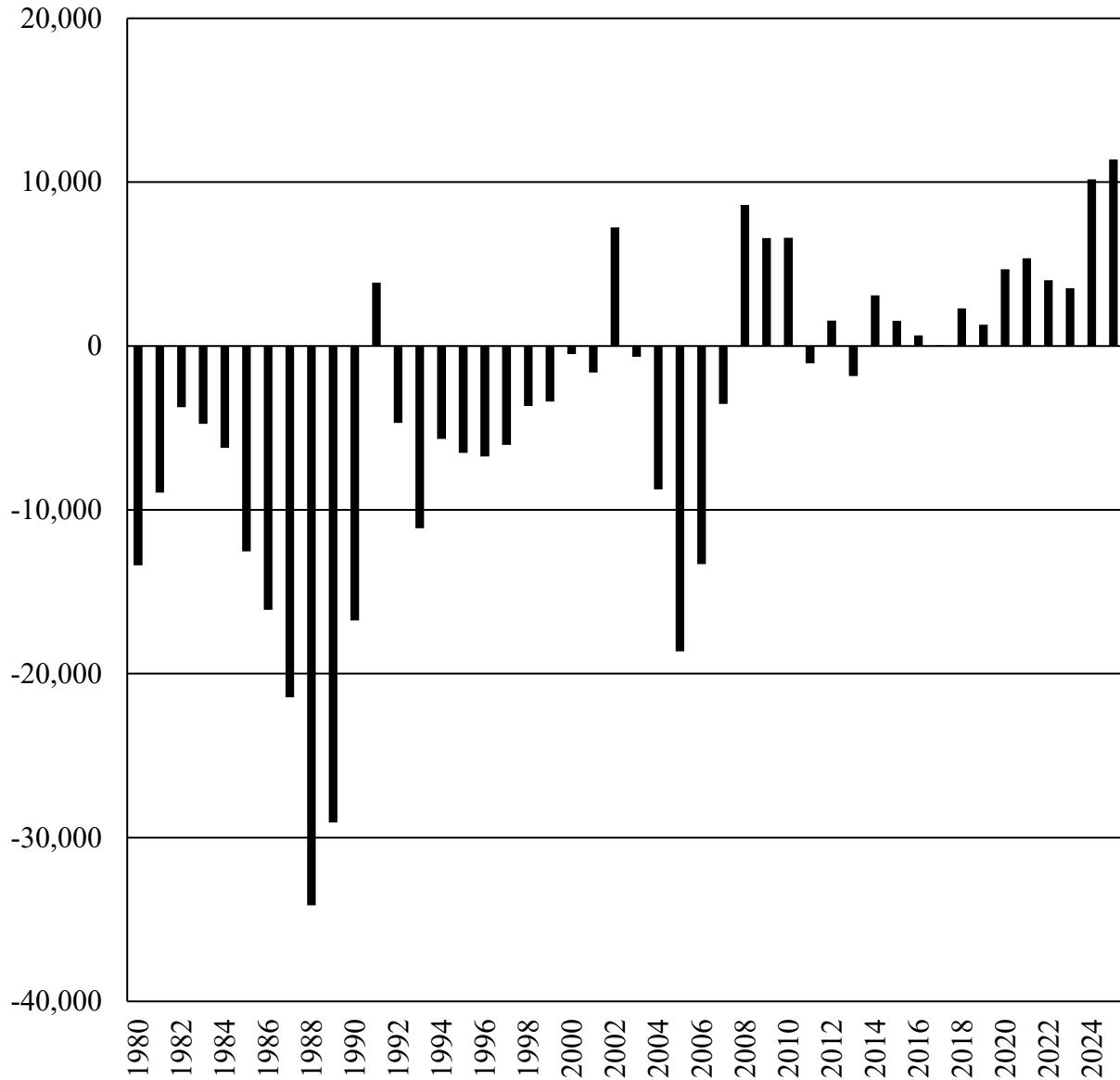
**Exhibit 2**  
**Cumulative Agricultural Land Preserved by Maryland Agricultural Land Preservation Program versus Cumulative Agricultural Land Converted**  
**Fiscal 1977-2025**  
**(in Acres)**



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

**Exhibit 3**  
**Net Difference in Annual Farmland Preserved and Converted**  
**Fiscal 1980-2025**  
**(in Acres)**



Source: Maryland Department of Agriculture