



Maryland Department of Agriculture

Office of the Secretary

Wes Moore, Governor

Aruna Miller, Lt. Governor

Kevin Atticks, Secretary

Steven A. Connelly, Deputy Secretary

Agriculture | Maryland's Leading Industry

The Wayne A. Cawley, Jr. Building

50 Harry S Truman Parkway

Annapolis, Maryland 21401

mda.maryland.gov

410.841.5886 Baltimore/Washington

410.841.5846 Fax

Maryland Department of Agriculture

Fiscal Year 2027 Operating Budget Response to Department of Legislative Services Budget Analysis

**Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Senator Shelly Hettleman, Chair
February 19, 2026**

**House Appropriations Committee
Transportation and the Environment Subcommittee
Delegate Courtney Watson, Chair
February 26, 2026**

Key Observations

1. Leaders in Environmentally Engaged Farming (LEEF) Program Report Not Timely Submitted

The Department of Legislative Services (DLS) recommends that the \$100,000 in restricted fiscal 2026 general funds be released because the required report has been submitted. DLS will prepare a letter to this effect if no objections are raised by the committees during the hearings. DLS further recommends the fiscal 2027 \$900,000 general fund appropriation for the LEEF Program be reduced by \$400,000 to level fund it with fiscal 2026 because the final program parameters and a spending plan have not been provided.

Agency Response:

MDA agrees with the recommendation to release the \$100,000 in restricted fiscal 2026 general funds

MDA disagrees with the recommendation that fiscal 2027 LEEF Program general fund appropriation be reduced by \$400,000. MDA has continued to make steady progress

establishing the LEEF program during FY26 with the reduced general fund appropriation. However, further reduction to the FY27 appropriation will stall momentum and limit the effectiveness of the program, particularly as the funding reductions will largely come from the funding allocated for incentives for farmers to participate in the program. Without these incentive funds it will be difficult to grow the program as envisioned during FY27.

During FY26 MDA conducted five listening sessions with partners from MDE, DNR, and MDP in attendance, culminating in a listening session with farmers from across the state. In addition to these public listening sessions, MDA has engaged in over twenty partner meetings with representation from academia, agribusiness, environmental organizations, and financial institutions, and received feedback in the form of survey responses and emails from over 200 stakeholders. Framework to date includes menus of both conservation and community best practices, draft requirements for tiers, consideration of practice points based on nutrient reduction efficiency, co-benefits, priority geographies (such as the five Whole Watershed Program watersheds) - as well as alignment across both the Watershed Implementation Plan and Climate Implementation Plan, and considered incentives range from application points for programs (MALPF) and grants (MARBIDCO), to priority access for institutional food purchasing.

In addition to these activities, MDA hired a new program manager, developed and purchased promotional materials, and is funding vouchers for the pilot class of certified farms. The final program parameters were outlined in the JCR report that MDA submitted to DLS and the General Assembly, with the Advisory Committee deciding details at the practice level. The rest of the FY27 spending plan is to cover incentives for farmers in the form of industry vouchers, planting bonuses for pathway practices such as extended-width riparian buffers, covering costs of license renewal for certified farms, and LEEF certified farmer features as part of outreach campaigns to promote best management practices. The reduction in general fund appropriation recommended by DLS would eliminate nearly all of this incentive funding in FY27.

2. Cover Crop Program Overspends Fiscal 2025 Appropriation

DLS recommends that MDA comment on how much was spent on fiscal 2025 (crop year 2024/2025) cover crop payments, how this compares to the initial Cover Crop Program appropriation, the timing of the payments by fiscal year funding appropriation, and the funding sources and amounts. DLS also recommends that MDA comment on how it anticipates funding fiscal 2026 (crop year 2025/2026) cover crop payments given the similarly high level of interest and the reduction in reimbursable funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.

Agency Response:

MDA spent a total of \$32.2 million in grants to farmers enrolled in the FY2025 Cover Crop Program. As indicated in the DLS analysis, this exceeded the appropriation for the program in FY2025. Additional funding, including reserves from the Bay Restoration Fund and EPA Chesapeake Bay Regulatory and Accountability Program (CBRAP) grants, were leveraged to fully fund the program. While the vast majority of payments were made in FY2025, approximately \$355,000 in payments were made in FY2026. These were primarily due to administrative delays in processing outstanding payments.

Considering the limited reserve capacity in funding for the FY2026 program, MDA has scaled back the payment structure to ensure the program remains within budget. By reducing the base rate, along with changes to the rates for aerial applications and cover crops receiving non-poultry manure, enrollment in the FY2026 was reduced from the previous year. Overall, farmers planted 379,000 acres in FY2026 compared to 494,000 in FY2025. As a result, MDA projects grants to farmers in FY2026 being within the appropriation and funding level for this fiscal year.

MDA continues to receive considerable feedback from the agricultural community regarding the Cover Crop Program, especially in light of the modifications to the payment structure for FY2026. The Department has begun to evaluate potential implications of reduced funding from the Chesapeake and Atlantic Coastal Bays Trust Fund for FY2027 and will hold its Technical Advisory Committee meeting in March to discuss program adjustments. As the most cost-effective measure to mitigate residual nutrient loss from agricultural fields, MDA remains committed to implement the cover crop program as efficiently and effectively as possible.

3. Old Audit Findings Not Resolved

As noted in Appendix 2, the Office of Legislative Audits published MDA's audit for the December 16, 2019, to November 30, 2023, time period in March 2025. Of the four findings, two are repeat findings.

- **Finding 3 (Product Registrations):** Found that MDA did not adequately verify that State Chemist product registration collections (e.g. commercial fee and pesticides) were deposited with the Fiscal Services Office and did not ensure that State Chemist product registrations were subject to supervisory review. The lack of an independent reconciliation of the State Chemist product registrations has been commented upon in five preceding audit reports dating back to calendar 2007, and the lack of an independent supervisory review of product registrations has been commented on in three preceding audit reports dating back to calendar

2013. The audit report notes that, while MDA stated that it established proper controls, reconciliations were not being performed and a new registration system did not require supervisory review and approval.

- **Finding 4 (Equipment):** Found that MDA did not conduct required physical inventories of its sensitive (e.g. thermometers and cameras) and nonsensitive equipment and did not maintain complete and accurate equipment records that properly classified sensitive and nonsensitive equipment. The lack of accountability and control over equipment has been commented on in 10 preceding audit reports dating back to 1990. The audit report notes that, while MDA stated that it established the proper controls, MDA could not document that it developed the procedure. MDA noted in its response to Finding 3 that by July 1, 2025, it would establish a process to reconcile the total value of State Chemist product registrations issued with revenue deposited and implement a new registration system to address the approval of registrations by using the available system output reports to ensure all product registrations are subject to supervisory review. In its response to Finding 4, MDA noted that it hired a new director of central service who will be the lead on addressing the audit finding. MDA also noted that by December 31, 2025, it would review all procedures for inventory control and write procedures consistent with the Department of General Services' (DGS) Inventory Control Manual. In addition, MDA noted that Analysis of the FY 2027 Maryland Executive Budget, 2026 12 L00A – Department of Agriculture it will coordinate with DGS on establishing, monitoring, and maintaining compliance with the requirements of the Inventory Control Manual.

DLS recommends that \$100,000 of MDA's general operating expenditures be restricted until the submission of a report by MDA, in coordination with DGS, certifying that all steps needed to address Findings 3 and 4 of the March 2025 audit have been taken and detail the actual systems and processes implemented to address the findings. The report shall be submitted by July 1, 2026.

Agency Response:

MDA disagrees with this recommendation. MDA worked collaboratively with the Office of Legislative Audits on identifying and addressing issues. Before the Department's audit was published, the agency took proactive steps to rectify the findings, as detailed below.

Finding 3 (Product Registrations): MDA has implemented a new registration system within the State Chemist Program to address the approval of registrations. MDA is using Salesforce to approve and track all registrations and product information. The delegation

of duties is separated between five different staff that process checks, enter data into Salesforce, perform label reviews, supervisory reviews and final verification. The Salesforce system generates reports to ensure that all product registrations are subject to supervisory review with details as to who it was approved by and date, then who it was verified by and date. There is also a paper copy that details the different staff that see the information and their approval with dates. MDA has also established a process to reconcile the total value of registrations issued with revenue deposited. The Department will ensure that these reconciliations happen on a consistent basis consistent with the Office of Legislative Audits recommendation.

Finding 4 (Equipment): In January 2025, MDA hired a new Director of Central Services, who, among other duties, took the lead in the Department's efforts to correct the deficiencies in managing the Department's inventory. MDA contacted DGS and requested their review of the Department's procedures and requested assistance with coming into compliance with the Inventory Control Manual. Consistent with OLA audit finding and DGS review, the Department is addressing the following items:

- **Record Keeping** - MDA is developing a comprehensive written Capital Inventory Procedures Manual outlining workflows, system responsibilities, and documentation standards using Google Sheets or, pending the purchase of the necessary licenses, SmartSheets. This will be done ahead of the next inventory.
- **Physical Inventory Documentation** - MDA is establishing standardized physical inventory procedures, and will integrate annual and triennial count requirements, and ensure all asset records include the required data fields, using Google/SmartSheets. The Department will conduct that physical inventory in accordance with the manual by the end of August 2026.
- **Reconciliation of Inventory Records** - A proper physical inventory will be taken and reconciled against records, using FY25 as a baseline moving forward. All discrepancies will be identified, investigated, reported, and corrected as part of the FY26 inventory no later than August 31, 2026.
- **Inventory Control Account Maintenance** - MDA has established and will maintain an Inventory Control Account, in accordance with the manual, for each category of equipment and reconcile it regularly, no later than August 31, 2026.
- **Annual Reporting Requirements (Fixed Assets, Materials & Supplies, Missing/Stolen Reports)** - MDA has established a reporting calendar with internal deadlines so milestones are met each year prior to the September submission date. There is assigned responsibility to the Property Officer who will retrain all necessary staff for compilation and timely transmission of all required reports, and will implement internal tracking to prevent omissions in the future. This will all be done no later than August 31, 2026.
- **Equipment Identification & Tagging** - MDA is in the process of updating tagging

procedures to ensure visibility, placement consistency, and compliance with the Inventory Control Manual, including ensuring the person ordering new inventoried items is not also the one doing the tagging. The Department will conduct an audit of our tagging and procedures no later than August 31, 2026.

- **Duties of Property Officer** – We have designated and assigned duties for the Property Officer and Alternate, and are developing and implementing written internal inventory control procedures, as detailed by all the previous responses, above.

4. MDA Slows Down Electric Vehicle Charger Registration Process

DLS recommends that MDA comment on the overall plan for the rollout of EVSE charger inspections and registrations and when the fee increase revenues will be realized in the Weights and Measures' budget.

Agency Response:

MDA extended the EVSE charger registration deadline to July 1, 2026, to allow additional stakeholder engagement and to ensure clarity regarding equipment categories subject to registration requirements.

All EVSE chargers that establish a fee a customer must pay during a charging session are required to register by July 1, 2026. Due to the registration period extension, the majority of the fee revenue will be realized in fiscal 2027 rather than fiscal 2026, which accounts for the difference between the original fiscal 2026 revenue estimate and the current allowance reflected in the fiscal 2027 budget.

MDA now estimates that approximately 2,500 chargers will register during the initial implementation year, generating approximately \$375,000 in revenue (\$150 fee). This revised estimate reflects refined data on eligible commercial chargers and exceptions made to certain registration requirements (including private residential chargers, fleet-only chargers, multi-family residential chargers, free chargers, and workplace chargers for private use).

The revenue generated will support EVSE field inspection and testing activities beginning in fiscal 2027. To prepare for implementation, the Weights and Measures Program has:

- Sent four inspectors and two supervisory staff to national training sessions to obtain certification for EVSE testing;
- Established inspection protocols and data tracking systems;
- Procured specialized registration decals; and

- Initiated procurement of required EVSE test equipment, which is expected to be operational prior to the July 2026 implementation date.

In April 2025, the program began investigating consumer complaints related to the method of sale for electricity used as vehicle fuel and has already addressed multiple violations across the state. Upon implementation in July 2026, the Weights and Measures team will be prepared to conduct inspections and ensure consumer protection in commercial EV charging transactions.

5. Enforcement and Inspection Position Strength and Maryland Poultry Registration Program Reports Submitted Late

DLS recommends that MDA discuss why the reports were not submitted by the dates requested.

Agency Response:

With regard to the Enforcement and Inspection Position Strength Report, this report is a joint submission from MDA and MDE, with MDE taking the lead on submitting it to DLS and the legislature each year. MDA submitted our portion of the report to MDE in a timely manner.

With regard to the Maryland Poultry Registration Program Report, the MDA team has undergone recent significant personnel transitions. In the process of reallocating responsibilities and onboarding new staff, the specific reporting deadlines were unfortunately overlooked. MDA has redeveloped an internal reporting tracker to ensure future Joint Committee Reports will be submitted in a timely fashion.

Operating Budget Recommended Actions

1. Reduce funding for the Leaders in Environmentally Engaged Farming program to level fund it with fiscal 2026. The final program parameters and a spending plan have not been submitted. -\$400,000 GF

Agency Response:

MDA disagrees with this recommendation. MDA has continued to make steady progress establishing the LEEF program during FY26. However, reduction to the FY27 appropriation will stall momentum and limit the effectiveness of the program, particularly as the funding reductions will largely come from the funding allocated for incentives for farmers to participate in the program. The program's spending plan

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consists of costs associated with incentive payments in the forms of industry vouchers for pilot certified farms in this first year, promotional materials to include signs for pilot certified farms, planting bonuses for pathway practices such as extended-width riparian buffers, covering cost of license renewal for certified farms, or LEEF certified farmer features as part of outreach campaigns to promote best management practices.

2. Add the following language:

, provided that \$100,000 of this appropriation made for the purpose of general operating expenses in the Office of the Secretary – Executive Direction may not be expended until the Maryland Department of Agriculture (MDA), in coordination with the Department of General Services, submits a report to the budget committees certifying that MDA has taken the steps needed to address the two repeat audit findings in MDA's March 2025 audit. The report shall include details about the steps needed to address Findings 3 and Finding 4 and the actual steps taken to address the findings, including the systems and processes implemented to address the findings and evidence of ongoing use of these systems and processes. The report shall be submitted by July 1, 2026, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: MDA's March 2025 audit included two repeat findings going back many years. Finding 3 (Product Registrations) has been commented upon in 5 preceding audit reports dating back to calendar 2007 and the lack of an independent supervisory review of product registrations has been commented on in 3 preceding audit reports dating back to calendar 2013. Finding 4 (Equipment) concerning the lack of accountability and control over equipment has been commented on in 10 preceding audit reports dating back to 1990. This action restricts funding pending the submission of a report, in coordination with the Department of General Services (DGS), certifying all steps have been taken to address the repeat audit findings.

Information Request	Author	Due Date
Report certifying all steps taken to address March 2025 repeat audit findings	MDA DGS	July 1, 2026
Total Net Change to Fiscal 2027 Allowance		-\$400,000

Agency Response:

The Department disagrees with this recommendation. MDA has made significant progress addressing the two repeat audit findings contained in the Department's March 2025 audit. We are confident that the actions the Department has implemented in response to the audit will eliminate these two items as repeat audit findings in future audits.

Appendix 3 - Customer Data Modernization Initiative

Concerns: Integration with the State's OneStop platform is a concern because the State is no longer moving toward the OneStop platform. Instead, the State is moving toward the use of Salesforce. It appears that MDA will use OneStop for the time being but will likely need to consider moving to Salesforce at some point. The overall project cost increased from \$6.5 million to \$10.9 million, or approximately \$4.5 million, and the increase occurred in fiscal 2024, which was already closed at the time of the fiscal 2025 analysis, due to how DoIT allocated costs for the project. The overall project cost has increased again from \$10.9 million to \$11.5 million due to cost increases in fiscal 2025. It is also concerning that Nutrient Management Program data issues are delaying completion.

Agency Response:

MDA made a strategic pivot regarding its enterprise application strategy, driven by the Department of Information Technology's (DoIT) broader decision to phase out the OneStop platform. Specifically, MDA has formally decided to not move the Nutrient Management Program to the OneStop platform, and instead, will now migrate to the Salesforce platform. This migration is proceeding with renewed confidence, as the new Salesforce contractor has successfully resolved the critical data issues that previously complicated the transfer process.

Appendix 4 - Digitization and Modernization Project

Concerns: Limiting the scope of the project too early is identified as a concern as well as the identification of sufficient funding, although the justification for the \$63.3 million overall cost does not seem justified. Staff expertise, available time, and buy-in are all concerns, especially given the need to make a mid-course correction since the State is no longer migrating to the OneStop platform. MDA's Oracle contract became unsupported in Analysis of the FY 2027 Maryland Executive Budget, 2026 21 L00A – Department of Agriculture October 2025, which was mitigated by securing the Extended Support Security Upgrade, but the migration to Salesforce by early calendar 2026 is in doubt. The overall project cost has increased from \$59.9 million to \$63.3 million, and the funding schedule has been shifted out, with only \$4.5 million provided in fiscal 2027 instead of the \$29.4 million programmed. This increases the amount of funding programmed for the out-years.

Agency Response:

The scope of the Digitization and Modernization Project has not been limited. Instead, the project has been delineated into three phases, prioritized according to MDA requirements and available financial resources.

Phase 1 is dedicated to the migration of MDA Programs currently relying on Oracle for operations to the new Salesforce platform. The nine MDA Programs included are: Pesticide Regulation, Nursery License and Inspection, Apiary Inspection, Poultry, Food Quality Assurance & Egg Inspection, Maryland Agricultural Land Preservation Foundation, Maryland Agricultural Water Quality Cost-Share Program, Manure Transport Program, and the Planning & Evaluation Program (Conservation Tracker).

Of the nine Programs above, four have already been successfully launched onto the Salesforce Platform: Nursery License and Inspection, Apiary Inspection, Poultry, and Food Quality Assurance & Egg Inspection. The remaining five Programs are scheduled for deployment by the end of March 2026.

Phase 2 will concentrate on functional enhancements that were postponed from Phase 1 due to COOP urgency, as well as the development of a public-facing portal to facilitate online applications and payments for the aforementioned nine Programs.

Phase 3 will involve the migration of the remaining thirteen MDA Programs currently managed within OneStop to Salesforce.