

L00A1111
Department of Agriculture – PAYGO

Pay-As-You-Go Capital Budget Summary

(\$ in Thousands)

| | <i>FY 2003 Approp.</i> | <i>FY 2004 Approp.</i> | <i>FY 2005 Allowance</i> | <i>Percent Change</i> | <i>DLS Recommd.</i> |
|---|----------------------------|----------------------------|------------------------------|---------------------------|-------------------------|
| Maryland Agricultural Land Preservation Program | \$17,034 | \$33,635 | \$17,080 | -49.2% | \$17,080 |
| Tobacco Transition Program | 6,291 | 9,040 | 9,653 | 6.8% | 9,653 |
| Total | \$23,325 | \$42,675 | \$26,733 | -37.4% | \$26,733 |

| Fund Source | | | | | |
|--------------------|-----------------|-----------------|-----------------|---------------|-----------------|
| Special | \$23,325 | \$14,015 | \$13,233 | -5.6% | \$13,233 |
| Federal | 0 | 3,500 | 3,500 | 0 | 3,500 |
| Total | 23,325 | 17,515 | 16,733 | -4.5% | 16,733 |
| GO Bonds | 0 | 25,160 | 10,000 | -60.3% | 10,000 |
| Total | \$23,325 | \$42,675 | \$26,733 | -37.4% | \$26,733 |

Summary of Issues

Maryland Agricultural Land Preservation Program (MALPP) Affected by Cost Containment Again: Due to an oversight, the \$13.1 million in transfer tax revenue MALPP should have received under current law is not included in the fiscal 2005 allowance. The Administration apparently intends to correct this oversight via a supplemental budget that provides this \$13.1 million in transfer tax revenue but transfers it to the general fund contingent on legislation. **The Maryland Department of Agriculture (MDA) should brief the committees on the impact of the 2003 BRFA and the potential supplemental budget item on MALPP. Specifically, MDA should discuss how these funding reductions and MALPP's future funding levels outlined in the *Capital Improvement Program* will impact the program's ability to achieve the State's agricultural land preservation goal of 1,030,000 acres by the year 2022.**

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MALPP’s GO Bond Funding Contingent on Rural Legacy’s Demise: As submitted, two provisions in the Administration’s fiscal 2005 general obligation (GO) bond bill effectively make GO bond funding for MALPP contingent upon the deletion of statutory language mandating \$5.0 million in annual funding for the Department of Natural Resource’s Rural Legacy Program. **MDA should be prepared to discuss the programmatic impact of redirecting MALPP’s \$5.0 million fiscal 2005 GO bond allowance to Rural Legacy. The Department of Budget and Management should be prepared to discuss why it prioritized GO bond funding for MALPP over Rural Legacy.**

Latest Recommendations from the Task Force to Study the Maryland Agricultural Land Preservation Foundation (MALPF): Although the MALPF intends to submit a final report to the General Assembly in May 2004, it has developed several legislative recommendations for immediate consideration. **MDA should brief the committees on these recommendations, the fiscal implications, and whether implementing legislation is forthcoming.**

Impact of the Governor’s New Land Preservation Strategy: In December 2003, the administration announced that a new set of administrative policies had been developed to guide future land conservation and preservation efforts. **MDA should be prepared to discuss how these policies differ from existing policy as well as how they will substantively impact MALPP implementation. Furthermore, MDA should describe the status and structure of the State-local collaboration and coordination mechanism that was announced.**

Tobacco Buyout Program Wraps Up Application Phase: As a result of the tobacco buyout program, 6.8 million pounds of tobacco (82% of cumulative total) and 712 growers (70% of cumulative total) have been taken out of tobacco production for human consumption. The last date that growers could indicate their intent to take the buyout has passed. Additionally, the fiscal 2005 Cigarette Restitution Funds (CRF) available to support the program are insufficient. **MDA should brief the committees on why it is strategic and not duplicative to dedicate CRF and GO bond funds to the Tri-County Council’s land preservation program since other State land preservation programs exist.**

Summary of Recommended Actions

1. Concur with Governor’s allowance.

Maryland Agricultural Land Preservation Program (Statewide)

| | | | |
|-----------------|--------------------|------------------------|----------------|
| PAYGO SF | \$8,580,000 | Recommendation: | Approve |
| PAYGO FF | \$3,500,000 | | |
| GO Bonds | \$5,000,000 | | |

Bill Text: Provide funds for the purchase of conservation easements on agricultural land.

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 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.

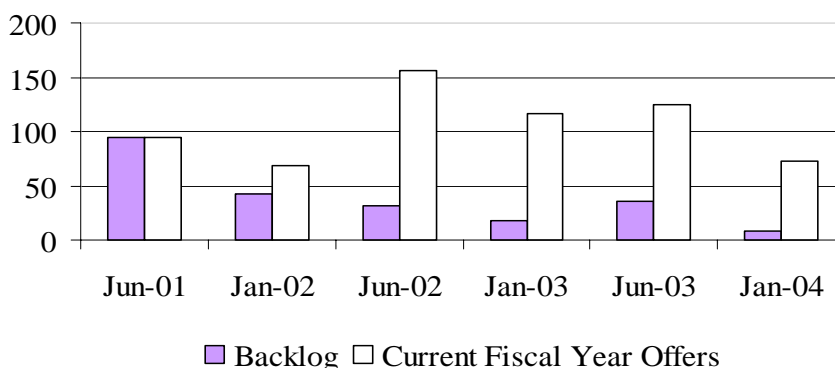
Starting in 2001, MALPP funding was directed to the Department of General Services for two positions dedicated to reducing the backlog in pending MALPP settlements and improving the rate at which current pending settlements go to closing. As illustrated in **Exhibit 1**, significant progress has been made in both areas over the past two years.

- The backlog has been reduced from 94 pending settlements at the end of fiscal 2001 to only 8 pending settlements as of December 31, 2003. Furthermore, MALPF advises that 4 of the 8 current backlogged easements will be settled by the end of January 2004.

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- For fiscal 2001 and 2002, MALPF settled approximately 25% of its new offers by January 1 of the calendar year following the offer. For fiscal 2003, MALPF made offers later than usual because of funding uncertainties, yet was able to settle on 33% of those new offers by October 24 of that same calendar year.

Exhibit 1
Backlog of Pending Easement Settlements



Source: Maryland Agricultural Land Preservation Foundation

Year Program Began: 1977

Comments: The administration's total proposed fiscal 2005 funding for MALPP is \$17.1 million, and is comprised of \$8.6 million in special funds, \$3.5 million in federal funds, and \$5.0 million in general obligation bonds. The proposed level of funding for fiscal 2005 is nearly 50% less than the fiscal 2004 legislative appropriation. The special fund allowance includes \$1.6 million in estimated agricultural land transfer tax revenues and \$7.0 million in matching funds from local jurisdictions. Based on an average cost of \$1,958 per acre, the fiscal 2005 allowance would allow MALPF to acquire easements on approximately 8,723 acres.

Due to an oversight, all \$13.1 million in transfer tax revenue that MALPP would receive in fiscal 2005 under current law is not included in the fiscal 2005 allowance. The Administration apparently intends to correct this omission through a fiscal 2005 supplemental budget item that provides this \$13.1 million but transfers it to the general fund contingent on legislation.

In fiscal 2004, 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 2005 allowance includes \$5.0 million in general obligation bond funds for GreenPrint. It is anticipated that MALPP will receive 25%, or \$1.25 million, of this amount.

GO Funds Contingent on Rural Legacy’s Demise

The fiscal 2005 GO bond bill includes the following provision that deletes language under the Rural Legacy Program in the Natural Resources Article:

[5-9A-09. Appropriations. The Governor shall include in the annual capital budget an amount not less than \$5 million for this Program.]

The fiscal 2005 GO bond bill also includes a provision making MALPP’s \$5.0 million GO bond appropriation contingent upon the deletion of the Rural Legacy statute written above. In effect, these provisions delete funding for the Department of Natural Resource’s Rural Legacy Program and provide a total of \$5.0 million in GO bonds for MALPP. This approach is discussed in further detail later in this analysis.

Maryland Agricultural Land Preservation Program Fund Data

Fund History

| | <i>FY 2003 Actual</i> | <i>FY 2004 Estimated</i> | <i>FY 2005 Estimated</i> |
|----------------------------------|-----------------------|--------------------------|--------------------------|
| | | | |
| Beginning Balance | \$11,327 | \$16 | \$0 |
| REVENUE | | | |
| Transfer Tax | 25,691 | 0 | 0* |
| Agricultural Transfer Tax | 4,080 | 3,000 | 3,000 |
| County Participation | 16,126 | 4,000 | 7,000 |
| Federal Grant | 1,870 | 3,500 | 3,500 |
| GreenPrint | 3,398 | 1,352 | 1,250** |
| GO Bonds | 0 | 21,160 | 5,000 |
| Other Income*** | 30 | 30 | 30 |
| TOTAL REVENUE | 51,195 | 33,042 | 19,780 |
| PROPOSED COST CONTAINMENT | (22,309) | 0 | 0 |
| TOTAL AVAILABLE | 40,213 | 33,058 | 19,780 |
| ENCUMBRANCES | | | |
| Foundation Commitments**** | 38,782 | 31,608 | 18,330 |
| Operating Expenses | 1,264 | 1,300 | 1,300 |
| Indirect Expenses | 150 | 150 | 150 |
| TOTAL ENCUMBRANCES | 40,196 | 33,058 | 19,780 |
| Ending Balance | \$16 | \$0 | \$0 |

* An anticipated fiscal 2005 supplemental budget may provide all the transfer tax revenue that would fund MALPP under current law in fiscal 2005 but redirect these funds to the general fund contingent on legislation.

** The Department of Natural Resources' fiscal 2005 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 (encumbered funds) for the current fiscal year and usually result in easement purchases in future fiscal years.

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(\$ in Millions)

| <i>Description</i> | <i>2003 Approp.</i> | <i>2004 Approp.</i> | <i>2005 Request</i> | <i>2006 Estimate</i> | <i>2007 Estimate</i> | <i>2008 Estimate</i> | <i>2009 Estimate</i> |
|--------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| PAYGO SF | \$17.034 | \$8.975 | \$8.580 | \$28.400 | \$29.000 | \$30.000 | \$31.000 |
| PAYGO FF | 0.000 | 3.500 | 3.500 | 4.000 | 4.500 | 5.000 | 5.000 |
| GO Bond | 0.000 | 21.160 | 5.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total | \$17.034 | \$33.635 | \$17.080 | \$32.400 | \$33.500 | \$35.000 | \$36.000 |

Issues

1. Maryland Agricultural Land Preservation Program (MALPP) Affected by Cost Containment Again

Due to an oversight, the \$13.1 million in transfer tax revenue MALPP would receive under current law is not included in the fiscal 2005 allowance. The Administration apparently intends to correct this oversight via a supplemental budget item that provides this \$13.1 million in transfer tax revenue but transfers it to the general fund contingent on legislation. If this transfer tax scenario unfolds, and if the \$5.0 million GO bond allowance is provided, MALPP would receive 50% less funding than it did in fiscal 2004.

Last year, BRFA of 2003 impacted MALPP funding in multiple fiscal years, including directing:

- \$18.8 million in unexpended prior year property and agricultural transfer tax revenues to the general fund in fiscal 2003; and
- \$14.7 million in transfer tax revenue that would be transferred to MALPP in accordance with existing law to the general fund in fiscal 2004.

The potential fiscal 2005 transfer tax reduction may be partially off-set by the provision of \$5.0 million in GO bond funds as well as the continued availability of federal funds. **However, MDA should brief the committees on the impact of the 2003 BRFA and potential supplemental budget item on MALPP. Specifically, MDA should discuss how these funding reductions and MALPP's future funding levels outlined in the *Capital Improvement Plan* will impact the program's ability to achieve the State's agricultural land preservation goal of 1,030,000 acres by the year 2022.**

2. MALPP’s GO Bond Funding Contingent on Rural Legacy’s Demise

As submitted, two provisions in the Administration’s fiscal 2005 GO bond bill effectively make GO bond funding for MALPP contingent upon the deletion of statutory language mandating \$5.0 million in annual funding for the Department of Natural Resource’s Rural Legacy Program. Specifically, the following provision is added which deletes language under the Rural Legacy Program in the Natural Resources Article:

[5-9A-09. Appropriations. The Governor shall include in the annual capital budget an amount not less than \$5 million for this Program.]

Additional language included in the fiscal 2005 GO bond bill under the MALPP appropriation stipulates that the program’s \$5.0 million GO bond appropriation is contingent upon the General Assembly deleting the Rural Legacy provision funding requirement.

The Administration’s approach may represent an attempt to compel the General Assembly to choose between the two programs. However, since the General Assembly has the authority to both decrease and increase GO bond funding for programs, numerous funding options exist.

MDA should be prepared to discuss the programmatic impact of redirecting MALPP’s \$5.0 million fiscal 2005 GO bond allowance to Rural Legacy. The Department of Budget and Management should be prepared to discuss why it prioritized GO bond funding for MALPP over Rural Legacy.

3. Latest Recommendations from the Task Force to Study the Maryland Agricultural Land Preservation Foundation

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 (1) establishing statewide and county-specific goals for land preservation; (2) increasing funding for the program to \$1.0 billion over the next twenty years; and (3) 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 recommendations for immediate consideration.

Legislative Recommendations

The task force intends to propose the following legislative changes for the 2004 session:

- Termination of Easement Clause. Eliminate the 25-year termination clause in future deeds of easement and replace with a perpetual easement provision, and better define the appeals process for those who have participated in the program for 25 years and are eligible to request termination of the easement. Fiscal 2005 will be the first year program participants will be eligible to request termination of an easement.
- Tenant Houses. Give more flexibility to MALPF's board to consider the construction of a tenant house for properties between 50 and 100 acres in size.
- Modification of Tax Credits for Land Preservation Easement Donations. Modify the tax credit to benefit the average farmer, as the current credit favors wealthy landowners. The possible modifications include changing the cap, allowing unused tax credits to be transferred, expanding eligibility to include some limited partnerships, and reducing the burden of county piggyback taxes.

The MDA should brief the committees on these recommendations, the fiscal implications, and whether implementing legislation is forthcoming.

4. Impact of the Governor's New Land Preservation Strategy

In December 2003, the administration announced that a new set of administrative policies had been developed to guide future land conservation and preservation efforts. Specifically, the Governor announced that MDA, the Department of Natural Resources, and the Department of Planning were to:

- focus State land conservation programs on the most strategic lands to protect the Chesapeake Bay and its tributaries;
- apply the best scientific information and technology to identify lands that are most important, the potential threats to these lands, and areas in which preservation goals receive the best return from the dollars spent; and
- establish a process for collaboration and coordination among State and local land conservation programs.

MDA should be prepared to discuss how these policies differ from existing policy as well as how they will substantively impact MALPP implementation. Furthermore, MDA should describe the status and structure of the State-local collaboration and coordination mechanism that was announced.

Recommended Actions

1. Concur with Governor's allowance.

Tobacco Transition Program (Statewide)

| | | | |
|-----------------|--------------------|------------------------|----------------|
| PAYGO SF | \$4,653,000 | Recommendation: | Approve |
| 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 MDA, which then issues grants to the TCC. The TCC is a nonprofit, quasi-governmental body that works with the Southern Maryland Agricultural Development Commission to develop programs 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: the 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: The fiscal 2005 allowance includes a total of \$10,653,000 for the tobacco transition program. Funds are spread among three different areas of the allowance:

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- \$1,000,000 in special funds in the operating budget for administrative expenses (\$332,000) and non-capital grants for infrastructure/agricultural development programs (\$668,000);
- \$4,653,000 in special funds in the PAYGO budget for the tobacco buyout and land preservation programs; and
- \$5,000,000 in general obligation bonds in the capital budget for the tobacco buyout and land preservation programs.

Tobacco Transition Fund Data

Fund History

| | <i>FY 2003 Actual</i> | <i>FY 2004 Estimated</i> | <i>FY 2005 Estimated</i> |
|-------------------------------|-----------------------|--------------------------|--------------------------|
| Beginning Balance | \$2,766 | \$0 | \$0 |
| REVENUE | | | |
| CRF Funds | 6,291 | 6,100 | 5,653* |
| GO Bonds | 0 | 4,000 | 5,000 |
| TOTAL REVENUE | 6,291 | 10,100 | 10,653 |
| TOTAL AVAILABLE | 9,057 | 10,100 | 10,653 |
| ENCUMBRANCES | | | |
| Buyout Program | 6,791 | 7,073 | 7,800 |
| Ag. Land Preservation Program | 1,482 | 967 | 1,853 |
| Infrastructure Grants** | 476 | 730 | 668 |
| Operating Expenses** | 308 | 330 | 332 |
| Transfer to DHMH*** | 0 | 1,000 | 0 |
| TOTAL ENCUMBRANCES | 9,057 | 10,100 | 10,653 |
| Ending Balance | \$0 | \$0 | \$0 |

* \$1.0 million is for operating expenses and non-capital grants.

** Operating expenses and grants.

*** Reflects the transfer of \$1.0 million to the Department of Health and Mental Hygiene as directed in the fiscal 2004 budget bill.

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(\$ in Millions)

| <i>Description</i> | <i>2003 Approp.</i> | <i>2004 Approp.*</i> | <i>2005 Request</i> | <i>2006 Estimate</i> | <i>2007 Estimate</i> | <i>2008 Estimate</i> | <i>2009 Estimate</i> |
|--------------------|-------------------------|--------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| PAYGO SF | \$6.291 | \$5.040 | \$4.653 | \$4.500 | \$6.100 | \$5.600 | \$7.650 |
| GO Bonds | 0.000 | 4.000 | 5.000 | 5.000 | 5.000 | 5.000 | 5.000 |
| Total | \$6.291 | \$9.040 | \$9.653 | \$9.500 | \$11.100 | 10.600 | \$12.650 |

*This does not reflect budget language requiring that \$1.0 million in CRF special funds be transferred to Department of Health and Mental Hygiene for a component of the Cigarette Restitution Fund program.

Issues

1. Tobacco Buyout Program Wraps Up Application Phase

Program Progress

The tobacco buyout program has been more successful than originally anticipated, as illustrated in **Exhibit 2**. To date, 6.8 million pounds of tobacco (82% of cumulative total) and 712 growers (70% of cumulative total) have been taken out of tobacco production for human consumption. The last date that growers could indicate their intent to take the buyout was July 15, 2003, and approximately 90 people expressed interest. MDA advises that a majority of the growers not participating in the buyout are members of the Amish community.

**Exhibit 2
Tobacco Buyout Program**

| | <u>2001 Actual</u> | <u>2002 Actual</u> | <u>2003 Actual</u> | <u>2004 Goal</u> | <u>2005 Goal</u> |
|--|------------------------|------------------------|------------------------|----------------------|----------------------|
| <i>Growers Out of Tobacco</i> | | | | | |
| Cumulative Number | 558 | 654 | 712 | 779 | 869 |
| Cumulative % | 55 | 64 | 70 | 76 | 85 |
| <i>Pounds of Eligible Tobacco Out of Production (millions)</i> | | | | | |
| Cumulative Number | 5.44 | 6.41 | 6.79 | 7.33 | 7.74 |
| Cumulative % | 66 | 78 | 82 | 89 | 94 |

Source: Tri-County Council for Southern Maryland

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Growers who participate in the buyout program are paid \$1.00 per pound of tobacco that they grew on average in the past for ten years. **Exhibit 3** illustrates tobacco buyout program funding trends. Fiscal 2005 buyout payments are projected for 7.74 million pounds of tobacco which requires \$7.8 million to fund. However, the estimated fiscal 2005 CRF revenues are only \$6.2 million which is less than what is needed for the buyout and other programs. MDA intends to address this shortfall by supplementing the program with \$5.0 million in GO bonds. Legislation enacted in 2001, Chapter 103, Acts of 2001, authorizes \$5.0 million annually in GO bonds for six years beginning in 2003 – a total authorization of \$30 million. However, the bonds are to be issued each year only if CRF funds 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 | 7.8 |

Source: Tri-County Council for Southern Maryland

Impact on Tobacco Production

The tobacco buyout has had a significant impact on Maryland tobacco production. As illustrated in **Exhibit 4**, the pounds sold and acreage grown of tobacco are approximately 70% less than they were two years ago. This dramatic shift has prompted the closing of four tobacco warehouses since 1998 – only two warehouses remain.

Exhibit 4
Maryland Tobacco Industry Statistics
Crop Years 1997 through 2002

| <u>Crop Year</u> | <u>Acreage</u> | <u>Pounds Per Acre</u> | <u>Net Pounds Sold (Millions)</u> | <u>Total Dollar Value (Millions)</u> | <u>Average Dollar Value Per lb.</u> |
|------------------|----------------|------------------------|-----------------------------------|--------------------------------------|-------------------------------------|
| 1997 | 8,000 | 1,500 | 11.9 | \$20.5 | \$1.72 |
| 1998 | 6,500 | 1,472 | 9.5 | \$15.6 | \$1.63 |
| 1999 | 6,500 | 1,452 | 9.4 | \$15.6 | \$1.66 |
| 2000 | 6,000 | 1,347 | 8.0 | \$13.6 | \$1.69 |
| 2001 | 2,500 | 1,430 | 3.5 | \$6.0 | \$1.68 |
| 2002 | 1,700 | 1,375 | 2.3 | \$3.4 | \$1.48 |

Notes: The table above identified tobacco production and sales for the crop year. Thus, figures for a given year reflect tobacco produced in the year but sold the following year. Estimates for the 2003 crop year are not yet available.

Source: Maryland Tobacco Authority

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Since the TCC has contractual obligations to buyout program participants, funding for the buyout program should be a top priority. In light of the State's current fiscal constraints, other tobacco transition programs should share the fiscal burden just as other State programs are doing. However, the fiscal 2005 allowance is not consistent with this approach. The PAYGO and GO bond allowance includes a total of \$1.85 million for agricultural land preservation – approximately 50% more than was provided in fiscal 2004. This increase is provided in spite of the fact that there are other land preservation programs available to Southern Maryland farmers. Funding agricultural land preservation through the TCC may be duplicative, may result in unnecessary overhead costs, and may not be strategic in light of the State's fiscal situation.

MDA should brief the committees on why it is strategic and not duplicative to dedicate CRF and GO bond funds to the TCC's land preservation program, since other State land preservation programs exist.

Recommended Actions

1. Concur with Governor's allowance.

**Fiscal Summary
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| <u>Unit/Program</u> | <u>FY03 Actual</u> | <u>FY04 Legislative Appropriation</u> | <u>FY04 Working Appropriation</u> | <u>FY03 - FY04 % Change</u> | <u>FY05 Allowance</u> | <u>FY04 - FY05 % Change</u> |
|--|------------------------|---|---|---------------------------------|---------------------------|---------------------------------|
| 11 Capital Appropriation | \$ 39,688,037 | \$ 12,475,000 | \$ 12,475,000 | -68.6% | \$ 12,080,000 | -3.2% |
| 13 Tobacco Transition | 6,291,000 | 5,040,000 | 4,040,000 | -35.8% | 4,653,000 | 15.2% |
| 05 Conservation Grants Capital Appropriation | -3,410 | 0 | 0 | -100.0% | 0 | 0% |
| Total Expenditures | \$ 45,975,627 | \$ 17,515,000 | \$ 16,515,000 | -64.1% | \$ 16,733,000 | 1.3% |
| General Fund | -\$ 3,410 | \$ 0 | \$ 0 | -100.0% | \$ 0 | 0.0% |
| Special Fund | 40,109,037 | 14,015,000 | 13,015,000 | -67.6% | 13,233,000 | 1.7% |
| Federal Fund | 1,870,000 | 3,500,000 | 3,500,000 | 87.2% | 3,500,000 | 0% |
| Total Appropriations | \$ 41,975,627 | \$ 17,515,000 | \$ 16,515,000 | -60.7% | \$ 16,733,000 | 1.3% |
| Reimbursable Fund | \$ 4,000,000 | \$ 0 | \$ 0 | -100.0% | \$ 0 | 0.0% |
| Total Funds | \$ 45,975,627 | \$ 17,515,000 | \$ 16,515,000 | -64.1% | \$ 16,733,000 | 1.3% |

Note: Fiscal 2004 appropriations and fiscal 2005 allowance do not include deficiencies, cost containment, and contingent reductions.