

L00A1111
Department of Agriculture – PAYGO

Pay-As-You-Go Capital Budget Summary

(\$ in Millions)

	<i>FY 2008 Approp.</i>	<i>FY 2009 Approp.</i>	<i>FY 2010 Allowance</i>	<i>Percent Change</i>	<i>DLS Recommd.</i>
Maryland Agricultural Land Preservation	\$69.962	\$45.705	\$25.585	-44.0%	\$25.585
Tobacco Transition Program*	9.330	9.030	10.335	14.5%	10.335
MARBIDCO – Installment Purchase Agreements	0.000	0.000	4.000	100.0%	4.000
MARBIDCO – Next Generation Farmland Acquisition Program	0.000	0.000	0.400	100.0%	0.400
Total	\$79.292	\$54.735	\$40.320	-26.3%	\$40.320

Fund Source					
Special	\$74.292	\$41.735	\$33.320	-20.2%	\$33.320
Federal	2.000	10.000	2.000	-80.0%	2.000
PAYGO Subtotal	76.292	51.735	35.320	-31.7%	35.320
GO Bonds	3.000	3.000	5.000	66.7%	5.000
Total	\$79.292	\$54.735	\$40.320	-26.3%	\$40.320

*The fiscal 2009 appropriation for the Tobacco Transition Program reflects the \$300,000 reduction for agricultural land preservation as part of the October 15, 2008 Board of Public Works cost containment actions.

Summary of Issues

Uncertainty in New Maryland Agricultural and Resource-Based Industry Development Corporation Pay-as-you-go Programs: The Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) has two new pay-as-you-go (PAYGO) programs in the fiscal 2010 allowance. However, there is a disagreement on whether these programs are operating budget financing mechanisms or PAYGO programs. In part, the uncertainty lies in how the programs will be administered and what final interest the State will hold in the proposed conservation easements. **The Department of Legislative Services (DLS) recommends that MARBIDCO and the Maryland Agricultural Land Preservation Program (MALPP) be prepared to comment on the anticipated use of Installment Purchase Agreement program funding in fiscal 2010.**

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Summary of Recommended Actions

Maryland Agricultural Land Preservation Program

1. Concur with Governor's allowance.

Tobacco Transition Program

1. Concur with Governor's allowance.

MARBIDCO – Installment Purchase Agreement

1. Concur with Governor's allowance.

MARBIDCO – Next Generation Farmland Acquisition Program

1. Concur with Governor's allowance.

Overview

The Maryland Department of Agriculture's fiscal 2010 PAYGO allowance includes \$33.3 million in special funds, \$2.0 million in federal funds, and \$5.0 million in general obligation bonds. This represents a \$14.4 million, or 26.3%, decrease from fiscal 2009. This decrease primarily is due to the decrease in property transfer tax funding for the Maryland Agricultural Land Preservation Program. For instance, the current agricultural transfer tax revenue estimate is approximately \$2.0 million for fiscal 2009. In addition, the Cigarette Restitution Fund special funds for the Tobacco Transition Program decrease \$695,000 relative to the fiscal 2009 appropriation; although, an increase in the general bond funding from \$3.0 million to \$5.0 million offsets this reduction.

The PAYGO allowance also includes two new programs for the Maryland Agricultural and Resource-Based Industry Development Corporation. The two programs are allocated funding from a new distribution formula for the agricultural transfer tax discussed below. The two programs are as follows:

- Installment Purchase Agreements – funded at \$4.0 million in special funds from an allocation of MALPP's portion of the property transfer tax; and
- Next Generation Farmland Acquisition Program – funded at \$0.4 million from a portion of the agricultural transfer tax.

L00A1111 – Department of Agriculture – PAYGO

Chapter 610 of 2008 established a 25% surcharge on the transfer of agricultural land and altered the distribution of the agricultural land transfer tax revenues including allocations for the two new MARBIDCO programs. The 25% surcharge is added to the existing agricultural land transfer tax and all of the additional revenue generated is allocated to the State. Chapter 610 also changed the distribution of the State portion of the agricultural land transfer tax to the following (in priority order):

- Woodland Incentive Fund – \$0.2 million (mandatory);
- Maryland Agricultural Land Preservation Foundation (MALPF) – \$2.5 million beginning in fiscal 2009 and increasing 5% annually beginning in fiscal 2010 (mandatory);
- MARBIDCO – Next Generation Farmland Acquisition Program – 37.5% of the remaining funding up to a maximum of \$4.0 million;
- MARBIDCO – Installment Purchase Agreements – \$4.0 million from either the remaining agricultural land transfer tax or the transfer tax (mandatory); and
- MALPF – remaining funds.

The statutory allocation of funding from the agricultural transfer tax requires a \$2.6 million allocation to MALPF, which is more than the estimated agricultural transfer tax revenue for fiscal 2010 of \$2.4 million. However, statute allows for the Maryland Department of Agriculture to provide funding for the Next Generation Farmland Acquisition Program from the mandatory \$2.6 million distribution to MALPF.

Overview Issues

1. Uncertainty in New MARBIDCO PAYGO Programs

The Maryland Agricultural and Resource-Based Industry Development Corporation has two new PAYGO programs in the fiscal 2010 allowance. However, there is a disagreement on whether these programs represent operating or capital appropriations. In part, the uncertainty lies in how the programs will be administered and what final interest the State will hold in the proposed conservation easements. The two new PAYGO programs are the Installment Purchase Agreements program and the Next Generation Farmland Acquisition Program to be administered by MARBIDCO.

Two Types of Installment Purchase Agreements

The Installment Purchase Agreements program is intended to be an expansion of the existing program conducted jointly by the Maryland Agricultural Land Preservation Program and MARBIDCO. The current program is intended to encourage agricultural land owners to sell an agricultural easement through a self-funded installment purchase agreement – a financing mechanism – structured as follows:

- MARBIDCO purchases a U.S. Treasury financial instrument called a State and Local Government Series (SLGS) security for the full price of the agricultural easement value negotiated by MALPP and the land owner;
- agricultural land owner receives tax-free interest payments from the SLGS for the term of the SLGS; and
- agricultural land owner receives a balloon payment at the end of the SLGS term for the full value of the agricultural easement.

However, the self-funded installment purchase agreement does not leverage existing resources because the entire agricultural easement purchase is made at the beginning of the term of the SLGS. An alternative financing mechanism is called a leveraged installment purchase agreement. The leveraged installment purchase agreement is structured as follows:

- MARBIDCO purchases another U.S. Treasury financial instrument called a zero coupon bond for a discounted amount;
- agricultural land owner receives tax-free interest payments for the term of the agreement with MARBIDCO from the annual appropriation of agricultural or property transfer tax (this amount is intended to match the interest on a SLGS); and
- agricultural land owner receives a balloon payment at the end of the term of the agreement.

Difference Between Self-funded and Leveraged Installment Purchase Agreements

The difference between the self-funded and the leveraged installment purchase agreement is the source of revenue for the payment of the tax-free interest to the landowner. The leveraged installment purchase agreement tax-free interest is paid from a State tax source – the revenue from the agricultural and property transfer taxes – and therefore, the Treasurer’s office has noted that the leveraged installment purchase agreement is subject to the 15-year limitation of State tax-supported debt obligations. In contrast, the self-funded installment purchase agreement tax-free interest is paid from the SLGS, which already has been purchased by the State and, therefore, is no longer an

L00A1111 – Department of Agriculture – PAYGO

obligation of the State. As a result of this difference, the leveraged installment purchase agreement has been determined to be constrained by the 15-year limitation of State tax-supported debt.

However, the advantage of the leveraged installment purchase agreement is its use of the zero coupon bond, which allows for the purchase of a greater amount of agricultural easements in the short-term than is allowed by the self-funded installment purchase agreement. The disadvantage of the leveraged installment purchase agreement is that the ongoing tax-free interest payments to landowners reduce the amount of agricultural easement purchases that may be made in the future.

Regardless, neither the leveraged nor the self-funded versions of the installment purchase agreement appear to be financially attractive in the short term. As mentioned before, the leveraged version is limited to a 15-year period of tax-free interest payments, which increases the cost of the zero coupon bond purchase and reduces the funding leveraged by the instrument. The self-funded version has had limited success in fiscal 2009 with only 2 out of 78 easement offers tentatively being structured as self-funded installment purchase agreements, perhaps due to the current low interest rates on SLGS and thus low tax-free interest payments.

Revenue Bond Issuance

In the event that installment purchase agreements are not viable in the short-term, MARBIDCO has proposed a third option for the \$4.0 million fiscal 2010 allowance. This option involves MARBIDCO issuing \$40.0 million in 15-year revenue bonds secured with either future agricultural or property tax revenue dedicated to the Installment Purchase Agreement program. In essence, this option would follow the strategy behind the leveraged installment purchase agreement of buying more agricultural easements now and fewer in the future. Like the leveraged installment purchase agreement, the issuing of 15-year revenue bonds secured with a State tax revenue source would require a commitment of resources into the future that would limit fiscal flexibility. Legislation would be required for MARBIDCO to use the \$4.0 million Installment Purchase Agreements funding for a revenue bond issuance.

Traditional Agricultural Easement Purchases

A final option is for the \$4.0 million fiscal 2010 allowance to be used to buy traditional agricultural easements, as allowed for in Chapter 610 of 2008. Under this option, the \$4.0 million essentially would be returned to MALPP.

Next Generation Farmland Acquisition Program

The Next Generation Farmland Acquisition Program receives an allocation from the agricultural transfer tax. The fiscal 2010 allowance includes \$0.4 million for the program.

L00A1111 – Department of Agriculture – PAYGO

The intent of the Next Generation Farmland Acquisition Program is to reduce the purchase price of agricultural land for young farmers interested in owning their own land. MARBIDCO would give 70% of the development value of agricultural land to be purchased by an eligible farmer to the farmer. In exchange, the farmer would commit to sell an agricultural easement on the land to an outside land conservation organization or MALPP within the next three years at which time one of the following would occur:

- agricultural land owner sells the agricultural easement – MARBIDCO receives a payback of its original payment to the land owner and the land owner retains the difference between the MARBIDCO payment and the agricultural easement sale price; or
- agricultural land owner does not sell the agricultural easement – MARBIDCO receives the agricultural easement on the property and transfers it to MALPP.

MARBIDCO notes that there would be restrictions on the sale of the conservation easement to MALPP so that the State does not pay the land owner twice for, in effect, the same benefit. However, MARBIDCO notes that there is insufficient funding for the purchase of Next Generation Farmland Acquisition Program agricultural easements in fiscal 2010. Therefore, MARBIDCO intends to retain the fiscal 2010 funds until sufficient funding is available to fund the Next Generation Farmland Acquisition Program purchases.

The Department of Legislative Services (DLS) recommends that MARBIDCO and MALPP be prepared to comment on the likelihood of the various scenarios for the use of Installment Purchase Agreement program funding in fiscal 2010.

Maryland Agricultural Land Preservation Program (Statewide)

PAYGO SF	\$23,585,000	Recommendation: Approve
PAYGO FF	\$2,000,000	

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, 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.

As of July 1, 2007, agricultural districts are no longer required to participate in the easement application process for MALPF, per Chapter 650 of 2007, and MALPF is prohibited from accepting a district petition for any purpose after June 30, 2008. However, districts in which an easement has been transferred to MALPF and districts established by a county and a landowner for the purpose of providing a property tax credit to the landowner will remain in force and may not be terminated.

MALPF qualifications include the requirement that parcels be at least 50 contiguous acres in active agricultural use with at least 50% of the total soils on the land classified as U.S. Department of Agriculture soil capability Class I, II, III, 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.

An owner of land that is at least 50 acres in size and actively devoted to agriculture use who is interested in selling an easement to MALPF is required to file an application with the county governing body. The county governing body refers the application and accompanying materials both to the agricultural preservation advisory board and to the county planning and zoning body. Within 60 days after the referral of the application, the agricultural preservation advisory board is required to advise the county governing body as to whether the land in the proposed easement meets MALPF qualifications and to make a recommendation on whether the easement should be purchased.

If either the agricultural preservation advisory board or the planning and zoning body recommend approval, the county governing body is required to hold a public hearing on the proposed easement. Within 120 days after the receipt of the application, the county governing body is required to render a decision as to whether the application will be recommended to MALPF for approval.

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

L00A1111 – Department of Agriculture – PAYGO

sold, the property is perpetually protected from further development, with certain rights available only to the owners who originally sold the easement.

Chapter 610 of 2008 stated the General Assembly’s intent that counties be encouraged to establish Priority Preservation Areas for agricultural land preservation and that new funds provided to the Maryland Agricultural Land Preservation Foundation for preservation easement acquisitions be used only in Priority Preservation Areas after July 1, 2010.

Prior Authorization and Capital Improvement Program

Authorization Request

(\$ in Millions)

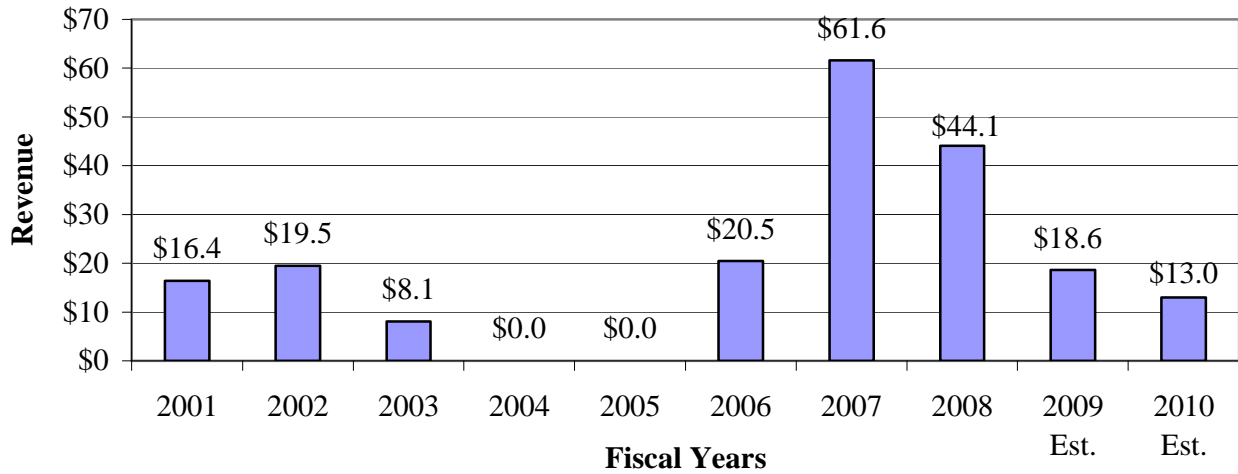
<i>Fund Source</i>	<i>2008 Approp.</i>	<i>2009 Approp.</i>	<i>2010 Allowance</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>
PAYGO SF	\$67.962	\$35.705	\$23.585	\$23.200	\$33.350	\$34.800	\$35.900
PAYGO FF	2.000	10.000	2.000	2.000	2.000	2.000	2.000
Total	\$69.962	\$45.705	\$25.585	\$25.200	\$35.350	\$36.800	\$37.900

The Administration’s total proposed fiscal 2010 funding for MALPP is \$25.585 million and is comprised of \$23.585 million in special funds and \$2.0 million in federal funds. The MALPP allowance includes a significant decrease in federal funds due to the expectation that the federal government easement restrictions will continue to inhibit the use of federal funding held in reserve from prior years. **The Department of Legislative Services recommends that MDA comment on the status of using federal funding for easement purchases.**

The PAYGO special fund allowance includes \$13.0 million in property transfer tax revenue, \$2.0 million in estimated agricultural land transfer tax revenues, and \$14.0 million in matching funds from local jurisdictions. Since \$1.8 million of the allowance is obligated for operating expenses, \$200,000 for indirect expenses, and \$4.0 million for the Maryland Agricultural Resource-Based Industry Development Corporation’s new Installment Purchase Agreements program, the MALPP special fund allowance for easement acquisitions is \$17.6 million. In addition, MDA notes that local jurisdiction participation may decrease depending on the actions taken with local aid in the 2009 session. As shown in **Exhibit 1**, the property transfer tax funding for fiscal 2010 is \$5.6 million, or 26.1%, lower than the fiscal 2009 appropriation primarily due to a substantial decrease in estimated property transfer tax revenue and an underattainment of revenues for fiscal 2008, which reduces the allocation of funding in fiscal 2010.

Based on an average cost of \$5,000 per acre (down from \$6,500 per acre in fiscal 2009), the overall fiscal 2010 allowance would allow MALPF to acquire easements on approximately 5,100 acres.

Exhibit 1
Property Transfer Tax Revenue Dedicated to MALPP
Fiscal 2001-2010
(\$ in Millions)



MALPP: Maryland Agricultural Land Preservation Program

Source: Governor's Budget Books, Fiscal 2006-2010

The impact of lower transfer tax revenue on the amount of agricultural land preserved is partially mitigated by a recent trailing off in conservation easement prices.

Maryland Agricultural Land Preservation Fund Data

Fund History

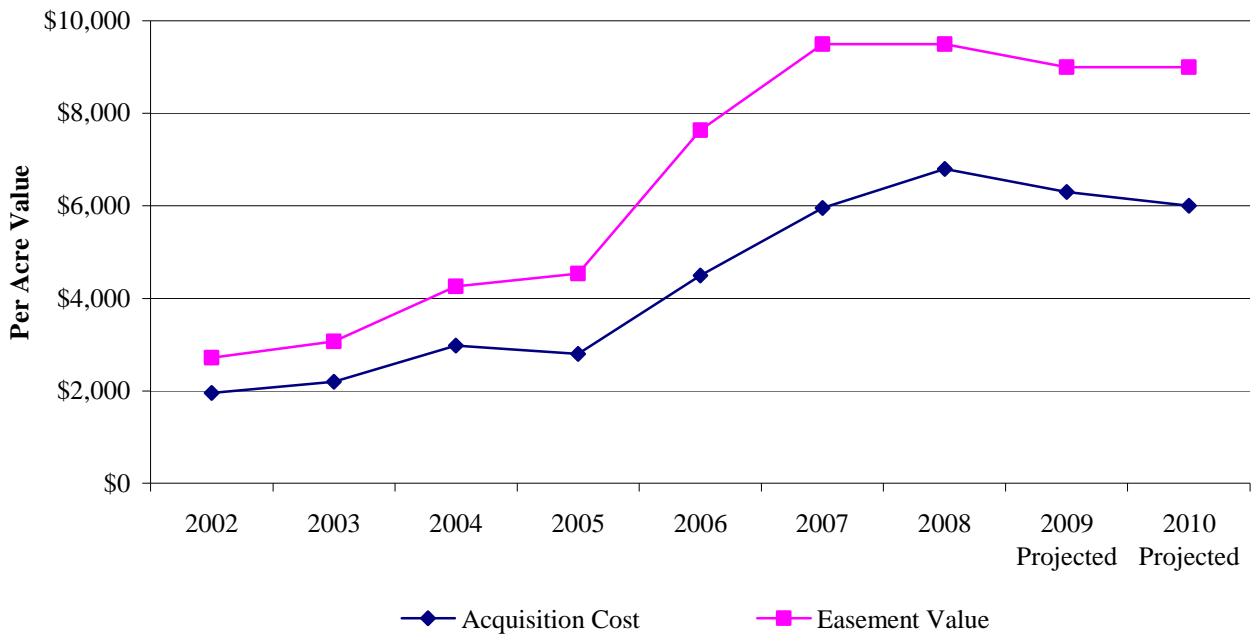
	<i>FY 2008 Actual</i>	<i>FY 2009 Estimated</i>	<i>FY 2010 Estimated</i>
Beginning Balance	\$0	\$0	\$0
Revenue			
Transfer Tax	\$42,977,845	\$16,704,604	\$12,999,780
Agricultural Transfer Tax	2,951,773	7,059,066	2,033,220
County Participation	22,019,345	14,000,000	14,000,000
Federal Grant	654,905	10,000,000	2,000,000
Other Income	33,083	0	60,000
Total Revenue	\$68,636,951	\$47,763,670	\$31,093,000
Total Available	\$68,636,951	\$47,763,670	\$31,093,000
Encumbrances			
Foundation Commitments*	\$66,404,712	\$45,504,604	\$25,059,780
Operating Expenses	2,032,239	2,059,066	1,833,220
Indirect Expenses	200,000	200,000	200,000
Grant to the Tri-County Council	0	0	0
Transfer to MARBIDCO	0	0	4,000,000
Total Encumbrances	\$68,636,951	\$47,763,670	\$31,093,000
Ending Balance	\$0	\$0	\$0

Note: The Maryland Department of Agriculture revised downward the fiscal 2010 amount anticipated from the agricultural transfer tax (originally \$2,625,000) and consequently revised downward the amount of foundation commitments (originally \$25,585,000) and operating expenses (originally \$1,900,000). The fiscal 2009 estimated agricultural transfer tax is based on the original appropriation and is unlikely to be realized. The current fiscal 2009 revenue estimate is \$2.0 million.

Program Analysis and Performance

Exhibit 2 illustrates the average per acre acquisition cost increase of \$4,843, or 247%, and per acre easement value increase of \$6,778, or 250%, between fiscal 2002 and 2008. Landowners discount their property value in order to receive funding; therefore, acquisition cost (what MALPF pays) is below the easement value (what MALPF could pay).

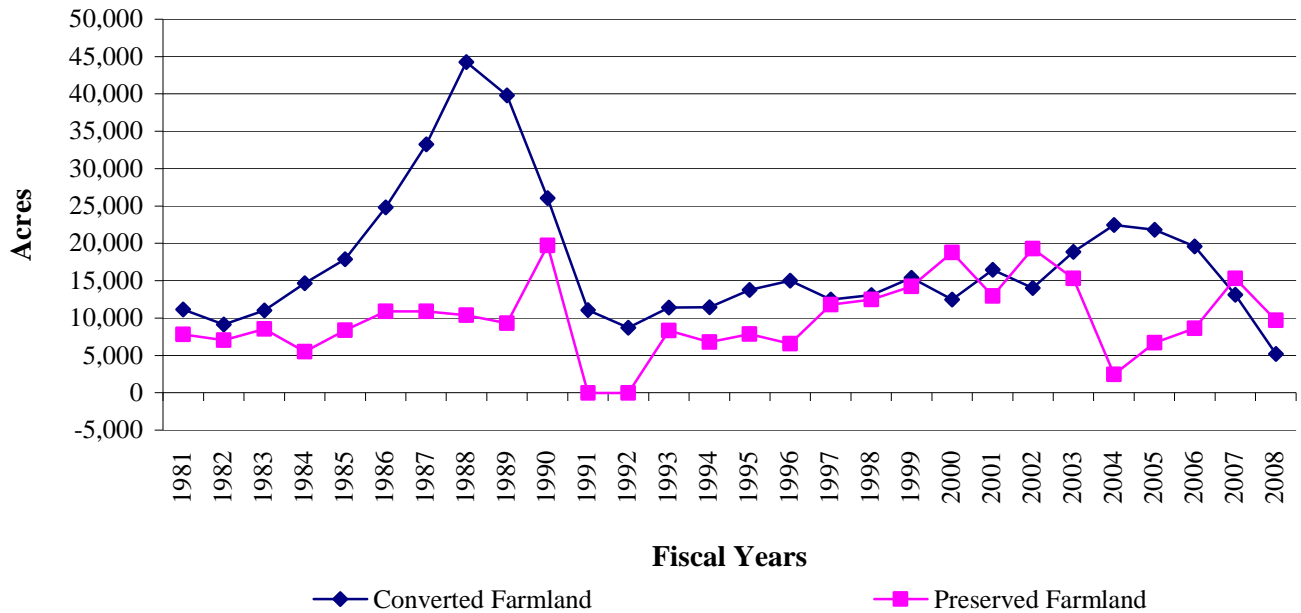
Exhibit 2
Per Acre Easement Value and Acquisition Costs
Fiscal 2002-2010



Source: Maryland Department of Agriculture

Exhibit 3 compares the agricultural land preserved and the amount of land converted to non-agricultural uses in each fiscal year. The period between fiscal 1983 and 1993 shows that more land was converted than preserved. Since then, land preserved has roughly equaled land converted in all but the period between fiscal 2003 and 2006.

Exhibit 3
Converted Farmland vs. Preserved Farmland
Fiscal 1981-2008

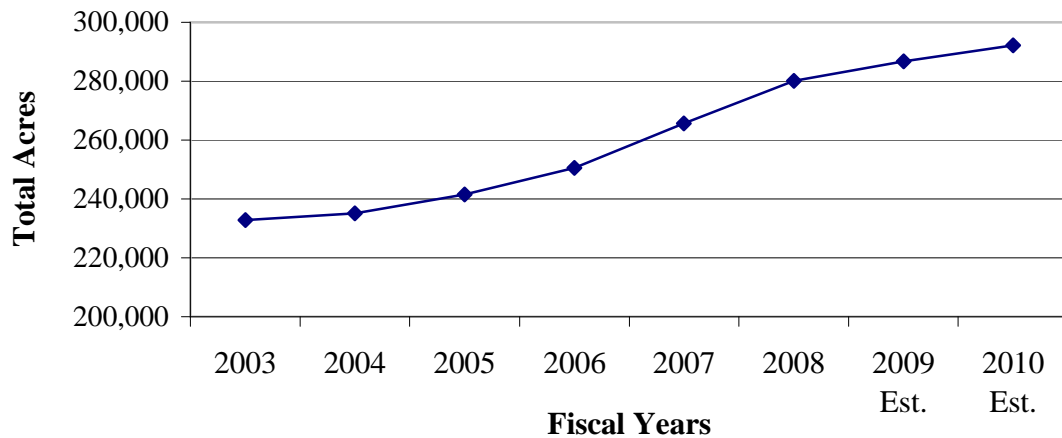


Source: Maryland Department of Agriculture

L00A1111 – Department of Agriculture – PAYGO

MALPP continues to increase the total agricultural acres under protective easements. As shown in **Exhibit 4**, the rate of increase in total MALPP easement acreage is expected to slow between fiscal 2007 and 2010. While adding to total acreage preserved, the annual rate of growth is declining, which reflects reduced funding.

Exhibit 4
Total Acres of MALPP Easements
Fiscal 2003-2010



MALPP: Maryland Agricultural Land Preservation Program

Note: Includes easements under the Maryland Agricultural Land Preservation Foundation and the now defunct GreenPrint Program.

Source: Governor's Budget Books, Fiscal 2006-2010

The Office of Legislative Audits released an audit report on MALPP on September 2008 for the fiscal year ending June 30, 2007. **Exhibit 5** shows a summary of the audit findings and recommendations.

Exhibit 5
MALPF Audit Findings and Recommendations

Findings

- (1) Lack of a comprehensive listing of all easement acquisitions.
- (2) Inadequate controls over easement acquisitions and county billings for easement costs.
- (3) Improper certification of county programs resulting in certain counties improperly retaining transfer taxes.**
- (4) Did not ensure that counties properly used their share of transfer taxes or remitted unused funds to the State as required.
- (5) Lack of performance of required easement inspections.**

Recommendations

- (1) Maintain a comprehensive database of all easement acquisitions; report this information accurately in annual reports; and reconcile to the State's records.
- (2) Have an independent employee review critical calculations and establish procedures to ensure proper invoicing of counties for easements.
- (3) Again recommend that MALPF establish a procedure for timely monitoring of county certification status and that tax remittances are consistent with certification status.**
- (4) Establish a procedure to monitor the use of transfer taxes in accordance with State law and the remission of amounts due to the State.
- (5) Take appropriate action to ensure easement inspections are performed and that appropriate follow-up actions are taken when counties fail to provide the inspections as required.**

MALPF: Maryland Agricultural Land Preservation Foundation

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

Source: Office of Legislative Audits

Recommended Actions

1. Concur with Governor's allowance.

Tobacco Transition Program (Statewide)

PAYGO SF	\$5,335,000	Recommendation:	Approve
GO Bond	\$5,000,000		

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 (TCC) for Southern Maryland 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 then issues grants to TCC. 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.

TCC’s Strategy Action Plan has three main components: the tobacco buyout (first priority), agricultural land preservation (second priority), and infrastructure/agricultural development (third priority).

- 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. A total of 854 farmers and 7.65 million pounds of tobacco are enrolled in the program and out of production.
- 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. The 10-year agricultural land preservation goal established in 2001 is to protect 35,000 acres.
- The infrastructure/agricultural development program seeks to foster profitable natural resource-based economic development for Southern Maryland by helping farmers and related businesses to diversify and develop and/or expand market-driven agricultural enterprises in the region through economic development and education.

Prior Authorization and Capital Improvement Program

Authorization Request

(\$ in Millions)

<i>Fund Source</i>	<i>2008 Approp.</i>	<i>2009 Approp.</i>	<i>2010 Allowance</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>
PAYGO SF	\$6.330	\$6.030	\$5.335	\$3.900	\$3.550	\$3.500	\$3.200
GO Bonds	3.000	3.000	5.000	0.000	0.000	0.000	0.000
Total	\$9.330	\$9.030	\$10.335	\$3.900	\$3.550	\$3.500	\$3.200

The fiscal 2010 allowance includes a total of \$12.039 million in operating and capital funds for the Tobacco Transition Program. The allowance reflects level funding with the fiscal 2009 working appropriation, which in turn reflects a \$1.5 million write-down of CRF special funds as part of the October 15, 2008 Board of Public Works (BPW) cost containment actions. TCC decided to take the reductions in infrastructure grants in the operating budget (\$1.2 million) and agricultural land preservation in the PAYGO budget (\$0.3 million). For the fiscal 2010 allowance, TCC decided to allocate the ongoing \$1.5 million reduction as follows: \$1.48 million to agricultural land preservation in the PAYGO budget and \$20,000 to administrative expenses in the operating budget. **The Department of Legislative Services recommends that TCC discuss the rationale used for determining how it allocated BPW reductions and the ongoing reduction in the fiscal 2010 allowance.**

Funds in the fiscal 2010 allowance are spread among three different areas of the Maryland Department of Agriculture:

- \$1,704,000 in CRF special funds in the operating budget for administrative expenses (\$460,000) and non-capital grants for infrastructure/agricultural development programs (\$1,704,000);
- \$5,335,000 in CRF special funds in the PAYGO budget for the tobacco buyout program (\$2,650,000) and agricultural land preservation (\$2,685,000); and
- \$5,000,000 in general obligation bonds in the capital budget for the tobacco buyout.

This allocation assumes that a total of \$7,650,000 will be dedicated to buyout payments.

Authorization of general obligation bonds for the Tobacco Transition Program began in fiscal 2004 and will end with the \$5.0 million authorization in fiscal 2010. Buyout payments decrease by over \$5.0 million in fiscal 2011. The 2009 *Capital Improvement Program* (CIP) reflects the beginning of the planned bond repayment of \$3,323,000 in fiscal 2011. Instead of receiving the CRF special funds and then immediately paying them back, TCC's special fund appropriation is

L00A1111 – Department of Agriculture – PAYGO

reduced to reflect the repayment. However, the amount of special funds planned in the 2009 CIP for fiscal 2011 through 2013 increases relative to the 2008 CIP. The five-year planning horizon in the 2009 CIP reflects \$150,000 more special funds in fiscal 2011 (\$3.9 million); \$50,000 more in fiscal 2012 (\$3.55 million), and \$150,000 more in fiscal 2013 (\$3.5 million).

House Bill 102/Senate Bill 167 (the capital budget) include language in a Back of the Bill section that makes a technical correction to the debt limit ceiling above which Tobacco Transition Program bonds will not be issued. This change is not anticipated to impact the Tobacco Transition Program because fiscal 2010 is the last year of bonds planned.

Tobacco Transition Program Fund Data

Fund History

	<i>FY 2008 Actual</i>	<i>FY 2009 Estimated</i>	<i>FY 2010 Estimated</i>
Beginning Balance	\$0	\$0	\$0
Revenue			
CRF Funds	\$8,308,000	\$7,039,000	\$7,039,000
GO Bonds	3,000,000	3,000,000	5,000,000
MALPF Grant	0	0	0
Total Revenue	\$11,308,000	\$10,039,000	\$12,039,000
Total Available	\$11,308,000	\$10,039,000	\$12,039,000
Encumbrances			
Buyout Program	\$7,649,586	\$7,650,000	\$7,650,000
Ag. Land Preservation Program	2,520,680	1,380,000	2,685,000
Infrastructure Grants	729,965	569,000	1,244,000
Operating Expenses	407,769	440,000	460,000
Total Encumbrances	\$11,308,000	\$10,039,000	\$12,039,000
Ending Balance	\$0	\$0	\$0

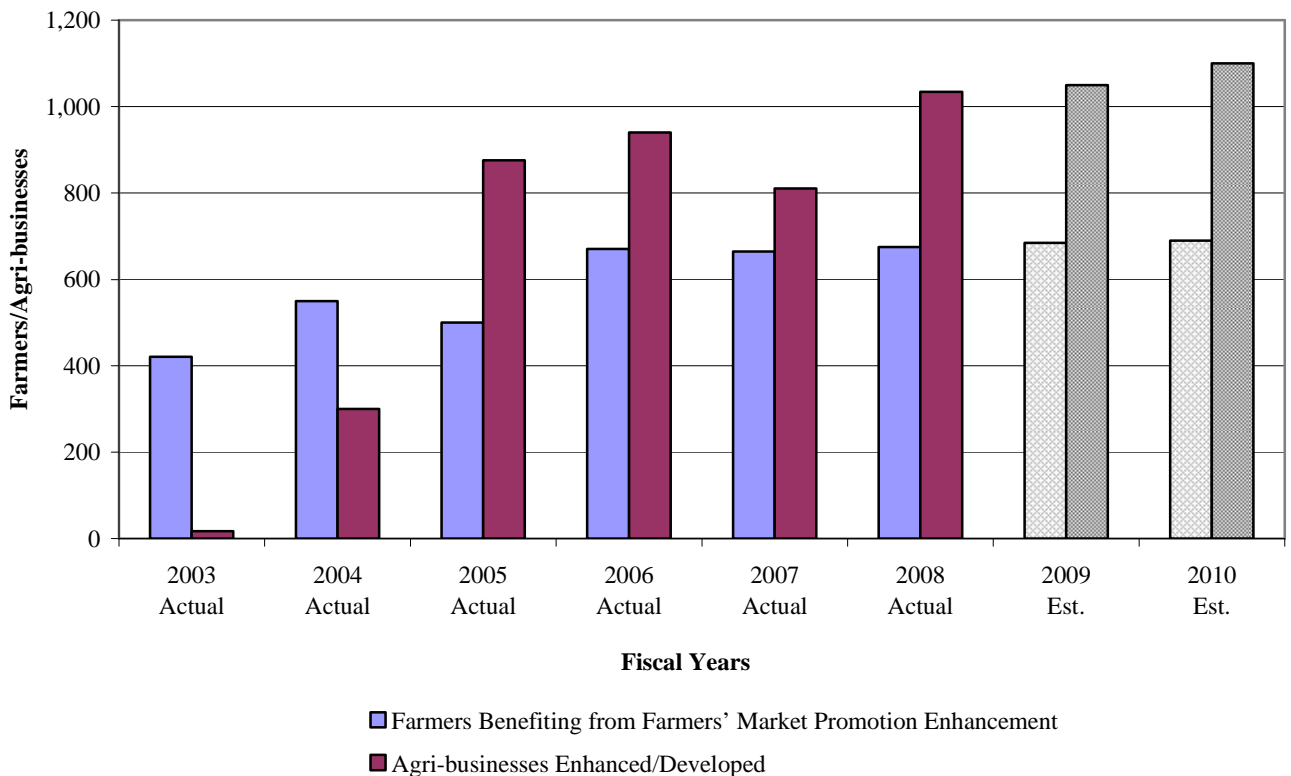
Note: The Tri-County Council transferred \$840,680 in unobligated infrastructure funds to agricultural land preservation in fiscal 2008.

Program Analysis and Performance

The performance data associated with TCC’s efforts to help farmers transition to other agricultural opportunities suggest a performance plateau for farmers benefiting from farmers’ market promotion enhancement and a substantial improvement in agri-businesses enhanced/developed.

As shown in **Exhibit 6**, the number of agri-businesses benefiting from TCC’s marketing efforts increased by 223 between fiscal 2007 and 2008. However, the number of farmers benefiting from farmers’ market promotions only increased by 10 between fiscal 2007 and 2008. While not as substantial an increase as between fiscal 2007 and 2008, the number of agri-businesses enhanced/developed is expected to increase by 66 between fiscal 2008 actual and fiscal 2010 estimated while the number of farmers benefiting from farmers’ market promotion and enhancement is expected to increase by 15 in the same time period.

Exhibit 6
Tobacco Transition Program Performance Measurements
Fiscal 2005-2010



Source: Governor’s Budget Books, Fiscal 2006-2010

Recommended Actions

1. Concur with Governor's allowance.

Prior Authorization and Capital Improvement Program

Authorization Request

(\$ in Millions)

<i>Fund Source</i>	<i>2008 Approp.</i>	<i>2009 Approp.</i>	<i>2010 Allowance</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>
PAYGO SF	\$0.000	\$0.000	\$4.000	\$0.000	\$0.000	\$0.000	\$0.000
Total	\$0.000	\$0.000	\$4.000	\$0.000	\$0.000	\$0.000	\$0.000

The Administration’s proposed fiscal 2010 funding for the MARBIDCO Installment Purchase Agreements program is \$4.0 million in special funds transferred from the Maryland Agricultural Land Preservation Program’s portion of the transfer tax. Of this \$4.0 million, MARBIDCO is allowed to use up to 3%, or \$120,000, for operating costs associated with the program. However, MARBIDCO estimates that it will use no more than \$30,000 for operating costs. Chapter 610 of 2008 requires that the program receive \$4.0 million from the agricultural transfer tax and the remainder from the Maryland Agricultural Land Preservation Program’s share of the transfer tax. Therefore, the program is assumed to have a relatively stable source of funding.

For fiscal 2009, only two installment purchase agreement offers are being considered. MDA is waiting to see whether the offers require MARBIDCO financing before funding is transferred to MARBIDCO.

Program Analysis and Performance

MARBIDCO estimates that it will implement two installment purchases for 250 acres in fiscal 2009 and six installment purchases for 775 acres in fiscal 2010.

Recommended Actions

1. Concur with Governor's allowance.

Prior Authorization and Capital Improvement Program

Authorization Request

(\$ in Millions)

<i>Fund Source</i>	<i>2008 Approp.</i>	<i>2009 Approp.</i>	<i>2010 Allowance</i>	<i>2011 Estimate</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>
PAYGO SF	\$0.000	\$0.000	\$0.400	\$0.000	\$0.000	\$0.000	\$0.000
Total	\$0.000	\$0.000	\$0.400	\$0.000	\$0.000	\$0.000	\$0.000

The Administration's total proposed fiscal 2010 funding for the MARBIDCO Next Generation Farmland Acquisition Program is \$0.4 million special funds from the agricultural transfer tax. Of this \$0.4 million, MARBIDCO is allowed to use up to 3%, or \$12,000, for operating costs associated with the program. Chapter 610 of 2008 requires an allocation for the program from the agricultural land transfer tax; however, the agricultural land transfer tax is required to be allocated to the Woodland Incentive Fund (\$200,000) and the Maryland Agricultural Land Preservation Program (\$2.5 million) first. However, MDA has \$0.4 million in the allowance for the program as allowed under the MALPF statute. Insufficient funding is anticipated to be available for the program in fiscal 2009 due to the decreased agricultural transfer tax revenue estimate.

Program Analysis and Performance

MARBIDCO estimates that it will assist one young or beginning farmer in fiscal 2010 which will preserve 80 acres. Insufficient funding is available to provide any land purchase assistance in fiscal 2009.

Recommended Actions

1. Concur with Governor's allowance.