

**L00A**  
**Department of Agriculture**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 04</u></b> <b><u>Actual</u></b>	<b><u>FY 05</u></b> <b><u>Working</u></b>	<b><u>FY 06</u></b> <b><u>Allowance</u></b>	<b><u>FY 05-06</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$26,922	\$25,654	\$23,075	-\$2,579	-10.1%
Special Fund	10,635	13,100	16,798	3,698	28.2%
Federal Fund	2,422	4,524	4,325	-199	-4.4%
Reimbursable Fund	<u>2,966</u>	<u>4,290</u>	<u>3,616</u>	<u>-674</u>	<u>-15.7%</u>
<b>Total Funds</b>	<b>\$42,945</b>	<b>\$47,569</b>	<b>\$47,815</b>	<b>\$246</b>	<b>0.5%</b>
Contingent & Back of Bill Reductions			-180	-180	
<b>Adjusted Total</b>	<b>\$42,945</b>	<b>\$47,569</b>	<b>\$47,635</b>	<b>\$66</b>	<b>0.1%</b>

- While the Maryland Department of Agriculture's (MDA) fiscal 2006 allowance appears fairly level with the fiscal 2005 working appropriation, it reflects a significant general fund reduction being offset by new special fund revenue.
- MDA's \$23.1 million fiscal 2006 general fund allowance is \$2.6 million, or 10.1%, less than the fiscal 2005 working appropriation. This change reflects funding increases to address personnel costs and decreases for nutrient management plan development, the Cover Crop Program, information technology, and the Maryland Agricultural Education and Rural Development Assistance Fund.
- MDA's \$16.8 million fiscal 2006 special fund allowance is \$3.7 million, or 28.2%, more than the fiscal 2005 working appropriation. This significant increase can be attributed to \$3.6 million in newly available Bay Restoration Fund revenue for the Cover Crop Program.
- MDA's \$4.3 million fiscal 2006 federal fund allowance is \$199,052, or 4.4%, less than the fiscal 2005 working appropriation, reflecting less grant funding for marketing and agriculture development programs.

Note: Numbers may not sum to total due to rounding.

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***Personnel Data***

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	<b><u>FY 04 Actual</u></b>	<b><u>FY 05 Working</u></b>	<b><u>FY 06 Allowance</u></b>	<b><u>FY 05-06 Change</u></b>
Regular Positions	436.00	430.00	428.50	-1.50
Contractual FTEs	<u>34.53</u>	<u>46.70</u>	<u>43.65</u>	<u>-3.05</u>
<b>Total Personnel</b>	<b>470.53</b>	<b>476.70</b>	<b>472.15</b>	<b>-4.55</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	21.51	5.02%
Positions Vacant as of 12/31/04	34.00	7.91%

- The fiscal 2006 allowance provides for 428.5 regular positions, a decrease of 1.5 vacant positions in the Marketing and Agriculture Development Program from the fiscal 2005 working appropriation.
- MDA's turnover rate of 5.02% is nearly a 3% decrease from the fiscal 2005 working appropriation. This indicates that MDA intends to fill numerous positions by this spring. To achieve this turnover rate in fiscal 2006, it will be necessary for MDA to maintain 21.5 vacancies.

## *Analysis in Brief*

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### Issues

***Water Quality Improvement Act Implementation Hobbles Along:*** The Water Quality Improvement Act (WQIA) of 1998, as amended, provides for a variety of measures aimed at improving water quality throughout the State, including mandatory development and implementation of nutrient management plans by farmers. Chapter 433, Acts of 2004 revised WQIA requirements in response to concerns raised by the farming community. However, compliance with this law is still problematic. **MDA should be prepared to defend the need for the full \$300,000 fiscal 2006 allowance for the Nutrient Management Cost Share Program since significant funds from previous years have yet to be expended. MDA should also discuss whether a significant increase in WQIA compliance is likely due to recent statutory adjustments, and whether it intends to assess fees for noncompliance as required by law.**

***Cover Crop Program Grows with Bay Restoration Funds:*** While a majority of the revenue associated with the recently created Bay Restoration Fund (Chapter 428, Acts of 2004) will fund wastewater treatment plant upgrades, \$3.6 million is provided in fiscal 2006 and an estimated \$4.6 million annually thereafter will be available for the Cover Crop Program. **The Department of Legislative Services (DLS) recommends budget bill language capping the total cover crop cost share funding amount at \$30/acre and requiring a report.**

***Organic Farming Opportunities and Benefits:*** In Maryland, 89 farming operations representing approximately 5,000 acres participate in the State’s organic certification program. A recent study on organic agriculture in the State set forth recommendations for improving Maryland-grown organic food markets within current initiatives being run by State agencies and organizations. **MDA should comment on each recommendation and note whether, and if so how, they will be implemented. Furthermore, DLS recommends budget bill language requiring MDA and the Department of Budget and Management to submit a report by November 1, 2005, outlining policy and program changes the State intends to implement to support the organic farming community and improve State programs.**

### Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add budget bill language to require a report on organic farming.		
2. Delete vacant Public Information Officer position.	\$ 74,460	1.0
3. Add budget bill language limiting cover crop program cost share payments and requiring a report.		
4. Reduce funding for the nutrient management cost share program.	200,000	

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5. Reduce funding for the Cover Crop Program.	654,349	
<b>Total Reductions</b>	<b>\$ 928,809</b>	<b>1.0</b>

## Updates

*MDA Report on Arsenic in Chicken Litter:* This update summarizes a report MDA submitted on the potential human and environmental impacts of the arsenic present in chicken litter.

*Tobacco Authority Sunset Not Recommended:* The findings and recommendations contained in a DLS “sunset” evaluation of the Maryland Tobacco Authority are described.

*Impact of Recent Federal Tobacco Buyout Agreement:* The federal tobacco buyout agreement recently signed into law by President George W. Bush may bring a permanent end to the National Grower Settlement Trust payments Maryland tobacco growers have received since 1998.

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***Operating Budget Analysis***

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**Program Description**

The Maryland Department of Agriculture (MDA) supervises, administers, and promotes agricultural activities throughout the State. Its mission is to provide leadership and support to agriculture and the citizens of Maryland by conducting regulatory, service, and educational activities that assure consumer confidence, protect the environment, and promote agriculture. MDA is organized into four administrative units: Office of the Secretary; Marketing, Animal Industries, and Consumer Services; Plant Industries and Pest Management; and Office of Resource Conservation. These units provide marketing services; agricultural land preservation; inspection, grading, monitoring, and testing of agricultural product quality; animal and plant disease control; pest management; and technical and financial assistance for encouraging management practices that minimize soil erosion and nutrient runoff.

MDA's primary goals are:

- to promote profitable production, use, and sale of Maryland agricultural products;
- to protect the health of the public, plant, and animal resources in Maryland;
- to preserve adequate amounts of productive agricultural land and woodland in Maryland;
- to provide and promote land stewardship, including conservation, environmental protection, preservation, and resource management; and
- to provide health, safety, and economic protection for Maryland consumers.

**Performance Analysis: Managing for Results**

MDA's fiscal 2006 Managing for Results (MFR) submission indicates steady, overall progress toward meeting stated goals and objectives. **Exhibit 1** presents data on a handful of performance measurements that summarize several of MDA's key program areas. The data provided in this chart indicates the following trends:

- a projected 60% increase in tons of manure managed between fiscal 2004 and 2006;
- increasing compliance with pesticide laws and regulations; and,
- a surge in acres treated with mosquito insecticide in fiscal 2004.

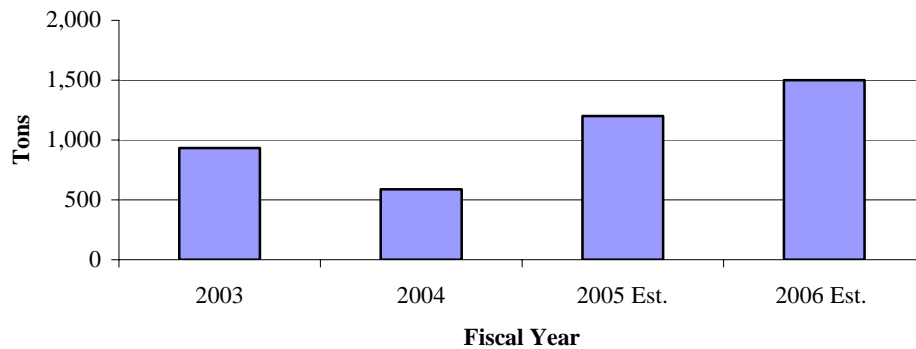
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MDA should explain why there was a significant increase in acres treated with mosquito insecticide in fiscal 2004, and whether the lower estimates for fiscal 2005 and 2006 are realistic.

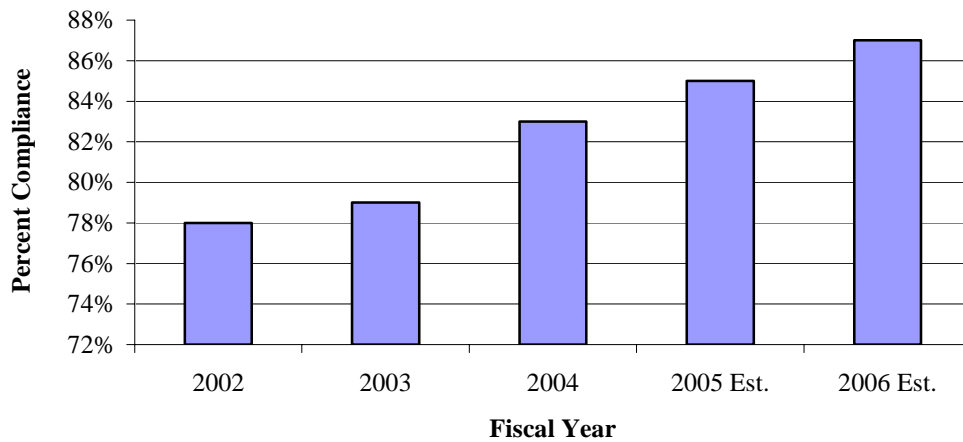
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**Exhibit 1  
Program Measurement Data  
Maryland Department of Agriculture**

**Additional Manure Managed Per Day/Per Year**

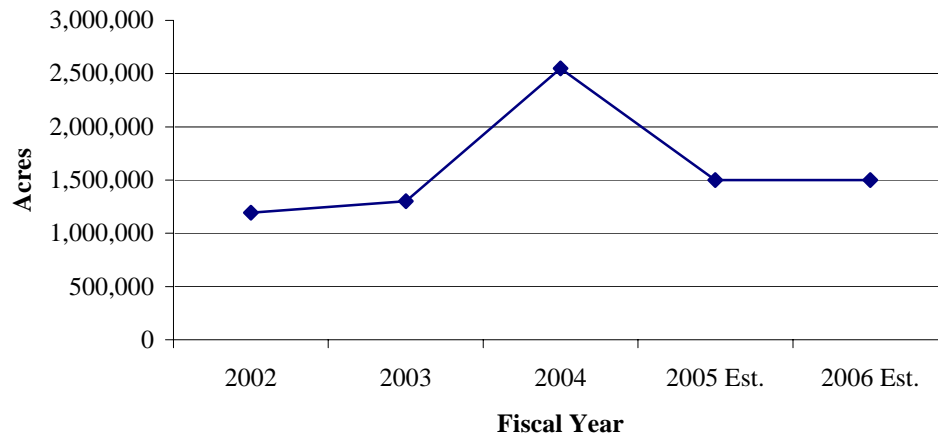


**Compliance with Pesticide Laws and Regulations**



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**Acres Treated with Mosquito Insecticide**



Source: Maryland Department of Agriculture and the fiscal 2005 and 2006 budget books.

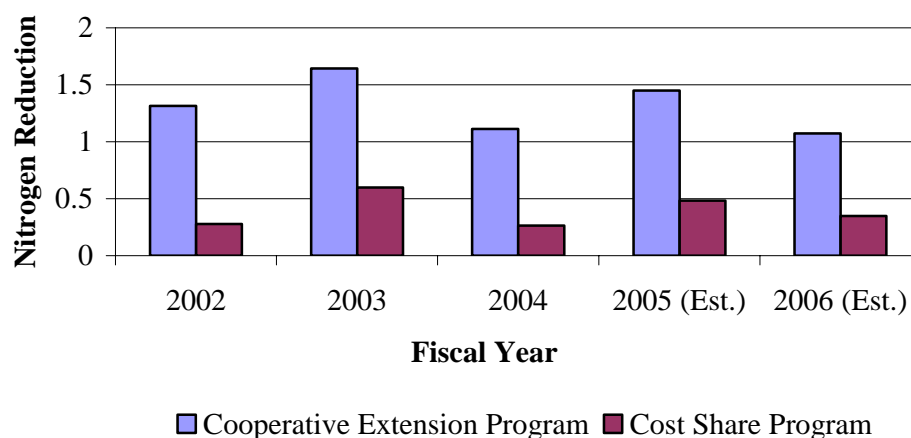
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Data in MDA's fiscal 2006 MFR concerning the Rural Maryland Council focuses on measurements such as the number of publications, events, and program participants. It does not capture the overall impact of these outputs. **Therefore, MDA should be prepared to discuss potential outcome, quality, and efficiency measurements that could be included for the Rural Maryland Council in the future.**

To comply with the Water Quality Improvement Act (WQIA), farmers throughout the State are developing nutrient management plans. As shown in **Exhibit 2**, these plans are preventing between 1.4 million and 2.2 million pounds of nitrogen from negatively impacting the Chesapeake Bay. After a spike at 2.2 million pounds of nitrogen in fiscal 2003, the impact of nutrient management plans is projected to subside to 1.4 million pounds in fiscal 2006. **MDA should discuss the reasons for this decreasing trend.**

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**Exhibit 2**  
**Nitrogen Reduction Due to Nutrient Management Plan Development**  
**(Millions Pounds)**



Source: Maryland Department of Agriculture and the fiscal 2005 and 2006 budget books.

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## Fiscal 2005 Actions

### Governor's Proposed Budget

As shown in **Exhibit 3**, the Governor's fiscal 2006 allowance is 0.1% above MDA's 2005 working appropriation and totals \$47.6 million. In its allowance, MDA receives a \$2.7 million decrease in general funds, a \$3.7 million increase in special funds, \$209,000 decrease in federal funds, and a \$679,000 decrease in reimbursable funds. Over 50% of this significant general fund decrease was offset by new special funds for the Cover Crop Program.

While the 10.1% decrease in general funds impacts numerous MDA programs, some of these programs recently received additional special or federal funds to help offset the impact of this general fund reduction. The allowance reflects the following general fund reductions that were offset in whole or part with available special, federal, and/or reimbursable funds: \$1.4 million for the Cover Crop Program, \$209,875 for Forest Pest Management, and \$192,221 for Plant Protection and Weed Management. Other general fund decreases include \$554,069 for nutrient management plan development, \$49,330 for the Manure Transport Program, \$69,732 for building maintenance and equipment, and \$93,603 for information technology-related leases and equipment. Also, all funding (\$146,392 general funds) for the Maryland Agricultural Education and Rural Development Assistance Fund (MAERDAF) is deleted. General fund increases are provided in Central Services for rising utility (\$57,374) and insurance (\$112,927) costs, and in the Mosquito Control Program (\$109,299) to ensure continuity of services while not increasing participating local jurisdictions cost share contributions.

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The 28.2% increase in special funds is largely attributable to \$3.6 million in new Bay Restoration Fund (Chapter 428, Acts of 2004) revenue for the Cover Crop Program. Other special fund increases include \$143,210 for administration of the Maryland Agricultural Land Preservation Program and \$341,000 for marketing and agriculture development programs. Special fund decreases included \$219,706 in the State Chemist due to new fiscal 2004 fee revenue not being appropriated until fiscal 2005 and creating a one-year funding increase, \$94,692 in Weights and Measures, and \$213,650 in Mosquito Control to reflect level funding contributions from local jurisdictions.

The 4.4% decrease in federal funds reflects small changes within numerous MDA programs, including a \$134,692 reduction in marketing and agricultural development grant funds from the U.S. Department of Agriculture.

#### **Impact of Contingent Actions**

The fiscal 2006 allowance reflects the elimination of \$179,520 (subobject 0172), the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

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#### **Exhibit 3 Governor's Proposed Budget Department of Agriculture (\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimburse able Fund</u></b>	<b><u>Total</u></b>
2005 Working Appropriation	\$25,654	\$13,100	\$4,524	\$4,290	\$47,569
2006 Governor's Allowance	23,075	16,798	4,325	3,616	47,815
Contingent & Back of Bill Reductions	-118	-46	-10	-5	-180
Adjusted Allowance	<u>22,957</u>	<u>16,752</u>	<u>4,315</u>	<u>3,612</u>	<u>47,635</u>
Amount Change	-\$2,697	\$3,652	-\$209	-\$679	\$66
Percent Change	-10.5%	27.9%	-4.6%	-15.8%	0.1%

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**Where It Goes:**

**Personnel Expenses**

Abolished 1.5 regular positions.....	-\$63
Employee increments and other compensation.....	471
Employee and retiree health insurance.....	-172
Other fringe benefit adjustments.....	-15

**Other Changes**

*To provide health, safety, and economic protection for consumers*

Mosquito Control – Fiscal 2005 assumes increased matching funds from local jurisdictions, but MDA has decided to not increase local jurisdictions cost share.....	-182
State Chemist - Decrease reflects one-year fiscal 2005 bump due to fiscal 2004 fee revenue not being appropriated until fiscal 2005.....	-286
Plant Protection – Decrease in general funds, but new federal funds were provided in fiscal 2005 and are expected again in fiscal 2006.....	-235
Forest Pests - Reduction due to drop in gypsy moth population.....	-138
Animal Health - Reduction due to one-time reimbursable funds in fiscal 2005 for equipment and emergency preparedness.....	-476

*To provide and promote land stewardship*

Reduce Nutrient Management Plan Cost Share Program.....	-200
Reduce Nutrient Management Plan Assistance Program.....	-353
Cover Crop Program increase due to new Bay Restoration Fund fee revenue.....	2,104
Decrease in grant funds for transporting manure from nutrient laden farms.....	-147
Augment Maryland Agricultural Land Preservation Program administration.....	208

*Promote State agriculture*

Delete the Maryland Agricultural Education and Rural Development Assistance Fund.....	-146
Information technology lease payments and equipment.....	-94
Other.....	-210

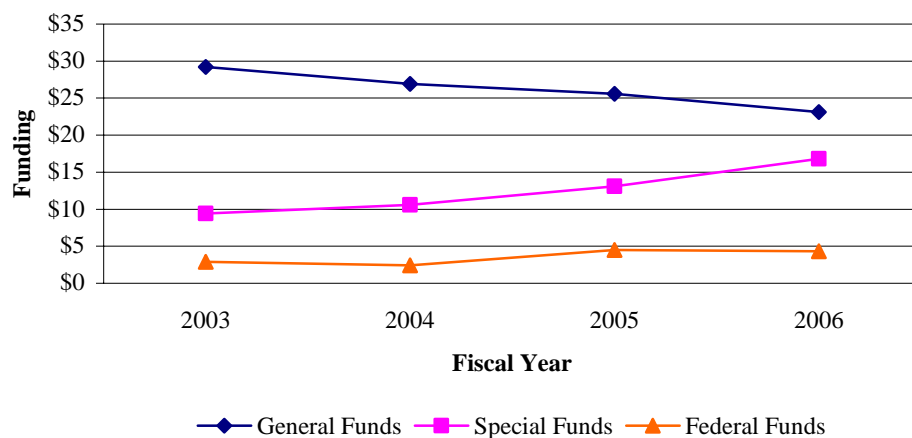
<b>Total</b>	<b>\$66</b>
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Note: Numbers may not sum to total due to rounding

## Impact of Strategic Budget Reductions

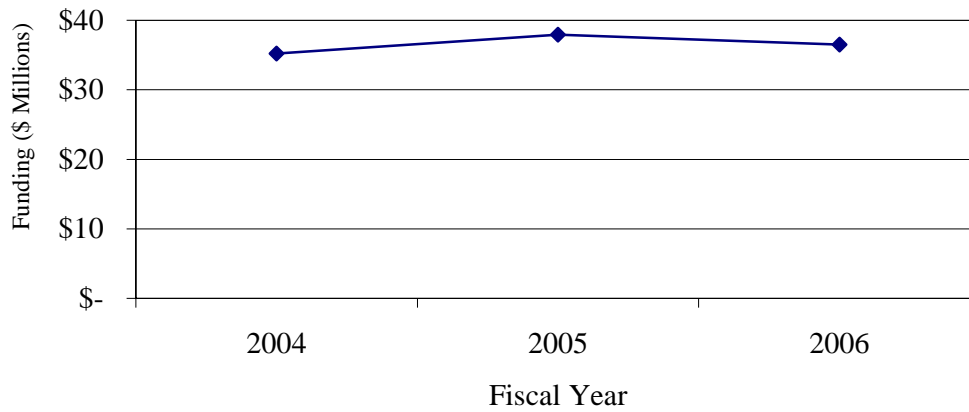
While MDA's fiscal 2006 allowance appears level with the fiscal 2005 working appropriation, a significant shift occurred in the general, special and federal fund splits. Increases in fiscal 2005 special and federal funds, coupled with the \$3.6 million fiscal 2006 special fund increase for the Cover Crop Program, provided a significant cushion for the \$2.6 million in general fund reductions. **Exhibit 4** illustrates these recent funding shifts. Since MDA was able to implement a series of fund switches, substantive, structural budget changes were not necessary. The only program that was eliminated was MAERDAF, which has a \$146,392 fiscal 2005 working appropriation. MDA was able to maintain adequate, minimal funding for its regulatory programs and avoid a reduction in filled positions. However, as shown in **Exhibit 5**, when grant funds are excluded, MDA's fiscal 2006 allowance is only 3.6% higher than fiscal 2004.

**Exhibit 4**  
**MDA Budget Trends by Fund Source**  
**Fiscal 2003 – 2006**  
**(\$ Millions)**



Source: Fiscal 2006 Budget Books

**Exhibit 5**  
**MDA Funding Excluding Grant Funds**  
**Fiscal 2004 through 2006**  
**(\$ in Millions)**



Source: Fiscal 2006 Budget Books

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## *Issues*

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### **1. Water Quality Improvement Act Implementation Hobbles Along**

#### **Background**

The WQIA of 1998, as amended, provides for a variety of measures aimed at improving water quality throughout the State, including mandatory development and implementation of nutrient management plans by farmers. Agricultural operations using chemical fertilizer were required to implement nitrogen- and phosphorous-based plans by December 31, 2002. Farmers using sludge or animal manure were required to implement nitrogen-based plans by December 31, 2002, and must implement nitrogen- and phosphorous-based plans by July 1, 2005. Farmers may have plans developed for free by a University of Maryland Cooperative Extension Service consultant, or they may share costs with the State to have a private consultant develop a plan. Farmers who were unable to obtain the services of a consultant were able to submit a Justification for Delay Form signed by a consultant indicating an approximate plan completion date.

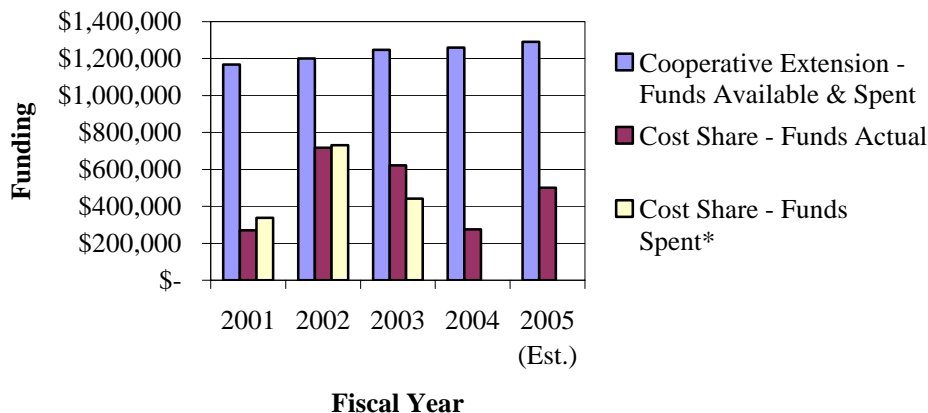
Chapter 433, Acts of 2004 revised WQIA requirements in response to concerns raised by the farming community. This law made the following changes which went into effect October 1, 2004:

- repealed the current right-of-entry authority of MDA and established provisions governing farm site visits;
- eased paperwork requirements for farmers;
- reduced the administrative burden on MDA relating to certifying and licensing nutrient management consultants;
- established a certification process specific to farmers; and
- increased flexibility for MDA regarding standards for plan development and the use of private nutrient management consultants to develop plans.

#### **Current Status of Compliance**

As shown in **Exhibit 6**, funding for nutrient management plan development has varied – with approximately \$1.2 million provided annually for plan development by cooperative extension agents, and fluctuating amounts to share the costs of plan development by private consultants. As the chart indicates, only 80% of the cost share funding provided in fiscal 2001 – 2004 has actually been paid for completed projects. Perhaps in light of this trend, the fiscal 2006 allowance reflects a \$200,000 or 40% funding decrease for the cost share program.

**Exhibit 6**  
**Funding for Nutrient Management Plans**  
 (As of June 30, 2004)



\* Expenditures include projects paid from prior year encumbrances. Furthermore, due to an accounting error, fiscal 2003 funds were expended for prior year projects.

Source: Maryland Department of Agriculture

**Exhibit 7** shows nutrient management plan compliance levels as of November 2004. This data reflects plans developed by the private sector, individual farmers, and cooperative extension staff. MDA estimates that plans are required for 8,558 farms covering approximately 1,573,400 acres. To date, MDA has received 5,473 plans for the management of 1.1 million acres, and 1,288 Justification for Delay Forms covering 211,040 acres. As shown in **Exhibit 8**, while progress has been made, 21% of the farms and 16% of the regulated acreage still lack plans. While this data appears to show growing compliance over the last year, this may be due in part to downward adjustments to the total number of regulated farms and acres.

**Exhibit 7**  
**Nutrient Management Program Compliance**  
 (As of November 2004)

	<u>Final Plans</u>	<u>Delay Forms</u>	<u>Compliant/ In Progress</u>	<u>Non-Compliant</u>	<u>Total</u>
Farms	5,473 (64%)	1,288 (15%)	6,761 (79%)	1,797 (21%)	8,558
Acres	1,118,889 (71%)	211,040 (13%)	1,329,929 (84%)	243,471 (16%)	1,573,400

Source: Maryland Department of Agriculture

**Exhibit 8**  
**Lacking Nutrient Management Plan**

	<u>December 2002</u>	<u>December 2003</u>	<u>November 2004</u>
Farms	56%	42%	21%
Acres	55%	32%	16%

Source: Maryland Department of Agriculture

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To date, MDA has not assessed any penalties for non-compliance. The penalties for non-compliance are generally progressive in nature and provide MDA with considerable enforcement latitude. Farmers that fail to have plans in place are subject to an administrative penalty not to exceed \$250. Since WQIA was enacted, MDA has sent numerous statewide mailings to farming operations to provide information about the law's requirements, encourage the development of plans, and educate the regulated community. During the first week of January 2005, MDA sent a letter to all regulated farmers informing them of program changes, requesting annual plan updates, and requiring the 1,797 farmers that are operating without a plan or with Justification for Delay forms to submit plans by March 1, 2005. MDA advises that it will work with farmers that fail to comply with the March 1 deadline, and may levy penalties if a farmer refuses to complete a plan, take required actions, or address environmental problems.

**MDA should be prepared to defend the need for the full \$300,000 fiscal 2006 allowance for the Nutrient Management Cost Share Program since significant funds from previous years have yet to be expended. MDA should also discuss whether a significant increase in WQIA compliance is likely due to recent statutory adjustments, and whether it intends to assess fees for noncompliance as required by law.**

## **2. Cover Crop Program Grows with Bay Restoration Funds**

### **Background**

Research indicates that when winter cover crops such as wheat, barley, and rye are planted immediately following the fall harvest, they soak up excess crop nutrients in the soil, control soil erosion, and protect water quality. These beneficial impacts prompted MDA to create a Cover Crop Program that provides cost share assistance to farmers who plant winter cover crops. Farmers sign up for the program every summer; plant cover crops in the fall and have the planting certified by MDA; till the crop back into the soil in the spring; and receive the cost share payment in late spring. MDA estimates that cover crops cost farmers between \$20 and \$25 per acre.

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Funding and implementation of the Cover Crop Program has varied from year to year. As shown in **Exhibit 9**, an estimated \$1.4 million is available in fiscal 2005 to provide cost-share assistance of approximately \$28 an acre to grow cover crops. In addition, the U.S. Department of Agriculture (USDA) offered an additional \$10 per acre to farmers who planted cover crops earlier than usual. The earlier cover crops are planted, the more effective they are at removing excess nutrients from the soil. The fiscal 2006 allowance provides a total of \$3.8 million, a significant funding increase.

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### **Exhibit 9 Cover Crop Program (Fiscal 2003 – 2006)**

	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005 (Working)</u>	<u>Fiscal 2006 (Allowance)</u>
Cost Share per Acre	\$20	\$20	\$28*	n/a
Cost Share Funds	\$2,322,960	\$598,759	\$1,449,560**	\$3,803,469**
Total Annual Acres	116,711	29,937	48,000	120,000
Nitrogen Reduced (lbs)	992,044	254,464	408,000	1,020,000
Phosphorus Reduced (lbs)	23,342	5,987	9,600	24,000

\*This is an average, as farmers could receive \$20–30/acre from State funds based on the date crops were planted. USDA offered an additional \$10 bonus for acres planted by October 1, 2004, and an estimated 17,000 acres qualified.

\*\*Some of these funds will be dedicated to program overhead and staffing needs, and the total cost share payment is adjusted every spring based on claims received.

Source: Maryland Department of Agriculture and Fiscal 2006 Budget Books.

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### **Fiscal 2006 Program Expansion**

While a majority of the revenue associated with the recently created Bay Restoration Fund (Chapter 428, Acts of 2004) will fund wastewater treatment plant upgrades, 40% of the revenue generated by fees on users of septic systems and sewage holding tanks – an estimated \$3.6 million in fiscal 2006 and \$4.6 million annually thereafter – will be available for the Cover Crop Program. In light of this significant additional revenue, the fiscal 2006 allowance is over 150% higher than the fiscal 2005 working appropriation. The following program implementation issues merit closer consideration in light of this significant funding increase and future funding commitment:

- **Maximizing Program Impact:** To maximize nitrogen reduction, MDA should identify the minimum amount of cost share dollars per acre necessary to promote the most cover crop acres, planted at the earliest time. This requires finding the right balance between early planting incentives and cost share dollars available per acre.

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- ***Interest in Participation:*** While interest in the program has consistently exceeded available funds in the past, it is unclear whether this will remain the case in fiscal 2006.
- ***Equalizing Participation Opportunities:*** Due to climatic differences, farmers in the western parts of the State are often not able to plant cover crops prior to the program deadlines, placing them at a disadvantage.
- ***Sharing Versus Covering Costs:*** Program changes as well as the availability of federal funds in fiscal 2005 may allow MDA to provide up to \$40/acre – almost double farmers’ actual planting costs. This suggests that the program is shifting from a cost share program to one in which farmers may realize a significant profit as a result of participation.

**The Department of Legislative Services (DLS) recommends budget bill language capping the total cover crop cost share funding amount at \$30/acre, to ensure that cost share funds provided do not exceed associated planting costs. Secondly, language is recommended requiring a report that provides the following information: program strategies that will ensure a maximum amount of nitrogen reduction is achieved with a minimum amount of cost share dollars; how MDA intends to ensure that geographic differences do not result in unequal participation opportunities; whether the cost share amount should exceed associated planting costs; and the benefits and disadvantages associated with basing the cost share on a percentage of the average cover crop planting cost.**

### **3. Organic Farming Opportunities and Benefits**

#### **Background**

Organic agriculture is an ecological production management system that promotes and enhances biodiversity, biological cycles, and soil biological activity. All kinds of agricultural products are produced organically, including produce, grains, meat, dairy, eggs, fibers, flowers, and processed food products. Organic agriculture is expanding rapidly in the United States. Organic products are now available in nearly 20,000 natural food stores and 73% of conventional grocery stores, and sales have increased dramatically – from \$1 billion in 1990 to \$11 billion in 2002. A recent study by the Chesapeake Fields Institute found that most Maryland consumers seek out locally grown organic food and are willing to pay a premium price to get it. Maryland consumers purchased \$160 million worth of organic products in 2002.

In October 2002, the National Organic Rule (NOP) went into effect. The NOP established a uniform set of organic production, processing, and labeling standards across the United States. Anyone who sells a product as "organic" is required by law to be certified. The USDA oversees implementation of the NOP and accredits independent certifiers to certify growers and processors on its behalf. MDA is an accredited, independent certifier. MDA’s Organic Program has approximately one staff position and a fiscal 2005 working appropriation of \$148,534. This small program is partially supported by the \$400 flat, annual fee assessed on program participants. Organic producers and handlers may be reimbursed for 75% of the certification fee cost through the USDA.

## Organic Agriculture in Maryland

As shown in **Exhibit 10**, 89 Maryland farming operations, representing approximately 5,000 acres participate in Maryland's organic certification program. Participation increased in 2003 after the NOP went into effect. Some of the benefits of and challenges associated with organic agriculture in Maryland are summarized below.

### Benefits

- **Environmental:** Organic farming prevents topsoil erosion, improves soil fertility, and conserves energy. It also helps to protect ground water supplies and minimize runoff of chemicals that can cause "dead zones" in larger bodies of water.
- **Health:** Organic agriculture minimizes children's exposure to toxic and persistent pesticides, and according to several studies cited by the Organic Trade Association there is growing evidence that organically grown fruits, vegetables, and grains may offer more of some nutrients.

### Challenges

- **Application Process:** The organic certification application process is long and cumbersome.
- **Marketing:** There are numerous existing marketing efforts to sell Maryland-grown and/or Maryland organic products, which has resulted in consumer confusion and diffused programmatic impacts.

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### Exhibit 10 Organic Farming in Maryland (As of December 2004)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
No. of Organic Operations	80	84	90	89
Organic Acreage	4,000	4,000	*5,000	*5,000

\*Approximate  
Source: Maryland Department of Agriculture

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## **Recommendations for Improving Maryland-Grown Organic Food Markets**

An April 2004 Chesapeake Fields Institute study on organic agriculture in the State, set forth four recommendations for improving Maryland-grown organic food markets within current initiatives being run by State agencies and organizations. These recommendations are listed below.

- Adequately fund a statewide labeling program (e.g., MDA's "Certified Organic" or "Maryland's Best" label programs) to market Maryland-grown organic food to Maryland consumers.
- Encourage State institutions to develop contracts with State certified organic producers for their agricultural products needs through a pilot project in a public school or other institutional venue.
- Educate non-organic farmers about the certification fee rebate program and other help available through workshops and mailings.
- Facilitate a series of meetings on specific Maryland organic product markets to aid in the development of these markets in collaboration with interested producer groups, other industry members, and non-profit organizations.

**MDA should comment on each recommendation and note whether, and if so how, they will be implemented. Furthermore, DLS recommends budget bill language requiring MDA and the Department of Budget and Management to submit a report by November 1, 2005, outlining policy and program changes the State intends to implement to support the organic farming community and improve State programs. Among other items, this report should discuss the feasibility of establishing organic food procurement requirements for State agencies.**

***Recommended Actions***

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1. Add the following language:

Provided that the Maryland Department of Agriculture and the Department of Budget and Management shall submit a report to the budget committees by November 1, 2005, describing policy and program changes the State intends to implement to support the organic farming community and to strengthen State programs that may benefit organic farming. This report should address the recommendations contained in the April 2004 Chesapeake Fields Institute report on organic agriculture; the feasibility, benefits, and disadvantages of establishing organic food procurement requirements for State agencies; and the potential impact increased organic farming could have on the State’s nutrient management efforts. The committees shall have 45 days to review and comment upon the report.

**Explanation:** This bill language requires MDA and the Department of Budget and Management (DBM) to submit a report by November 1, 2005, outlining policy and program changes the State intends to implement to support the organic farming community and improve State programs. The report should discuss:

- the recommendations contained in the April 2004 Chesapeake Fields Institute report on organic agriculture in the State;
- the feasibility, benefits, and disadvantages of establishing organic food procurement requirements for State agencies; and
- the impact increased organic farming could have on the State’s nutrient management efforts.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Report on Organic Farming	MDA DBM	November 1, 2005

	<b><u>Amount Reduction</u></b>		<b><u>Position Reduction</u></b>
2. Delete vacant Public Information Officer position. With this reduction, one filled Public Information Officer position would still exist.	\$ 74,460	GF	1.0
3. Add the following language to the special fund appropriation:			

. Provided that cover crop program cost share payments shall not exceed \$30.00 per acre. Further provided, that the Maryland Department of Agriculture (MDA) shall submit a cover

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crop program report to the budget committees by November 1, 2005, providing the following information:

- 1) a description of several strategies MDA intends to implement to ensure the maximum amount of nitrogen reduction is achieved with a minimum cost share payment per acre;
- 2) how MDA ensures that geographic differences do not result in unequal program participation opportunities; and
- 3) the benefits and disadvantages associated with basing cost share payments on a percentage of the average planting costs and with allowing the cost share payment to exceed associated planting costs.

The committees shall have 45 days to review and comment upon the report.

**Explanation:** This language caps the total amount of cover crop cost share funding that MDA may provide to \$30 per acre. This language will help ensure that cost share funds do not significantly exceed associated planting costs. In light of a significant fiscal 2006 program funding increase, this language also requires MDA to submit a report by November 1, 2005, that provides the following information: program strategies that will ensure a maximum amount of nitrogen reduction is achieved with a minimum amount of cost share dollars; how MDA intends to ensure that geographic differences do not result in unequal participation opportunities; whether the cost share amount should exceed associated planting costs; and the benefits and disadvantages associated with basing the cost share on a percentage of the average planting costs.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Cover Crop Program Report	MDA	November 1, 2005

	<u><b>Amount Reduction</b></u>	<u><b>Position Reduction</b></u>
4. Reduce funding for the nutrient management cost share program. Significant funds from previous fiscal years have not been expended. With this reduction, \$100,000 would still be available for this program. In addition, the allowance provides \$1.1 million for Cooperative Extension Service staff to develop nutrient management plans for farmers at no cost.	200,000	GF
5. Reduce funding for the Cover Crop Program. With this reduction, a 100% increase would still be	654,349	SF

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provided for this program. This reduction reflects the fact that several program implementation issues must be clarified. In addition, this reduction will help slow down overall growth in State spending.

<b>Total Reductions</b>	<b>\$ 928,809</b>	<b>1.0</b>
<b>Total General Fund Reductions</b>	<b>\$ 274,460</b>	
<b>Total Special Fund Reductions</b>	<b>\$ 654,349</b>	

## *Updates*

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### **1. MDA Report on Arsenic in Chicken Litter**

In response to fiscal 2005 budget bill language, MDA submitted a report on the potential human and environmental impacts of the arsenic present in chicken litter. The poultry industry often mixes federally approved arsenic known as Roxarsone with chicken feed to control intestinal parasites and promote growth. The chickens that eat Roxarsone retain very low levels of this arsenic, releasing much of it into the environment.

MDA's report describes how the State and federal government regulates and monitors the use of arsenic in chicken feed. At the federal level, the U.S. Food and Drug Administration (FDA) approves and regulates drugs given to animals. Roxarsone has been approved by the FDA and has been used for many years in poultry production. At the State level, MDA's Office of the State Chemist regulates the sale and distribution of feed products by product registration, laboratory analysis, inspection, and voluntary compliance and enforcement actions (e.g.: stop sale orders). MDA also conducts a monitoring program to check for heavy metals (including arsenic) in feed and fertilizers. To date, analyses of Roxarsone feed samples indicate that it is being used according to the label.

The report provides data from four research studies on the fate of Roxarsone in the environment. Several research findings are summarized below.

- While the arsenic in poultry litter can be easily mobilized by water, it tends to bond strongly to soil particles, which mitigates the risk of it leaching into the ground water.
- A study of the Pocomoke River Basin, which has a long history of intense poultry production, found that arsenic levels were within the normal range.
- A study of the major aquifers of the Maryland Coastal Plain found that arsenic levels were at acceptable levels – but the levels were elevated in some shallow ground water, agricultural soils, and storm runoff. The researchers did not identify any specific environmental risks associated with the elevated levels.
- Further study is needed to better understand the potential risks associated with the arsenic in poultry litter.

While MDA's report concludes that the human and environmental impacts of the arsenic content of poultry litter are not significant, the following concerns remain.

- The research MDA reviewed suggests that the presence of arsenic has not resulted in the degradation of drinking water sources, but one study noted that research on this issue is limited.

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- Over time, the FDA has approved various drugs and associated use regimens and subsequently learned of significant adverse impacts. So, FDA approval of Roxarsone and its appropriate use could change.
- MDA states that it will continue to monitor research on this issue and conduct its State Chemist and monitoring programs. However, the report does not identify any additional measures that the State intends to take to address potential risks, and it gives full responsibility to the FDA.

## **2. Tobacco Authority Sunset Not Recommended**

The Maryland Tobacco Authority is housed in MDA's Office of Marketing, Animal Industries, and Consumer Services. The authority is empowered to regulate marketing practices for Maryland-grown tobacco by overseeing auction activities and issuing licenses to the various parties that participate in the tobacco auction, with the exception of tobacco producers. The authority is funded through these license fees and the fee imposed on each pound of tobacco auctioned.

In accordance with the Maryland Program Evaluation Act (§ 8-400 *et seq.* of the State Government Article), DLS evaluated the authority to determine whether its termination is warranted. This DLS "sunset" report recommended continuing the authority and outlined the findings and recommendations summarized below:

### **Findings**

- The future of the tobacco market in Maryland remains uncertain largely because it is unclear how much tobacco will continue to be grown.
- Maryland tobacco has become a niche crop for high-end European cigarettes, prompting continued demand.
- The economic viability of the two remaining tobacco warehouses is clouded by the diminishing amount of tobacco being grown and the impending construction of the Hughesville Bypass.
- The existing tobacco auction process is preferred over direct contracting.
- A stable tobacco market helps to preserve Maryland's heritage and farm land.
- The authority's regulatory efforts help ensure a fair and efficient market system.

## **Recommendations**

- Legislation should be enacted to continue the authority and extend its termination date by five years to July 1, 2011.
- If only one tobacco warehouse is in operation before the next sunset evaluation, the Secretary of Agriculture should offer departmental legislation which dissolves the authority and transfers regulatory functions to MDA.
- MDA should convene a workgroup consisting of farmers and tobacco buyers to investigate the possibility of running a tobacco auction at the State's tobacco warehouse in Cheltenham.
- Statute should be amended to eliminate the annual compensation payment of \$750 to nongovernmental members.
- The poundage tax should be increased to 25 cents per 100 pounds. MDA, in consultation with the authority, should examine an increase in licensing fees.

### **3. Impact of Recent Federal Tobacco Buyout Agreement**

In November 1998 the major manufacturers of tobacco products entered into the Master Settlement Agreement (MSA) with forty-six states, the District of Columbia, the Commonwealth of Puerto Rico, and four United States Territories. Recognizing that the MSA may result in reduced tobacco consumption and therefore adversely affect tobacco growers, the National Grower Settlement Trust (frequently referred to as the "Phase II Trust") was created to provide aid to tobacco growers and tobacco quota holders. These payments are separate from Maryland's Tobacco Buyout Program, under which growers receive annual payments from the State if they agree to stop raising tobacco. Approximately 1,000 tobacco farmers are certified to receive payments from Maryland's portion of the Trust. In recent years, MDA has disbursed approximately \$2.6 million annually.

The federal tobacco buyout signed into law by President George W. Bush in October 2004 may bring a permanent end to Trust payments. Since tobacco companies will be required to make a substantial, new financial commitment to growers under this new federal law, the Trust payments are anticipated to end. In most states, the payments growers have been receiving will be replaced with new buyout funds. However, since Maryland growers do not participate in the federal tobacco quota program and therefore will not receive buyout funds, growers could lose their Trust payments without realizing any offsetting benefit. The State is appealing this new provision, as well as efforts by tobacco companies to apply this new provision to Trust payments which were anticipated in late 2004.

## *Current and Prior Year Budgets*

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### Current and Prior Year Budgets Department of Agriculture (\$ in Thousands)

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$27,862	\$11,857	\$4,479	\$3,102	\$47,300
Deficiency Appropriation	700	0	0	0	700
Budget Amendments	298	153	419	613	1,483
Cost Containment	-1,692	0	0	0	-1,692
Reversions and Cancellations	-246	-1,375	-2,476	-749	-4,846
<b>Actual Expenditures</b>	<b>\$26,922</b>	<b>\$10,635</b>	<b>\$2,422</b>	<b>\$2,966</b>	<b>\$42,945</b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$25,369	\$12,535	\$3,658	\$3,545	\$45,107
Budget Amendments	285	565	866	745	2,461
<b>Working Appropriation</b>	<b>\$25,654</b>	<b>\$13,100</b>	<b>\$4,524</b>	<b>\$4,290</b>	<b>\$47,568</b>

Note: Numbers may not sum to total due to rounding.

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## **Fiscal 2004 Budget Changes**

MDA's general funds dedicated to operating functions decreased by \$940,005. Part of this reduction is due to \$1,692,000 in cost containment reductions under the provisions of Section 7-213(a) of the State Finance and Procurement Article (Budget Amendment 37-04). These reductions were:

- \$525,000 in cover crop program funds, eliminating the eligibility of soybean farmers;
- \$350,000 in nutrient management plan development funds, in light of low demand;
- \$215,000 in equipment funds, delaying replacement of an incinerator at Centreville and purchase of an airplane for the mosquito program;
- \$160,000 in Resource Conservation Engineering Services program funds, as federal funds have become available;
- \$152,000 in personnel funds, eliminating four contractual positions;
- \$130,000 in vehicle replacement funds; a 47% reduction in the program's general funds;
- \$60,000 in State Chemist and Integrated Pest Management funds;
- \$60,000 soil mapping funds, reducing electronic distribution; and
- \$40,000 in Resource Conservation Operations, eliminating equipment and supply funds.

This significant general fund reduction was off set by a \$700,000 deficiency payment for MDA's mosquito control program, to pay for the unexpected additional personnel costs that were incurred during the 2003 season and allow MDA to restock its insecticide chemical inventory in preparation for the 2004 mosquito season. The remaining changes were the result of reversions and budget amendments that brought funds in for the Rural Maryland Council (formerly the FORVM for Rural Maryland) and MAERDAF.

Special funds dedicated to operating functions decreased significantly largely due to \$1.4 million in cancellations. The major cancellations were in the following programs: Maryland Agricultural Land Preservation Foundation administration (\$342,215); Marketing and Agricultural Development (\$221,689); Weight and Measures (\$168,026); Forest Pest Management (\$132,275); and Pesticide Regulation (\$104,529). These cancellations were partially off-set by a \$137,051 budget amendment for efforts to replace outdated laboratory equipment in the State Chemist Program.

Federal funds dedicated to operating functions decreased significantly largely due to \$2.5 million in cancellations. The major cancellations were in the following programs: Marketing and Agricultural Development (\$1,782,810) due to lower than anticipated specialty crop promotions and the senior farmers market coupon program, Forest Pest Management (\$305,913), Plant Protection and Weed Management (\$136,926), and Pesticide Regulation (\$108,478). These cancellations were

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partially off set by \$419,430 in budget amendments for efforts to implement an Emerald Ash Borer Eradication Program (\$290,000) and to bring in funding for the Rural Maryland Council (\$116,241).

Reimbursable funds decrease by \$136,081 due to \$613,104 in budget amendments, offset by \$749,185 in cancellations.

### **Fiscal 2005 Budget Changes**

General funds increased by \$285,417 or 1.1%, primarily due to allocation of the cost-of-living adjustment general fund appropriation to State agencies as authorized in the fiscal 2005 budget bill (Budget Amendment 006-05).

Special funds will increase by \$565,054 or 4.5%, due to several pending budget amendments, including \$200,000 to bring in fee revenue for State Chemist equipment purchases; \$72,500 in new pesticide fee revenue; and \$34,090 in new turf and seed fee revenue.

Federal funds will increase by \$865,928 or 23.7% as a result of several pending budget amendments, including \$200,000 for Animal Health; \$231,000 for Emerald Ash Borer and Sudden Oak Death eradication programs; and \$415,002 for grants to implement accelerated conservation planning, application assistance, and best management practices at soil conservation districts.

## ***Audit Findings***

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Audit Period for Last Audit:	September 1, 2000 – July 9, 2003
Issue Date:	March 2004
Number of Findings:	8
Number of Repeat Findings:	3
% of Repeat Findings:	60%
Rating: (if applicable)	

- Finding 1:** MDA did not fully use the security features available on the State’s Financial Management Information System to establish proper internal controls over purchases and disbursements.
- Finding 2:** MDA lacked appropriate document to support certain contractual vendor payments totaling \$634,000 that were made during fiscal year 2003.
- Finding 3:** MDA had not established adequate controls over cash receipts at four of the five locations reviewed.
- Finding 4:** MDA lacked adequate controls over non-cash credit adjustments recorded to its accounts receivable records.
- Finding 5:** MDA’s physical inventory and recordkeeping procedures were inadequate and not in accordance with the Department of General Services’ *Inventory Control Manual*.
- Finding 6:** MDA did not have a complete information technology recovery plan for recovering from disaster scenarios (for example, a fire).
- Finding 7:** MDA’s internal network was not adequately protected from security risks from network connections associated with the State’s FMIS Wide Area Network.
- Finding 8:** MDA lacked adequate internal controls over its payroll.

\*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report  
Department of Agriculture**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	436.00	430.00	428.50	-1.50	-0.3%
02 Contractual	34.53	46.70	43.65	-3.05	-6.5%
<b>Total Positions</b>	<b>470.53</b>	<b>476.70</b>	<b>472.15</b>	<b>-4.55</b>	<b>-1.0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 23,075,804	\$ 23,387,414	\$ 23,787,700	\$ 400,286	1.7%
02 Technical & Spec Fees	1,051,731	1,441,003	1,137,689	-303,314	-21.0%
03 Communication	859,477	804,299	808,075	3,776	0.5%
04 Travel	430,740	593,735	584,979	-8,756	-1.5%
06 Fuel & Utilities	762,746	879,571	940,793	61,222	7.0%
07 Motor Vehicles	1,009,754	978,299	930,052	-48,247	-4.9%
08 Contractual Services	5,142,023	6,008,920	5,264,606	-744,314	-12.4%
09 Supplies & Materials	1,960,412	1,684,916	1,489,435	-195,481	-11.6%
10 Equip - Replacement	256,378	600,845	434,978	-165,867	-27.6%
11 Equip - Additional	255,683	749,236	313,830	-435,406	-58.1%
12 Grants, Subsidies, and Contributions	7,736,485	9,654,394	11,331,926	1,677,532	17.4%
13 Fixed Charges	203,306	348,977	343,118	-5,859	-1.7%
14 Land & Structures	200,871	437,271	447,500	10,229	2.3%
<b>Total Objects</b>	<b>\$ 42,945,410</b>	<b>\$ 47,568,880</b>	<b>\$ 47,814,681</b>	<b>\$ 245,801</b>	<b>0.5%</b>
<b>Funds</b>					
01 General Fund	\$ 26,922,136	\$ 25,654,088	\$ 23,075,000	-\$ 2,579,088	-10.1%
03 Special Fund	10,634,996	13,100,339	16,798,191	3,697,852	28.2%
05 Federal Fund	2,422,460	4,524,046	4,324,994	-199,052	-4.4%
09 Reimbursable Fund	2,965,818	4,290,407	3,616,496	-673,911	-15.7%
<b>Total Funds</b>	<b>\$ 42,945,410</b>	<b>\$ 47,568,880</b>	<b>\$ 47,814,681</b>	<b>\$ 245,801</b>	<b>0.5%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary  
Department of Agriculture**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Executive Direction	\$ 2,361,435	\$ 2,224,948	\$ 2,244,489	\$ 19,541	0.9%
02 Administrative Services	951,497	985,124	1,044,603	59,479	6.0%
03 Central Services	1,800,243	1,896,377	2,158,237	261,860	13.8%
04 Maryland Agricultural Commission	150,970	146,167	150,814	4,647	3.2%
05 Maryland Agricultural Land Preservation Foundation	954,821	1,295,843	1,503,841	207,998	16.1%
01 Office of the Assistant Secretary	98,084	99,361	146,171	46,810	47.1%
02 Weights and Measures	1,691,845	1,744,887	1,709,746	-35,141	-2.0%
03 Egg Inspection, Grading and Grain	1,348,299	1,294,932	1,354,322	59,390	4.6%
04 Maryland Agricultural Statistics Services	115,981	130,207	133,985	3,778	2.9%
05 Animal Health	3,294,739	3,713,614	3,237,789	-475,825	-12.8%
07 State Board of Veterinary Medical Examiners	172,085	301,766	326,774	25,008	8.3%
08 Maryland Horse Industry Board	132,860	142,712	157,363	14,651	10.3%
09 Aquaculture Development and Seafood Marketing	570,869	604,745	462,800	-141,945	-23.5%
10 Marketing and Agriculture Development	2,758,736	3,777,845	3,673,338	-104,507	-2.8%
11 Maryland Agricultural Fair Board	1,459,480	1,459,417	1,460,000	583	0%
12 State Tobacco Authority	9,107	12,800	8,734	-4,066	-31.8%
18 Rural Maryland Council	187,830	229,990	195,303	-34,687	-15.1%
19 MD Agricultural Education & Rural Development Fund	146,392	146,392	0	-146,392	-100.0%
01 Office of the Assistant Secretary	166,094	166,323	149,037	-17,286	-10.4%
02 Forest Pest Management	1,406,019	1,800,327	1,661,857	-138,470	-7.7%
03 Mosquito Control	3,574,610	3,127,539	2,945,137	-182,402	-5.8%
04 Pesticide Regulation	956,752	1,049,818	1,020,174	-29,644	-2.8%
05 Plant Protection	1,998,092	2,255,733	2,021,053	-234,680	-10.4%
06 Turf and Seed	934,157	982,817	955,754	-27,063	-2.8%
09 State Chemist	1,609,347	2,240,080	1,954,224	-285,856	-12.8%
01 Office of the Assistant Secretary	176,120	178,380	151,476	-26,904	-15.1%
02 Program Planning and Development	3,433,871	3,537,216	3,200,487	-336,729	-9.5%
03 Resource Conservation Operations	7,460,353	8,276,381	8,276,722	341	0%
04 Resource Conservation Grants	3,024,722	3,747,139	5,510,451	1,763,312	47.1%
<b>Total Expenditures</b>	<b>\$ 42,945,410</b>	<b>\$ 47,568,880</b>	<b>\$ 47,814,681</b>	<b>\$ 245,801</b>	<b>0.5%</b>

General Fund	\$ 26,922,136	\$ 25,654,088	\$ 23,075,000	-\$ 2,579,088	-10.1%
Special Fund	10,634,996	13,100,339	16,798,191	3,697,852	28.2%
Federal Fund	2,422,460	4,524,046	4,324,994	-199,052	-4.4%
<b>Total Appropriations</b>	<b>\$ 39,979,592</b>	<b>\$ 43,278,473</b>	<b>\$ 44,198,185</b>	<b>\$ 919,712</b>	<b>2.1%</b>
Reimbursable Fund	\$ 2,965,818	\$ 4,290,407	\$ 3,616,496	-\$ 673,911	-15.7%
<b>Total Funds</b>	<b>\$ 42,945,410</b>	<b>\$ 47,568,880</b>	<b>\$ 47,814,681</b>	<b>\$ 245,801</b>	<b>0.5%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

## Fiscal 2006 Cost Containment Actions As Submitted by the Agency

### Estimated Fiscal 2006 Savings Compared to Fiscal 2005

<u>Cost Saving Action/Efficiency Measure</u>	<u>Program Code</u>	<u>General Funds</u>	<u>Positions Reduced</u>	<u>Impact of Action</u>
Reduction for Cover Crops	15.04	\$1,200,000		Reduce due to \$3.6 million increase in special funds, increases services to 144,000 acres.
Nutrient Mgmt. Cost Share Funding	15.04	200,000		Reduced grant funding for cost sharing, reduces services for 70,000 acres.
Nutrient Mgmt Grant to Unv. of MD	15.02	358,000		Reduce grants for IT support and State development of nutrient management plans for about 150,000 acres.
Forest Pest Management	14.02	208,000		Anticipate lower federal funding support if gypsy moth population control has another significant decline in 2006, result is lower acreage spray.
Plant Protection and Weed Mgmt.	14.05	200,000		Offset general fund reduction with federal funds using existing staff for Sudden Oak Death and Emerald Ash Borer programs.
Marketing and Agribusiness Development	12.1	200,000	1.5	Reduction of 2 marketing staff and support for agricultural business.
Aquaculture Development and Seafood Mkt	12.09	120,000		Reduction of admin. staff and advertising funds to promote seafood use in Maryland.
MD Ag. Education & Rural Dev. Asst. Fund	12.19	146,392		Eliminate grant program.
IT Services	11.01	115,000		Reduction for lease purchase contracts and new procurement of equipment.

Source: Department of Agriculture