DLS Budget Analysis of FY 25 Operating Budget
<u>Response to Comments/Questions</u>

The Department of Legislative Services (DLS) recommends that the $137,500 in general funds and $137,500 in special funds for the Nuisance Insects program's blackfly and midge treatment program be deleted.

> <u>MDA Response</u>: *The Department respectfully disagrees with this recommendation. The Department has the obligation to cost-share at 50% with the counties that want to participate in the Black fly treatment program that is laid out in §5-1001.10 (HB 1353 of 2019). Additionally, Midges are not just an issue at the Back River WWTP. The Department has had to respond to midge outbreaks in other areas not influenced by the Back River facility. Black flies (which are different from midges) are largely an issue in Washington and Frederick Counties on the Potomac River near Knoxville, Md. The Department is obligated to respond when requested by the counties and the Department needs the money currently allocated in the budget. The $1.9 million the City is paying the Chesapeake Bay Trust will in no way assist the Department with addressing outbreaks when requested by the counties in regards to Black flies.*

DLS recommends that the budget committees consider whether they want to (1) maintain the mandated funding for the Maryland Native Plants Program by rejecting the contingent reduction and the related BRFA provision or (2) restrict funding in MDA's fiscal 2025 budget for the purpose of the Maryland Native Plants Program.

> <u>MDA Response</u>: *The Department supports the Governor's budget as introduced*

DLS recommends that the turnover rate for the 17 new positions in the fiscal 2025 allowance be increased to 25%. This equates to a reduction of $232,220 comprised of $111,524 in general funds, $84,995 in special funds, and $35,701 in reimbursable funds.

> <u>MDA Response</u>: *The Department respectfully disagrees with this recommendation. The analysis does not account for two things. First, turnover is not added for contractual conversions. This is because the new PINs will be immediately filled by the staff currently serving in contractual roles. This is the case for four of the positions that were added. Secondly, turnover was not added to the position mandated in Chapter 435 and 436 of 2023. Of the remaining 12 new PINs, there is already a 20.25% turnover rate included in the Governor's Allowance. The recommended increase would bring turnover for these positions to 47.97%, which would significantly hamper the Department's ability to fill*

these needed positions. Therefore, the Department supports the Governor's budget as introduced.

DLS recommends that the Weights and Measures program's general fund appropriation be reduced by $470,135, leaving a total appropriation of $2,651,943 in special funds, which is due to the availability of additional unspecified special fund revenues in the fiscal 2025 allowance, and the possibility for even greater special fund revenues if SB 278 or HB 234 is enacted with the provision allowing the Secretary of Agriculture to set reasonable fees. A special fund budget amendment may be processed if the additional special fund fee revenue is realized.

MDA Response: *The Department respectfully disagrees with this recommendation. Reducing the Weights and Measures general funds by $470,130.00 will cause the program to operate in a deficit for FY25 as only an estimated $1,636,340.00 in SFs are estimated to be collected. The program's administrative salaries, benefits, and operations, have always used GFs in past years. Field operations and the Metrology Lab are funded with SFs that are generated from device registration fees. When fee increases were initially figured into the device registration program, the funding for administrative operations was not included in the increase. Another consideration is if the Departmental bill passes it will not take effect until October 1, 2024. Once it takes effect, the new regulation will need to go through the full promulgation process before the new fees go into effect and can be collected. The earliest the fee increase would be implemented is early 2025. The program would then need to wait until the device registration renewal portal opens on March 1, 2025 to collect the newly implemented fees. Therefore the funds generated from the device registration fee increase would not fund the Weights and Measures program until FY 26.*

DLS recommends that committee narrative be adopted requesting the compliance and enforcement inspections and positions information by January 1, 2025. For administrative purposes, this recommendation will appear in the operating budget analysis for U00A – MDE.

MDA Response: *The Department requests clarification on the timeline and what information would be reported in the compliance and enforcement report requested for January 1, 2025. As noted in the analysis, the budget committees authorized MDA and MDE in a letter dated September 15, 2023, to submit a single final report covering the second, third, and fourth quarterly reports by April 1, 2024. It is unclear what additional information is being requested for the January 1, 2025 report.*

DLS recommends that MDA comment on the high ratio of its operating income to revenues and the impact on its ability to make loans. In addition, DLS recommends that MDA comment on whether the goal of MARBIDCO being self-sustaining will be met given that, through fiscal 2029, MARBIDCO does not anticipate meeting its goal of lending $6.0 million per year, especially given that inflation will increase operating expenses over time and decrease the buying power of loans. Finally, DLS recommends that MDA comment on the impact to demand of MARBIDCO raising its overall loan portfolio interest rate to 4.00%.

> MDA Response: *While MARBIDCO is an instrumentality of the State and its budget is nested with MDA's, it is a public corporation which functions cooperatively but independently from MDA. The Department understands that the DLS budget analyst has posed this question directly to MARBIDCO. MDA defers to MARBIDCO to answer.*

DLS recommends that MDA develop Managing for Results input, output, and outcome measures that correspond to a numerical goal for the number of value-added agricultural businesses that are launched or relocate to Maryland each fiscal year. DLS also recommends that MDA submit a report on the state of value-added agriculture in Maryland. The report should include the following: information related to value-added agriculture from the 2022 Census of Agriculture; updated information on the jobs and total economic impact of value-added agriculture from the Business Economic and Community Outreach Network of Salisbury University; an assessment of the potential and growth of value-added enterprises in Maryland; information about State and local educational institutions that provide training for value-added entrepreneurs; an assessment of the need for supporting infrastructure, such as processing equipment, meat processing facilities, and commercial/shared-use kitchens; and the resources available for supporting research and technology in the value-added agriculture policy area.

> MDA Response: *The Department agrees with the establishment of annual measurables specific to value-added agricultural businesses, and annual updates on the state of the industry in Maryland – pending the availability of the 2022 Census of Agriculture data. The Department agrees on the importance of leveraging existing assets and opportunities to benefit Maryland's agricultural businesses. The 2020 Economic Analysis of Value-Added Agriculture in Maryland from the BEACON of Salisbury University was a commissioned study, and the Department lacks the personnel and resources for a comprehensive update of an economic impact study. The Department can make recommendations and produce a report utilizing existing resources, but it will not be as comprehensive as the BEACON report.*

DLS recommends that MDA comment on whether there is a general pattern for the HPAI outbreaks, whether greater regulatory authority or staffing capacity is needed to prevent or mitigate outbreaks, whether a cooperative funding approach with the poultry companies to address HPAI would be advantageous, and whether HPAI management has co-benefits for any other policy areas, such as Chesapeake Bay restoration, climate change, and air quality.

> MDA Response: *The current HPAI outbreak has been entirely linked to wildbird introductions versus biosecurity failures. With this pattern, there are no anticipated additional regulatory actions that could enhance prevention of infection via this mechanism. Additional staffing capacity and cooperative funding sources would serve to assist in the mitigation of an outbreak by ensuring that depopulation and disposal can be completed rapidly, therefore limiting any possibility of biosecurity related transfers. The additional staffing and cooperative funding sources will also enhance surge testing capacity and surveillance at the animal health labs. While a priority for the Department, there are no direct environmental benefits related to HPAI management.*

DLS recommends that MDA comment on the constraints on current federal program funding that dissuade Maryland farmers from applying to the programs, how much federal funding is not being used because of these constraints, and what changes would be desirable in the new Farm Bill to alleviate these constraints.

> MDA Response: *USDA's Natural Resources Conservation Service (NRCS) is MDA's primary partner in the delivery of conservation programs to Maryland's diverse farm communities. Like MDA, NRCS is expanding its programs to reach urban and historically underserved operations. Concurrently, NRCS is the recipient of historic funding levels through the Inflation Reduction Act to be focused on climate-smart agriculture practices through federal fiscal year 2026. It is expected that NRCS will capitalize on these opportunities in the new Farm Bill and will continue to seek means to obligate funds more effectively and equitably. Already, NRCS is increasing technical assistance in the state and increasing program flexibility. This complements MDA programs to increase co-cost share provided to farmers and maximizes state technical assistance. For MDA, this totaled over $7 million in cost share for capital projects during state fiscal year 2023 and over 800,000 acres under a soil conservation and water quality plan alongside nearly $17 million in obligated federal dollars (FFY23) for the Environmental Quality Incentive Program. As additional funds and programs become available through NRCS, MDA is continually evaluating program alignment and partnership opportunities to efficiently provide financial and technical assistance to farmers.*