



February 14, 2017
SENATE BUDGET AND TAXATION COMMITTEE
CAPITAL BUDGET SUBCOMMITTEE

February 15, 2017
HOUSE APPROPRIATIONS COMMITTEE
CAPITAL BUDGET SUBCOMMITTEE

- 1) The Department of Legislative Services (DLS) recommends that the Maryland Department of Agriculture (MDA) comment on whether it is using the program's funding criteria for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund monies, and what specific projects will not be funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund as a result of the funding reallocation for the MACS program. Maryland Agricultural Cost Share Program. DLS recommends a reduction of the Authorization for the Maryland Agricultural Cost-Share Program by \$2.0 million***

First, the Maryland Department of Agriculture (MDA) **does** follow the criteria outlined in the DNR contract for use of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. Within the agreement between MDA and DNR, \$2 million is specifically designated for grants to farmers for practices related to the regulatory requirements of nutrient management. This funding source is not new. Since 2008, Trust Funds have supported BMP installation and given the department the flexibility to manage funds where the greatest needs occur and to make up for any short falls for BMPs.

Because there was no capital funding available in FY 17 for the MACS program, 2010 Trust Funds were utilized for MACS-approved practices across the state that addressed nutrient management BMPs such as manure storage, composters and heavy use areas, stream crossings and water facilities. The contract with DNR has specified the use of \$2 million annually for nutrient management BMPs since 2013. The 2017 operating budget deficiency appropriation of \$1.1 million is being used for other practices such as grass waterways, riparian forest buffers, critical area plantings and diversions to help address demand for other water quality BMPs since capital funds were not available.

In January, bond funding from reversions and cancellations of projects already approved by the Board of Public Works allowed the department to make two submissions to the BPW requesting \$714,000 for animal waste storage projects, roof runoff structures, sediment control ponds, and grass waterways. MDA will continue to use reversions and cancellations from BMP contracts regardless of fund source to fund outstanding demand for BMPs.

MDA follows the criteria set forth by the contract with DNR for the use of the Trust Fund. There is NO repurposing of funds. To date, the MACS office has an additional \$4,088,000 worth of BMP projects awaiting funding availability. Currently, farmers are working with their soil conservation districts to request additional technical and funding support for BMPs. MDA **respectfully rejects** the \$2 million reduction in funding support for the FY 18 MACS program. As noted, we will begin the year with over \$4 million in unmet requests from FY17. The \$8 million outlined in the Governor's budget is greatly needed to support Maryland farmers, to implement practices to address water quality and the State's TMDL commitments.

As stated earlier, farmers are implementing BMPs to protect our natural resources and to adhere to federal and state requirements. These practices are cost-effective measures for Maryland commitment to cleaning up the Chesapeake Bay.

Recommended PAYGO Actions

- 1) DLS recommends adding budget bill language to restrict funding for the Next Generation Farmland Acquisition Program. And recommend removing \$5 million of the MALPF allowance to MARBIDCO Next Generation Farmland Acquisition Program.***

The MALPF program purchases agricultural land preservation easements on farmland to restrict the properties from residential, commercial and industrial development. It is one of the first and most successful purchased easement programs in the country.

Since enactment in 1977, we have preserved over 300,000 acres on over 2,200 properties at a public investment of more than \$682 million.

The Next Generation Farmland Acquisition Program is not an easement acquisition program. It is a rapid-response easement option purchase program that is designed to help qualified young and beginner farmers who have trouble entering the agricultural profession because of high farmland costs and a lack of access to adequate financial capital. The program provides funding for a down payment on a farm by awarding an up-front grant with an easement purchase option contract to the young or beginning purchaser.

The 'option' involves a contractual obligation not to develop the property until a permanent easement is sold with a conservation program that will hold and administer the easement. The easement may be purchased and held by MALPF, Rural Legacy, a county PDR program, or a local land trust.

Funding for the Program was approved in 2016 as part of HB 462. Governor Hogan's administration supported the legislation, which includes payback to the MALPF program. Del. Gaines and some other members of this Committee were sponsors of that bill. The legislation spells out how the \$90 million that was transferred in fiscal 2006 would be paid out. On page 12

of the DLS Analysis, the third bullet points out that \$5 million of the \$90 million is slated to go to the Next Generation program. The MALPF program is one of the transfer tax funded capital programs and would receive its 17% from the \$45 million to be distributed by the formula. These two allocations were, and should remain, totally independent of each other.

MALPF and MARBIDCO have a great working relationship. Staff served on the committee to help establish the protocol for the Next Generation program. We would appreciate not being placed in a position of having to compete for funding.

We have finally gained ground in our many years of effort to return to full funding for MALPF and other preservation programs and we respectfully request that you **reject** the DLS recommended action.

Recommended Bond Actions

- 1) Approve the \$630,000 general obligation bond authorization for the Salisbury Animal Health Laboratory Replacement projects to continue design of the replacement animal health laboratory in Salisbury.***

MDA concurs with this recommendation.

MDA is a pass-through entity for SMADC. Any funding questions concerning the following responses should be directed to them.

- 1) DLS recommends that SMADC comment on the long-term plan for the TTP's third priority – infrastructure/agricultural development – given the end of the first two priorities in fiscal 2018. DLS also recommends that the fiscal 2018 appropriation for land preservation be deleted given the imminent end of the program, the meeting of the original land preservation goal, and the need to defray Medicaid general fund expenses in the face of potential changes in the Affordable Care Act.***

Please refer to SMADC for comments regarding this information.

- 2) Tobacco Transition Program***

***Delete the \$1,000,000 in special funds for the Tobacco Transition Program.
Total PAYGO Reductions - \$1,000,000 SF***

Please refer to SMADC for comments regarding this information.