

L00A1111
Department of Agriculture - PAYGO

Pay-As-You-Go Capital Budget Summary

(\$ in Thousands)

	<i>FY 2002 Approp.</i>	<i>FY 2003 Approp.</i>	<i>FY 2004 Allowance</i>	<i>FY 2004 Revised Allowance</i>	<i>Percent Change</i>	<i>DLS Recommd.</i>
Maryland Agricultural Land Preservation Program	\$28,396	\$17,034	\$48,304	\$33,635*	97.4%	\$33,635
Tobacco Transition Program	0	6,291	10,040	10,040	59.6%	7,040
Total	\$28,396	\$23,325	\$58,344	\$43,675	87.2%	\$40,675
Fund Source						
Special	\$26,396	\$23,325	\$28,684	\$14,015	-39.9%	\$14,015
Federal	2,000	0	3,500	3,500	n/a	3,500
PAYGO Subtotal	28,396	23,325	32,184	17,515	-24.9%	17,515
GO Bonds	0	0	26,160	26,160	n/a	23,160
Total	\$28,396	\$23,325	\$58,344	\$43,675	87.2%	\$40,675

*Reflects the proposed contingent transfers to the general fund of transfer tax revenues.

Summary of Issues

Maryland Agricultural Land Preservation Program Affected by Cost Containment: Under the proposed Budget Reconciliation and Financing Act of 2003, the Maryland Agricultural Land Preservation Program (MALPP) is required to contribute \$10.0 million in anticipated unexpended balances for fiscal 2003 and \$14.7 million in fiscal 2004 transfer tax revenues for cost containment. In addition, the legislation makes reductions to future year transfer tax revenues. **MDA should brief the committees on the impact of these cost containment measures on MALPP.**

Latest MALPF Task Force Recommendations: Although the Task Force to Study the Maryland Agricultural Land Preservation Foundation (MALPF) intends to submit a final report to the General Assembly in May 2004, it has developed several legislative and administrative recommendations for immediate consideration. **The Maryland Department of Agriculture (MDA) should brief the committees on these recommendations, the fiscal implications, and whether implementing legislation is forthcoming. Furthermore, MDA should be prepared to address the task force finding that easement acquisition costs have approached market value and justify these expensive acquisitions.**

Pending Fiscal 2003 MALPF Budget Amendments: Pursuant to budget bill language, the Department of Budget and Management recently submitted two budget amendments for committee review. These amendments propose to appropriate \$35.6 million in special funds and \$1.9 million in federal funds for the MALPF. To meet the 45-day review deadlines, the budget committees will be required to approve, disapprove, defer, or approve portions of this budget amendment prior to the end of January. **MDA should be prepared to discuss the implications of each of the potential response strategies. Also, MDA should convey how it intends to (a) better align MALPF program implementation practices with the budget cycle in the future; and (b) ensure that a majority of MALPF funds are encumbered and expended within the fiscal year for which they are provided.**

Full Funding for Tobacco Buyout Contract Payments: In fiscal 2004, funding for tobacco buyout contractual payments is anticipated to exceed available Cigarette Restitution Fund (CRF) tobacco transition funds, and successfully securing general obligation bond funding for the program is uncertain. **In light of these variables, the Department of Legislative Services (DLS) recommends that language be added to the special fund appropriation requiring funds to be used to fully-fund the buyout contract payments and the Tri-County Council for Southern Maryland (TCC) program administration costs. The TCC should determine what infrastructure development and land preservation programs are important and affordable in the funding stream available and direct farmers to similar existing programs administered by MDA. DLS also recommends narrative requiring the submittal of an updated Southern Maryland Regional Strategy-Action Plan to the budget committees by December 15, 2003, in advance of the 2004 session.**

Summary of Recommended Actions

- | | <u>Funds</u> |
|---|---------------------|
| 1. Add language to require all funds to be dedicated to the tobacco buyout program. | |
| 2. Reduce general obligation bond funding for the Tobacco Transition Program by \$3,000,000. | \$3,000,000 |
| 3. Adopt narrative requiring submittal of the Southern Maryland Regional Strategy-Action Plan for Agriculture by December 15, 2003. | |

Maryland Agricultural Land Preservation Program (Statewide)

PAYGO SF	\$8,975,000	Recommendation:	Approve
PAYGO FF	\$3,500,000		
GO Bonds	\$21,160,000		

Bill Text: Provide funds for financial assistance for the implementation of best management practices that reduce soil and nutrient runoff from Maryland farms.

Program Description: The General Assembly created the Maryland Agricultural Land Preservation Program (MALPP) to preserve productive agricultural land and woodland which provides for the continued production of food and fiber; limit the extent of urban development; and protect agricultural land and woodland as open space. The Maryland Agricultural Land Preservation Foundation (MALPF), with the assistance and cooperation of landowners and local governments, promotes the creation of agricultural land preservation districts and purchases development rights easements as a means of protecting agricultural land and woodland production activities.

Participation in MALPP is voluntary on the part of landowners. In order for a landowner to participate in the program they must establish an Agricultural Land Preservation District. To be eligible for district status, a property must have at least 50 contiguous acres with at least 50% of the total soils classified as U.S. Department of Agriculture (USDA) soil capability Class I, II, or II, or woodland group one or two. Landowners also agree to maintain the land in agricultural use for a minimum of five years and not subdivide the land for residential, commercial, or industrial use while under district status. Landowners who include their land within a district become eligible to receive tax credits (if the county where the property is located has a tax credit program) and may submit an application to sell development rights to the State. There is no guarantee that an offer will be made by MALPF.

The maximum price MALPF may pay for an easement is the landowner's asking price or the easement value, whichever is lower. 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.

Year Program Began: 1977

Comments: The administration has proposed funding MALPP with \$9.0 million in special funds, \$3.5 million in federal funds, and \$21.2 in general obligation bonds. The \$9.0 million special fund allowance includes estimated agricultural land transfer tax revenues and matching funds from local jurisdictions.

L00A1111 - Department of Agriculture – PAYGO

A proposed 2003 Budget Reconciliation and Financing Act will divert the transfer tax revenue that MALPP would have received in fiscal 2004 and 2005 under current law to the general fund. Furthermore, this legislation will also divert \$10.0 million in anticipated fiscal 2003 MALPP appropriations to the general fund. The 2003 fund diversion assumes a portion of the funds pending in a budget amendment involving \$35.6 million in special funds and \$1.9 million in federal funds will be approved.

In fiscal 2003, MALPP received 25% of the GreenPrint program appropriation to purchase agricultural easements in the green infrastructure. GreenPrint is funded within the Department of Natural Resources' budget. The fiscal 2004 allowance includes \$5.0 million in general obligation bond funds for GreenPrint. It is anticipated that MALPP will receive 25% or \$1,250,000 of this amount.

Maryland Agricultural Land Preservation Program Fund Data

Fund History

	<i>FY 2002 Actual</i>	<i>FY 2003 Estimated</i>	<i>FY 2004 Estimated</i>
Beginning Balance	\$0	\$2,527,000	\$0
REVENUE			
Transfer Tax	20,203,087	8,058,000	14,669,173
Agricultural Transfer Tax	2,843,842	3,000,000	1,550,000
County Participation	8,948,178	7,000,000	7,000,000
Federal Grant	570,735	1,870,000	3,500,000
GreenPrint*	7,500,000	4,000,000	0
Other Income**	27,761	425,000	425,000
TOTAL REVENUE	40,093,603	24,353,000	27,144,173
PROPOSED COST CONTAINMENT	0	-10,000,000	-14,669,173
TOTAL PAYGO AVAILABLE	\$40,093,603	\$16,880,000	\$12,475,000
ENCUMBRANCES			
Foundation Commitments***	36,373,231	15,438,000	11,025,000
Operating Expenses	1,045,384	1,292,000	1,300,000
Indirect Expenses	147,988	150,000	150,000
TOTAL ENCUMBRANCES	37,566,603	16,880,000	12,475,000
Ending Balance	\$2,527,000	\$0	\$0

* The Department of Natural Resources' fiscal 2004 allowance includes \$5.0 million in general obligation bonds for the GreenPrint Program. It is anticipated that MALPP will receive 25%, or \$1,250,000, of this amount.

** Other Income includes various settlement adjustments and old revenue from counties.

*** Foundation commitments represent pending agreements for the current fiscal year and usually result in easement purchases in future fiscal years.

Note: MDA's general obligation bond allowance includes \$21.16 million for MALPP.

L00A1111 - Department of Agriculture – PAYGO

(\$ in Millions)

<i>Description</i>	<i>2002 Approp.</i>	<i>2003 Approp.</i>	<i>2004 Request</i>	<i>2005 Estimate</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>
PAYGO SF	\$26.396	\$17.034	\$8.975	\$31.200	\$28.850	\$29.450	\$29.950
PAYGO FF	2.000	0	3.500	4.000	4.500	5.000	5.000
GO Bond	0	0	21.160	0	0	0	0
Total	\$28.396	\$17.034	\$33.635	\$35.200	\$33.350	\$34.450	\$34.950

Issues

1. Maryland Agricultural Land Preservation Program Affected by Cost Containment

Under the Budget Reconciliation and Financing Act of 2003 proposed by the administration, the Maryland Agricultural Land Preservation Program (MALPP) will contribute a total of \$24.7 million for cost containment.

The language in the Act impacts MALPP funding in multiple fiscal years, as explained below.

- ***\$10.0 million in anticipated fiscal 2003 appropriations.*** As described later in this analysis, MALPP's fiscal 2003 appropriations have been expended; however, \$35.6 million in prior year special funds are available but not appropriated for use in fiscal 2003. The Maryland Department of Agriculture recently submitted a budget amendment to the committees to bring these special fund appropriations into its fiscal 2003 budget. This legislation assumes that \$10.0 million of the \$35.6 million in unappropriated special funds will be transferred to the general fund.
- ***\$14.7 million in fiscal 2004 transfer tax revenues.*** According to current law, MALPP receives 17.05% of available transfer tax revenues, after a 3% reduction is made for administrative costs. In fiscal 2004, this would amount to \$14.7 million in special fund revenues for MALPP. This legislation would transfer the entire \$14.7 million to the general fund. However, the fiscal 2004 capital budget is expected to include general obligation bond funding for MALPP to replace this special fund revenue.
- ***Fiscal 2005 transfer tax revenues.*** The legislation redirects \$18.1 million in anticipated transfer tax over attainment funding, which would have been available in fiscal 2005, to the general fund. Under current law, MALPP would have received \$3.1 million of this funding in fiscal 2005.

MDA was not able to encumber a significant portion of its MALPP fiscal 2002 special funds appropriation. This has resulted in the accumulation of a substantial fund balance that a currently pending budget amendment (\$35.6 million) seeks to expend. This budget amendment suggests that MDA lacks the necessary systems and capacity to encumber and expend MALPP funding in a timely manner.

MDA should brief the committees on the impact of these cost containment measures on MALPP. Furthermore, MDA should be prepared to discuss its ability to encumber and expend MALPP funds in a timely manner.

2. Latest MALPF Task Force Recommendations

Background

In August 2001, the Task Force to Study the Maryland Agricultural Land Preservation Foundation (MALPF) submitted a number of broad and sweeping recommendations to the General Assembly. The recommendations included establishing statewide and county-specific goals for land preservation; increasing funding for the program to \$1.0 billion over the next twenty years; and revising the uses allowed and restricted on easement property.

The General Assembly reactivated the task force in 2002 to further study and make recommendations on several unresolved issues identified in the August 2001 report. Although the task force intends to submit a final report to the General Assembly in May 2004, it has developed several legislative and administrative recommendations for immediate consideration.

Legislative and Administrative Recommendations

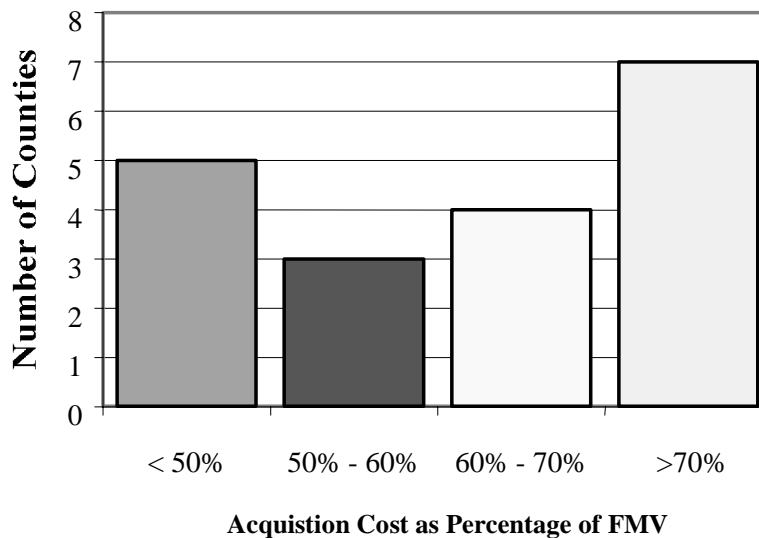
The task force has proposed the following legislative changes:

- *Establish clear guidelines to support farmers' ability to increase their on-farm income without compromising the State's interest in the land for farm and forest production.* MALPF statute and regulations currently prohibit the use of easement land for commercial and industrial purposes.
- *Limit carving property lot exclusions to a maximum of three on lands targeted for easement.* The present MALPF regulations allow the original seller of an easement to carve one owner's lot from the property plus children's lots, at a rate of one per each 20 acres under easement, with a maximum of ten.
- *Increase program funding by securing general obligation bond funds, increasing agricultural land and real estate transfer tax revenue, and requiring limited liability corporations and partnerships to pay real estate transfer taxes.* Currently, the program is funded with transfer tax and agricultural transfer tax revenues.

- *Target acquisition to the highest quality farmland protected by zoning.* Currently, funds are not distributed to identified State and county priority preservation areas.
- *Change the easement valuation and ranking process so acquisition costs no longer approach fair market value (i.e.: the easement may cost nearly what it would cost to purchase the land outright).* Seven of the 19 counties in which MALPF purchased easements in 2001 had average easement acquisition costs above 70% of fair market value as illustrated in **Exhibit 1**. This occurred most frequently in metropolitan and some transition (e.g., Southern Maryland) counties. The task force recommends making easement offers based on a percentage of fair market value (or the asking price if it is lower).

Exhibit 1

**MALPF Average Acquisition Cost as a Percent of Fair Market Value
Fiscal 2001**



Source: Task Force to Study the Maryland Agricultural Land Preservation Foundation

The task force has proposed one change that could be implemented administratively:

- *To minimize adverse impacts of adjacent development, establish a policy clarifying when the Foundation will or will not approve participation of farms that withhold land from districts.*

The MDA should brief the committees on these recommendations, the fiscal implications, and whether implementing legislation is forthcoming. Furthermore, MDA should be prepared to address the task force finding that easement acquisition costs have approached market value and justify these expensive acquisitions.

3. Pending Fiscal 2003 MALPF Budget Amendments

Background

On December 17, 2002, the Department of Budget and Management submitted two budget amendments for budget committee review to appropriate \$35.6 million in special funds and \$1.9 million in federal funds for MALPF.

The Proposed Amendments

Amendment 127-03 proposes to increase the special fund appropriation for MALPF by \$35.6 million. The source of these special funds is as follows: \$21.3 million in prior year transfer and agricultural tax revenue, and \$14.3 million in pledged matching funds from local governments. These funds would be used to finance easement offers made and appropriated in fiscal 2000 through 2002, approved by the Board of Public Works, and anticipated to settle in fiscal 2003. At this time, the MALPF program has already expended the entire fiscal 2003 appropriation for easement payments to landowners from offers made in fiscal 2002 and earlier.

As explained below, this sudden need for the appropriation is the result of MDA's outdated program accounting practices and successful backlog reduction efforts.

- *Outdated accounting practices.* MALPF has historically used its current year appropriation to (a) make "easement offers" for that fiscal year cycle in the last quarter of the fiscal year, and (b) make payments for actual easement settlements made from easement offers made in prior fiscal years. This approach generally worked when annual MALPF funding amounts were level from year to year; however, fiscal 2003 program funding reductions set this process off kilter and has left the program with insufficient appropriations to pay for prior year easement offers.
- *Settlement backlog reduction efforts.* In fiscal 2002, MDA funded two additional legal positions at the Department of General Services/Office of the Attorney General to eliminate the significant backlog of settlements for MALPF easements. This action has been producing the desired results – in the first four months of fiscal 2003 over 70 settlements were processed for over \$13 million. At this

L00A1111 - Department of Agriculture – PAYGO

accelerated rate, MDA anticipates settlement on nearly all easement offers made prior to fiscal 2003 by the end of the current fiscal year.

Amendment 126-03 proposes to increase the federal fund appropriation for MALPF by \$1.9 million. In partnership with 15 counties, MDA applied for and was recently awarded \$2.5 million in federal 2002 Farm Bill funding under the Farmland Protection Act. These grant funds must be used to purchase MALPF easements; require a 50% match with State funds; and should be spent within two years of the award.

Budget Committee Response

The budget committees could respond to these amendment requests in a variety of ways, as described below.

- *Approval.* Approving these two amendments would allow MDA to eliminate the backlog of settlements and take advantage of matching local and federal funding.
- *Disapproval.* Denying this request would keep \$21.3 million in special funds available for redirection to other higher priority needs but could frustrate local governments and program participants that have already pledged funds to this program. It is likely that the \$14.3 million in pledged matching funds from local governments would remain available until additional MALPF special fund appropriations became available.
- *Deferral.* The budget committees could deny this request at this time but leave the door open for the agency to resubmit the budget amendments in the spring if the balances continue to be available. This strategy would keep funds available for redirection to other higher priority needs but not necessarily forgo federal and local matching funds.
- *Approve Portions.* The budget committees could approve the federal funds amendment (B.A. 126-03) and/or a portion of the special funds amendment (B.A. 127-03), such as the local jurisdictions matching amount. This strategy would leave some portion of funding available for redirection to other higher priority needs but would allow matching fund components of the program to move forward.

2003 Budget Reconciliation and Financing Act

Over the past few months, the budget committees have rejected several multi-million dollar budget amendments. These decisions were based on the premise that these funds would remain in their respective fund balances, and be available for possible transfer to the general fund.

Through the 2003 Budget Reconciliation and Financing Act, the administration has proposed to transfer \$10.0 million in special funds to the general fund. This would represent approximately 47% of the prior year transfer and agricultural tax revenue included in this budget amendment. Therefore, the administration is already assuming a portion of the unappropriated special fund balance. Consequently, any action taken on the pending budget amendment will need to address this factor during the

L00A1111 - Department of Agriculture – PAYGO

consideration process. To meet the 45-day review deadlines, the budget committees will be required to approve, disapprove, defer, or approve portions of this budget amendment prior to the end of January.

MDA should be prepared to discuss the implications of each of the potential response strategies described above. Also, MDA should convey how it intends to (a) better align MALPF program implementation practices with the budget cycle in the future; and (b) ensure that a majority of MALPF funds are encumbered and expended within the fiscal year for which they are provided.

Recommended Actions

1. Concur with Governor's allowance.

Tobacco Transition Program (Statewide)

PAYGO SF	\$5,040,000	Recommendation:	Add language and adopt narrative
GO Bonds	\$5,000,000		

Bill Text: Provide funds for the tobacco buyout and land preservation components of the Tobacco Transition Program.

Program Description: In 1999, the General Assembly created the Cigarette Restitution Fund (CRF). Part of this fund is to be earmarked to end tobacco growing in Maryland. Under the legislation, the CRF is to fund the "...implementation of the Southern Maryland Regional Strategy Action Plan for Agriculture adopted by the Tri-County Council for Southern Maryland (TCC) with an emphasis on alternative crop uses for agricultural land now used for growing tobacco." Funds are appropriated to the Maryland Department of Agriculture, which issues grants to the TCC. The TCC is a nonprofit, quasi-governmental body that was created by the Southern Maryland Agricultural Development Commission to develop a program to stabilize the region's agricultural economy as Maryland growers transition away from tobacco production.

The TCC's Strategy Action Plan has three main components: tobacco buyout, infrastructure/agricultural development, and agricultural land preservation.

- The tobacco buyout component is a voluntary program that provides funds to (a) support all eligible Maryland tobacco growers who choose to give up tobacco production forever while remaining in agricultural production, and (b) restrict the land from tobacco production for 10 years should the land transfer to new ownership.
- The infrastructure/agricultural development program seeks to foster profitable natural resource based economic development for Southern Maryland by assisting farmers and related businesses to diversify and develop and/or expand market-driven agricultural enterprises in the region through economic development and education.
- The agricultural land preservation component seeks to provide an incentive to tobacco farmers to place land in agricultural preservation, enhance participation in existing preservation programs, and assist in the acquisition of land for farmers' markets.

Year Program Began: 2000

Comments: From fiscal 2000 through 2002, the tobacco transition program was budgeted through MDA's operating budget. In fiscal 2003, the program was entirely funded in the PAYGO budget, because appropriations from prior years were available in the operating budget to cover the TCC's operational expenses.

L00A1111 - Department of Agriculture – PAYGO

For fiscal 2004, the allowance includes:

- \$1.1 million in special funds in the operating budget for administrative expenses and non-capital grants for alternative agriculture enterprises,
- \$5.0 million in special funds for the tobacco buyout and land preservation program, and
- \$5.0 million in general obligation bonds in the capital budget.

Tobacco Transition Fund Data

Fund History

	<i>FY 2002 Actual</i>	<i>FY 2003 Estimated</i>	<i>FY 2004 Estimated**</i>
Beginning Balance	\$0	\$0	\$0
REVENUE			
CRF Funds	0	6,291,000	5,040,000
TOTAL REVENUE	0	6,291,000	5,040,000
TOTAL AVAILABLE	0	6,291,000	5,040,000
ENCUMBRANCES			
Encumbrances – Buyout Program	0	6,291,000	5,040,000
Operating Expenses	0	0	0
TOTAL ENCUMBRANCES	0	6,291,000	5,040,000
Ending Balance	\$0*	\$0	\$0

* Prior to fiscal 2003, CRF funds for this program were appropriated in the operating budget. MDA closed fiscal 2002 with \$2,766,035 of the CRF funds being encumbered for use in fiscal 2003.

** MDA’s fiscal 2004 operating budget request includes \$1,060,000 in CRF special funds for the administration of the program by the TCC and for non-capital grants to support alternative agriculture enterprises. Also, \$5,000,000 in general obligation bonds is included in the allowance for this program in fiscal 2004.

L00A1111 - Department of Agriculture – PAYGO

(\$ in Millions)

<i>Description</i>	<i>2002 Approp.</i>	<i>2003 Approp.</i>	<i>2004 Request</i>	<i>2005 Estimate</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>
PAYGO SF	\$0.000	\$6.291	\$5.040	\$5.100	\$5.100	\$6.700	\$8.200
GO Bonds	0.000	0.000	5.000	5.000	5.000	5.000	5.000
Total	\$0.000	\$6.291	\$10.040	\$10.100	\$10.100	\$11.700	\$13.200

Issues

1. Full Funding for Tobacco Buyout Contract Payments

Background

The statute authorizing the tobacco transition program put one limit on the funds: funds shall be used to implement the Southern Maryland Regional Strategy-Action Plan for Agriculture adopted by the TCC for Southern Maryland. In other words, the plan is controlling. In December 2002, the TCC submitted a revised Strategy-Action Plan that provides considerably more detail than in the past. The plan lays out recent successes and an aggressive strategy for implementing a wide variety of land preservation, and infrastructure and agricultural development activities in the future.

Tobacco Conversion Program

To some extent, the tobacco conversion program competes for funds with cancer programs, anti-smoking programs, and education enhancements for funding. However, in the 1999 *Joint Chairmen's Report*, the General Assembly expressed its intent for the crop conversion program to be allocated 5% of the available funds from the CRF. Furthermore, the budget committees have expressed that upholding the contractual obligation to fund tobacco buyout payments is of paramount importance over other program expenditure in the Strategy-Action Plan.

The tobacco buyout program has been more successful than originally anticipated, as seen in **Exhibit 2**. As of January 2003, 6.8 million pounds of tobacco (83% of cumulative total) and 711 growers (71% of cumulative total) have been taken out of tobacco production for human consumption.

Exhibit 2

Tobacco Buyout Program

	2001 <u>Actual</u>	2002 <u>Actual</u>	2003 <u>Goal</u>	2004 <u>Goal</u>	2005 <u>Goal</u>
Growers Out of Tobacco					
Cumulative Number	559	655	712	825	895
Cumulative %	57	66	71	83	90
Pounds of Eligible Tobacco Out of Production (millions)					
Cumulative Number	5.44	6.41	6.81	7.33	7.7
Cumulative %	66	78	83	90	95

Source: Tri-County Council for Southern Maryland

Growers who participate in the buyout program are paid \$1.00 per pound of tobacco for ten years. **Exhibit 3** illustrates tobacco buyout program funding trends. Fiscal 2004 buyout payments are projected for 7.33 million pounds of tobacco, so \$7.3 million is required to cover this cost. However, the estimated fiscal 2004 CRF revenues are only \$6.1 million, approximately \$1.2 million less than the projected buyout payment total. MDA intends to address this shortfall by supplementing the program with \$5.0 million in general obligation bonds. Legislation was passed in 2001 authorizing \$5.0 million annually in general obligation bonds for fiscal 2003 through 2008 – a total authorization of \$30 million. The bonds are only to be issued each year if the funds provided by the CRF are not sufficient to implement the Strategy-Action Plan.

Exhibit 3

Tobacco Buyout Allocations
(\$ in Millions)

<u>Fiscal Year</u>	<u>Budget</u>
2001	5.4
2002	6.4
2003	6.8
2004	7.3
2005	7.7

Source: Tri-County Council for Southern Maryland

Since buyout projections far exceed anticipated fiscal 2004 CRF funds, and the TCC has contractual

obligations to buyout participants, program funding priorities should be established. **The Department of Legislative Services recommends that language be added to the special fund appropriation requiring funds to be used to fully-fund the buyout contract payments and the TCC’s program administration costs. The TCC should determine what infrastructure development and land preservation programs are important and affordable in the funding stream available; and direct farmers to similar existing programs administered by MDA. DLS also recommends narrative requiring the submittal of an updated Southern Maryland Regional Strategy-Action Plan to the budget committees by December 15, 2003, in advance of the 2004 session.**

Recommended Actions

1. Add the following language to the special fund appropriation:

. provided that these funds may only be used to fund tobacco buyout contract payments.

Explanation: The statute authorizing the tobacco transition program put one limit on the funds: that funds shall be used to implement the Southern Maryland Regional Strategy-Action Plan for Agriculture. While the plan identifies a broad variety of programs for implementation, the estimated fiscal 2004 CRF revenues are only \$6.1 million, approximately \$1.2 million less than needed to cover projected tobacco buyout payments. Therefore, this language requires the Tri County Council for Southern Maryland to use fiscal 2004 program funds to fully-fund the buyout contract payments. Other components of the plan may receive general obligation bond funding.

2. Reduce general obligation bonds by \$3,000,000. This would provide the \$1.2 million needed for buyout contract payments and funds for land acquisition activities.
3. Adopt the following narrative:

Submittal of the Southern Maryland Regional Strategy-Action Plan for Agriculture: Since the Southern Maryland Regional Strategy-Action Plan provides valuable programmatic information, the Maryland Department of Agriculture (MDA) and the Tri County Council (TCC) for Southern Maryland should submit to the budget committees and the Department of Budget and Management an up-to-date version of the Southern Maryland Regional Strategy-Action Plan by December 15, 2003.

**Amount
Reduction**

\$3,000,000 GO

L00A1111 - Department of Agriculture – PAYGO

Information Request	Authors	Due Date
Southern Maryland Regional Strategy-Action Plan	MDA Tri County Council	December 15, 2003
Total General Obligation Bond Fund Reductions		\$3,000,000

Object/Fund Difference Report
Department of Agriculture - PAYGO

<u>Object/Fund</u>	<u>FY02 Actual</u>	<u>FY03 Working Appropriation</u>	<u>FY04 Allowance</u>	<u>FY03 - FY04 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants,Subsidies,Contr	\$ 10,388,592	\$ 6,291,000	\$ 5,040,000	(\$ 1,251,000)	(19.9%)
13 Fixed Charges	29,378	0	0	0	0.0%
14 Land & Structures	42,361,694	58,519,926	27,144,173	(31,375,753)	(53.6%)
Total Objects	\$ 52,779,664	\$ 64,810,926	\$ 32,184,173	(\$ 32,626,753)	(50.3%)
Funds					
01 General Fund	\$ 4,097,000	\$ 0	\$ 0	\$ 0	0.0%
03 Special Fund	40,611,928	58,940,926	28,684,173	(30,256,753)	(51.3%)
05 Federal Fund	570,736	1,870,000	3,500,000	1,630,000	87.2%
09 Reimbursable Fund	7,500,000	4,000,000	0	(4,000,000)	(100.0%)
Total Funds	\$ 52,779,664	\$ 64,810,926	\$ 32,184,173	(\$ 32,626,753)	(50.3%)

L00A1111 - Department of Agriculture - PAYGO

Fiscal Summary Department of Agriculture - PAYGO						
<u>Unit/Program</u>	<u>FY02 Actual</u>	<u>FY03 Legislative Appropriation</u>	<u>FY03 Working Appropriation</u>	<u>FY02 - FY03 % Change</u>	<u>FY04 Allowance</u>	<u>FY03 - FY04 % Change</u>
11 Capital Appropriation	\$ 42,391,072	\$ 17,034,374	\$ 58,519,926	38.0%	\$ 27,144,173	(53.6%)
13 Tobacco Transition	6,291,592	6,291,000	6,291,000	0%	5,040,000	(19.9%)
05 Conservation Grants Capital Appropriation	4,097,000	0	0	(100.0%)	0	0%
Total Expenditures	\$ 52,779,664	\$ 23,325,374	\$ 64,810,926	22.8%	\$ 32,184,173	(50.3%)
General Fund	\$ 4,097,000	\$ 0	\$ 0	(100.0%)	\$ 0	0.0%
Special Fund	40,611,928	23,325,374	58,940,926	45.1%	28,684,173	(51.3%)
Federal Fund	570,736	0	1,870,000	227.6%	3,500,000	87.2%
Total Appropriations	\$ 45,279,664	\$ 23,325,374	\$ 60,810,926	34.3%	\$ 32,184,173	(47.1%)
Reimbursable Fund	\$ 7,500,000	\$ 0	\$ 4,000,000	(46.7%)	\$ 0	(100.0%)
Total Funds	\$ 52,779,664	\$ 23,325,374	\$ 64,810,926	22.8%	\$ 32,184,173	(50.3%)