

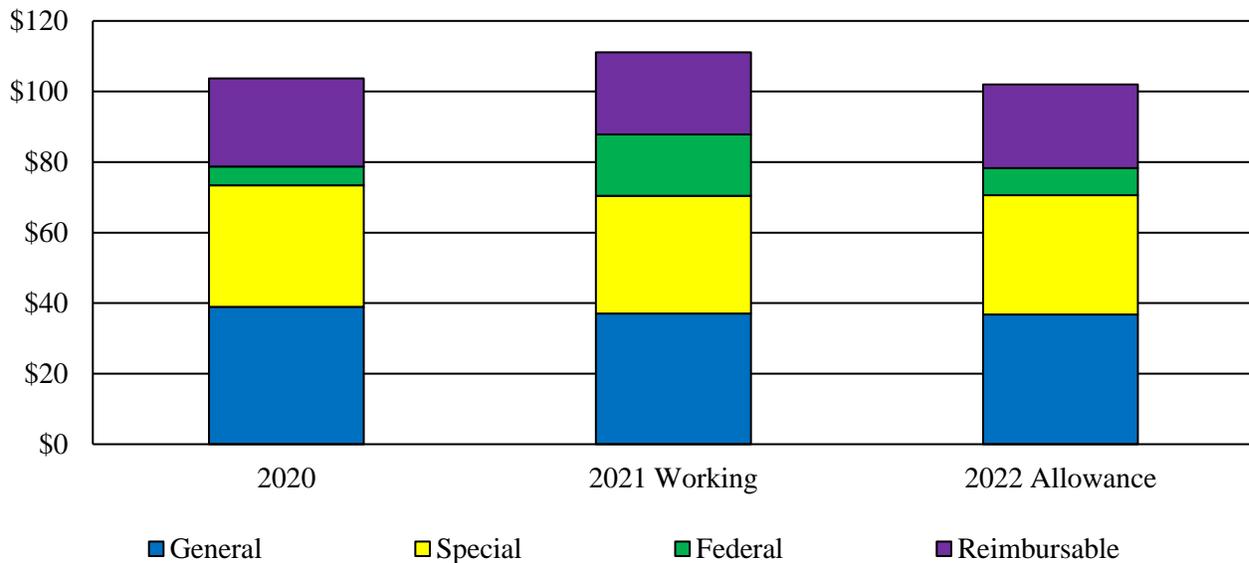
L00A Department of Agriculture

Program Description

The Maryland Department of Agriculture (MDA) supervises, administers, and promotes agricultural activities throughout the State. MDA’s goals are (1) to promote profitable production, use, and sale of Maryland agricultural products; (2) to protect the health of the public, plant, and animal resources in Maryland; (3) to preserve adequate amounts of productive agricultural land and woodland in Maryland in order to provide for the continued production of food and fiber, to limit random development and to protect agricultural land and woodland as open space; (4) to provide and promote land stewardship, including conservation, environmental protection, preservation and resource management; (5) to provide health, safety, and economic protection for Maryland consumers; and (6) for the Rural Maryland Council, to bring together citizens, community-based organizations, federal, State, county, and municipal government officials as well as representatives of the for-profit and nonprofit sectors to collectively address the needs of rural Maryland communities.

Operating Budget Summary

**Fiscal 2022 Budget Decreases \$9.1 Million, or 8.2%, to \$102.0 Million
(\$ in Millions)**



Note: Numbers may not sum due to rounding. The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions and general salary increases.

- The decrease in the fiscal 2022 allowance is primarily attributable to the reduction of \$10.0 million in one-time federal stimulus funds for the Maryland Farmer COVID-19 Relief Program.

Fiscal 2021

Cost Containment

At the July 1, 2020 Board of Public Works meeting, the board approved cost containment reductions in order to balance the fiscal 2021 budget as a result of the COVID-19 pandemic. The MDA share of this reduction totaled \$1,450,224.

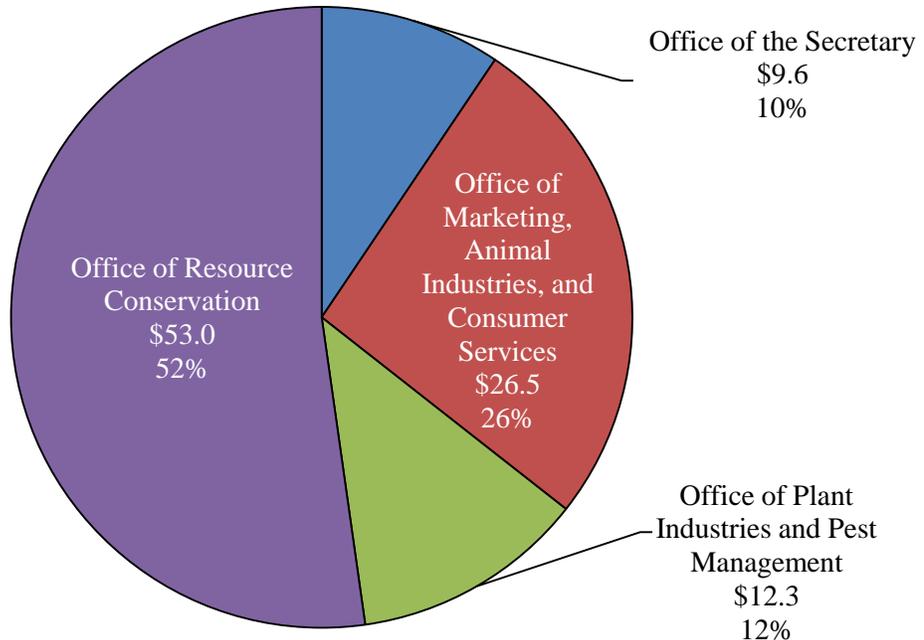
Statewide reductions for the Department of Information Technology (DoIT) enterprise services costs, information technology position salaries, and excess balance from the State's self-insured unemployment insurance fund totaled \$225,637. Agency specific reductions for MDA included the following:

- ***Nuisance Insect Program:*** the entire \$400,000 appropriation for the Nuisance Insect Program created by Chapter 132 of 2019, comprised of \$200,000 in general funds and \$200,000 in matching special funds from local governments;
- ***Rural Maryland Council:*** \$308,038 in general funds to reduce the Rural Maryland Council grant by 5%, the funding for which comes from an allocation from the Rural Maryland Prosperity Investment Fund per Chapters 469 and 470 of 2014;
- ***Next Generation Farmland Acquisition Program:*** \$268,750 in general funds in the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) for the Next Generation Farmland Acquisition Program, which was funded by Chapter 10 of 2018 (Budget Reconciliation and Financing Act (BRFA)) and was budgeted at \$2,500,000 in fiscal 2021 as a part of the transfer tax repayment;
- ***Southern Maryland Agricultural Development Commission:*** \$225,000 in Cigarette Restitution Fund (CRF) special funds provided as part of the tobacco Master Settlement agreement for the Southern Maryland Agricultural Development Commission, which reflects the hastening of the end of the operating and infrastructure grant and which was used to defray the need for \$225,000 in general funds in the Maryland Department of Health's Medicaid program;
- ***Travel:*** \$14,449 in general funds reduced for travel in the Plant Protection and Weed Management program (\$7,500) and the Turf and Seed program (\$6,949); and
- ***Maryland Agricultural Education and Rural Development Assistance Fund:*** \$8,350 in general funds for education and rural development assistance grants.

Fiscal 2022 Overview of Agency Spending

MDA is organized into four administrative units and is staffed by 411.7 regular positions and 70.52 contractual full-time equivalents (FTE) in the fiscal 2022 allowance. **Exhibit 1** reflects the \$102.0 million spending breakdown for the four units without the adjustment for the annualization of the fiscal 2021 2% cost-of-living adjustment (COLA) as follows.

Exhibit 1
Overview of Agency Spending
Fiscal 2022 Allowance
(\$ in Millions)



Source: Department of Budget and Management; Department of Legislative Services

- **Office of Resource Conservation (\$53.0 Million, 52%):** Advises the Secretary on agricultural soil conservation and water quality; provides financial, technical, and staffing support to the State’s 24 soil conservation districts; provides cost-share funding for best management practice implementation, manure transport, and nutrient management plan development; trains, certifies, and licenses nutrient management plan consultants; and oversees Maryland’s agricultural certainty and nutrient trading programs as part of Chesapeake Bay restoration efforts. The main expenditure categories include \$25.5 million for the Cover Crop Program; \$14.7 million for salaries, of which \$11.0 million is for 141 regular positions in soil conservation districts; and

L00A – Department of Agriculture

\$1.8 million for the contract for the University of Maryland Extension nutrient management advisors to write nutrient management plans.

- ***Office of Marketing, Animal Industries, and Consumer Services (\$26.5 Million, 26%):*** Provides weights and measures supervision; conducts inspection, grading, monitoring, and testing of agricultural product quality; generates agricultural statistics; protects animal health; regulates veterinarians; promotes the equine industry; assists in the development of agricultural markets; administers the Spay/Neuter program; promotes agriculture through agricultural fairs, shows, and youth activities; supports the transition from tobacco production in Southern Maryland; addresses issues affecting rural quality of life through the Rural Maryland Council and Maryland Agricultural Education and Rural Development Assistance Fund; and helps develop resource-based industries through MARBIDCO, an independent agricultural development agency that is budgeted within MDA. The main expenditures include \$8.5 million for salaries; \$5.2 million for MARBIDCO comprised of \$2.7 million for its grants and loans program and \$2.5 million for its Next Generation Farmland Acquisition Program; and \$4.6 million for grants through the Rural Maryland Council.
- ***Office of Plant Industries and Pest Management (\$12.3 Million, 12%):*** Manages forest pests; implements mosquito control services; regulates pesticides and pesticide applicators; administers nursery inspections, noxious weed control, nuisance bird control, and honeybee registration programs; regulates seed and sod labeling; and regulates the chemical components of pesticides, commercial fertilizers, feeds, pet foods, compost, soil conditioners, and liming materials. The main expenditure categories include \$7.5 million for salaries, with \$1.4 million for 49.37 contractual FTEs, primarily in the Mosquito Control program (25.9 contractual FTEs) and Plant Protection and Weed Management program (19.17 contractual FTEs).
- ***Office of the Secretary (\$9.6 Million, 10%):*** Provides administrative support services, advises the Secretary of Agriculture on agricultural issues through the Maryland Agricultural Commission and administers agricultural land preservation. The main expenditure categories include \$4.3 million for salaries, \$1.4 million for DoIT services allocation, and \$1.0 million for contractual arrangements with the Department of General Services and the Maryland Department of Planning related to agricultural easement purchases.

Proposed Budget Change

The MDA fiscal 2022 adjusted allowance decreases by \$9.1 million, or 8.2%, relative to the fiscal 2021 working appropriation, as shown in **Exhibit 2**. The changes by fund reflect a decrease of \$0.3 million in general funds and \$9.7 million in federal funds, which are offset partially by an increase of \$0.5 million in special funds and \$0.4 million in reimbursable funds. The major change is a decrease of \$10.0 million in federal funds for the Maryland Farmer COVID-19 Relief Program supported by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Changes in personnel funding are discussed first and then other administrative changes.

Exhibit 2
Proposed Budget
Department of Agriculture
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2020 Actual	\$38,982	\$34,426	\$5,327	\$24,968	\$103,702
Fiscal 2021 Working Appropriation	37,056	33,365	17,367	23,348	111,136
Fiscal 2022 Allowance	<u>36,747</u>	<u>33,837</u>	<u>7,717</u>	<u>23,735</u>	<u>102,035</u>
Fiscal 2021-22 Amount Change	-\$309	\$472	-\$9,650	\$387	-\$9,100
Fiscal 2021-2022 Percent Change	-0.8%	1.4%	-55.6%	1.7%	-8.2%

Where It Goes:

Personnel Expenses

Regular earnings	\$602
Employee and retiree health insurance	392
Fiscal 2021 cost-of-living allowance and fiscal 2022 annualization	332
Pension contributions	101
Fiscal 2022 annual salary review for fiscal officers	45
0.4 abolished position	-29
Turnover adjustments	-140
Other fringe benefit adjustments	62

Other Changes

Grants

Chesapeake Bay Program funding from the U.S. Environmental Protection Agency	350
Phosphorus Management Tool research activities	309
MARBIDCO net increase.....	129
Southern Maryland Agricultural Development Commission funding phase-out	-225
Rural Maryland Council grant.....	-880
Maryland Farmer COVID-19 Relief Program.....	-10,000

Administrative

Department of Information Technology services allocation	105
System software for new soil conservation district personnel.....	75
Cell phone expenditures increase during teleworking	25
Contractual full-time equivalents increase while funding decreases.....	-15
Vehicle purchases	-28

L00A – Department of Agriculture

Where It Goes:

Travel reduced during the pandemic	-62
Animal Health services for Salisbury Animal Health Laboratory.....	-140
Other	-108
Total	-\$9,100

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

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

Personnel

The MDA overall personnel expenditures increase by \$1,365,756 in the fiscal 2022 adjusted allowance. The major change is an increase of \$601,898 in regular earnings, primarily as a result of the fiscal 2021 annual salary review funding not being allocated yet from the Department of Budget and Management’s (DBM) budget. This annual salary review affects the following classifications: agricultural inspectors; agricultural resource conservation specialists; nutrient management specialists; resource conservation district and regional personnel; soil conservation associates; and soil conservation engineers. Other increases include \$391,879 for employee and retiree health insurance, \$331,813 for the fiscal 2021 2% COLA and fiscal 2022 annualization, \$101,101 for pension contributions, and \$45,390 for the fiscal 2022 annual salary review for the fiscal series. The annual salary review funding will be allocated by budget amendment from DBM. MDA’s share of the funding is \$41,174 in general funds and \$4,216 in special funds.

Personnel reductions include \$139,999 for turnover adjustments, as a result of the rate increasing from 5.77% in the fiscal 2021 working appropriation to 6.10% in the fiscal 2022 allowance, and \$28,778 for a 0.4 abolished position that was vacant.

Other Changes

Overall, the nonpersonnel portion of the MDA fiscal 2022 adjusted allowance decreases by \$10,465,967. The main changes may be categorized as grants and administrative expenses.

Grants

Grant funding increases for three purposes in the fiscal 2022 allowance. There is an increase of \$350,000 in federal funds from U.S. Environmental Protection Agency’s Chesapeake Bay Program funding for Chesapeake Bay restoration. There is also an increase of \$308,879 in reimbursable funds from remaining Chesapeake and Atlantic Coastal Bays 2010 Trust Fund money that will primarily be used for Phosphorus Management Tool research activities being conducted by the University of Maryland, College Park Campus. Finally, there is a net increase of \$128,750 for MARBIDCO. This reflects an increase of \$268,750 in general funds to restore the mandated amount of funding for fiscal 2022 after the fiscal 2021 cost containment reduction. This increase is offset partially by a

L00A – Department of Agriculture

reduction of \$140,000 in general funds as part of the actions in Chapter 538 of 2020 (BRFA) and the fiscal 2021 Budget Bill, which specified that \$140,000 be used for a new Office for the Certified Local Farm Enterprise Program. The budget bill language was contingent on the enactment of SB 985 and HB 1488 of 2020, which passed the General Assembly but were vetoed by Governor Lawrence J. Hogan, Jr. As a result, MDA notes that it has not implemented the program but is ready to do so if the General Assembly overrides the vetoes.

The largest reduction in grant funding is the \$10.0 million in one-time federal funds from the CARES Act for the Maryland Farmer COVID-19 Relief Program. As noted in the Key Observations section of this analysis, the funding is being distributed through direct support to contract poultry growers and a bonus payment for farmers that have already received federal Coronavirus Food Assistance Program funding. Other grant funding decreases include \$880,159 in general funds for the Rural Maryland Council's grant from the Rural Maryland Prosperity Investment Fund as part of cost containment measures, and a \$225,000 reduction in CRF special funds for the Southern Maryland Agricultural Development Commission grant as part of the phase-out of funding for the tobacco Master Settlement agreement started with the fiscal 2021 cost containment actions mentioned earlier in this analysis.

Administrative

The largest increase in the administrative category is for the DoIT services allocation. The allocation increases by \$105,349, comprised of \$92,573 in general funds, \$11,230 in reimbursable funds, and \$1,546 in special funds in the Central Services program. Systems software acquisition costs increase by \$74,788 in reimbursable funds in the Resource Conservation Operations program to support the new soil conservation district positions budgeted in fiscal 2021. There is also an increase of \$25,009 for cell phone expenditures across the agency due to increased teleworking as a result of the COVID-19 pandemic.

In terms of reductions, there is a decrease of \$140,000 in general funds in the Animal Health program due to one-time funding for services related to the commissioning of the new Salisbury Animal Health Laboratory. Due to the anticipation that restrictions related to the COVID-19 pandemic will continue, travel is also reduced in the fiscal 2022 allowance by \$62,331. Vehicle purchase costs decrease by \$28,303, primarily due to decreases of \$148,063 in Resource Conservation Operations, \$94,309 in Plant Protection and Weed Management, \$51,229 in Watershed Implementation Plan (WIP), and \$22,876 in the State Chemist due to MDA's vehicle life cycle replacement plan. These reductions are offset partially by an increase of \$306,588 in Weights and Measures, primarily for the replacement of a Heavy Kenworth truck for operations.

Funding for contractual FTEs decreases by \$15,105 in the fiscal 2022 allowance. The major changes are decreases of \$90,703 in the Mosquito Control program due to COVID-19 programmatic operation decreases and \$45,141 in the WIP due to the replacement of a contractual FTE with a regular position funded by Chesapeake and Atlantic Coastal Bays 2010 Trust Fund reimbursable funds. These reductions are offset partially by an increase of \$129,354 in the Plant Protection and Weed Management program to fund 4.0 contractual FTEs supported with federal funds in the Spotted Lanternfly Program.

Personnel Data

	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21-22</u> <u>Change</u>
Regular Positions	394.10	412.10	411.70	-0.40
Contractual FTEs	<u>62.81</u>	<u>66.17</u>	<u>70.52</u>	<u>4.35</u>
Total Personnel	456.91	478.27	482.22	3.95

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	25.11	6.10%
Positions and Percentage Vacant as of 12/31/20	49.40	11.99%
Vacancies Above Turnover	24.29	

- MDA regular positions decrease by 0.4 between the fiscal 2021 working appropriation and the fiscal 2022 allowance. The 0.4 position was a vacant administrator I position in the Maryland Agricultural Fair Board program.
- MDA had 49.4 regular positions that were vacant as of December 31, 2020, of which 26.9 had been vacant for more than a year. MDA notes that the 26.9 positions vacant for more than a year are spread across the agency and are in various stages of reclassification, transfer, recruitment, and hiring as follows: 14.5 positions were not filled due to the hiring freeze; 7.0 positions are expected to be filled after a February 2, 2021 open recruitment; 3.0 positions have been filled; 1.0 position is being held to meet turnover; 1.0 position is being reclassified; and the 0.4 position was abolished in the fiscal 2022 allowance. Overall, MDA notes that the high level of vacancies is due to the statewide hiring freeze and MDA's current highest priority of filling the new resource conservation positions approved in the fiscal 2021 budget.
- MDA FTEs increase by a net of 4.35 in the fiscal 2022 allowance. MDA notes that the increase is primarily due to 4.0 FTEs to support the Spotted Lanternfly Program.
- The MDA turnover rate increased from 5.77% in the fiscal 2021 working appropriation to 6.10% in the fiscal 2022 allowance. Therefore, MDA must hold open 25.11 positions throughout fiscal 2022. MDA had 49.4 positions vacant, or 11.99%, as of December 31, 2020, and while some of these positions have been or will be filled, there are sufficient vacancies for MDA to meet turnover.

Key Observations

1. COVID-19 Funding and Impacts

The COVID-19 pandemic has had varied effects on MDA and its work. Federal funding supports the Maryland Farmer COVID-19 Relief Program at the same time as MDA and Maryland as a whole are dealing with the effects of food supply chain disruptions, modification to WIP assistance, delayed inspections, postponed licensing and permitting, and departmental impacts related to hiring.

Maryland Farmer COVID-19 Relief Program

The federal COVID-19 funding largely has been directed to individual farmers and thus did not flow through MDA's budget. The one exception is the \$10.0 million Maryland Farmer COVID-19 Relief Program funded through the CARES Act, although the overall allocation has been reduced to \$6.0 million and it is possible that final expenditures may be closer to \$5.0 million as the payments so far total \$4,862,853, including \$2,214 for outreach.

The Maryland Farmer COVID-19 Relief Program funding is being distributed through direct support to contract poultry growers and a bonus payment for farmers that have already received federal Coronavirus Food Assistance Program funding. In addition, farmers have received two rounds of funding directly from the federal government through the Coronavirus Food Assistance Program. The groups that received funding and the amounts allocated are as follows.

- ***Contract Poultry Growers Direct Support:*** Contract poultry growers were not eligible for either the first (\$23.8 million) or second (\$46.6 million) rounds of federal Coronavirus Food Assistance Program funding – distributed directly to farmers in Maryland by the U.S. Department of Agriculture's Farm Service Agency – so MDA issued direct payments of \$1,000 per poultry house, up to five houses per farm, and an additional \$1,500 per poultry house to growers for poultry company Allen Harim – because an inability to process the birds in the houses required the poultry houses to be depopulated – for a total allocation of \$2.4 million, of which \$1,984,000 has been paid to 548 growers.
- ***Coronavirus Food Assistance Program Recipients Bonus Payment:*** Maryland farmers received a 15% bonus payment of their first round of funding from the federal Coronavirus Food Assistance Program, which was available to producers of agricultural commodities who experienced a 5% or greater price decline, or who had losses due to market supply chain disruptions related to the COVID-19 pandemic. A total of \$3.6 million has been allocated, of which \$2,876,639 has been paid to 817 producers.

MDA notes that fewer chick placements by poultry companies reduced income and made electricity and feed costs more difficult for poultry producers to pay. Therefore, the Maryland Farmer COVID-19 Relief Program provided critical funding. In general, MDA notes that the program provided critical payments to farmers most affected by the pandemic's supply disruptions, including dairy,

livestock producers, farmers with grain in storage, and farmers with a crop/commodity experiencing a greater than 5% price decrease.

Effects of COVID-19 on Agriculture in Maryland

The COVID-19 pandemic has also had an impact on the stability of Maryland's food supply chain, achievement of the WIP goals for Chesapeake Bay restoration, inspections, licensing and permitting, and hiring. The impacts are as follows.

- ***Food Supply Chain Interruptions:*** A stable food supply chain is a top priority for MDA, but the combination of the sudden shift of demand from food service to the retail level, as well as staffing shortages in processing facilities, strained the existing supply chain. In response, MDA licensed or approved local producers to provide alternate products or delivery methods to ensure disruptions were lessened and farmer's markets and farm stands remained open as essential businesses. Despite best efforts, though, a COVID-19 hotspot developed in Salisbury, Maryland, in spring 2020, affecting several hundred food industry workers. As a result, nearly 2 million chickens were depopulated across Maryland when the outbreak prevented a Delaware processor from meeting harvesting targets. In addition, there have been ongoing challenges in the dairy industry related to low milk prices, which were exacerbated by the shift in demand from bulk milk and cheese to individualized portions.
- ***WIP Assistance Modified:*** The technical assistance providers in the soil conservation districts began working from home around March 16, 2020, and have since returned to a combination of teleworking and office time. Serendipitously, a lull in construction early in the pandemic allowed technicians to address a design and surveying backlog; and, since then, construction has resumed and technicians have been providing construction oversight. The fiscal 2020 Cover Crop Program incorporated satellite imagery analysis, which minimized staff time in the field during the spring certification process. In addition, signup for the fiscal 2021 Cover Crop Program was done completely electronically for the first time.
- ***Inspections Delayed:*** Governor Hogan issued a stay-at-home order on March 30, 2020. As a result, inspections have been delayed with some programs only resuming full inspections in July 2020, and others still working on a limited schedule or providing virtual services. For instance, nurseries were not inspected for six weeks beginning on March 16, 2020, but have since resumed a normal inspection schedule. Licensed horse stables were not inspected between March 8, 2020, and July 1, 2020. The State Chemist is currently completing half of its routine inspections and approximately one-third of its total sampling. The Food Quality Assurance program has developed a virtual inspection for continued organic certification and has completely staffed all essential grading and inspection shifts.
- ***Licensing and Permitting Postponed:*** Governor Hogan's March 12, 2020 executive order extended the expiration date for licenses, permits, registrations, and other authorizations. MDA subsequently provided a grace period for pesticide applicator licenses, State Chemist product registrations, and nutrient management certifications.

- **Departmental Impacts:** MDA’s fiscal 2021 budget included 53 soil conservation district positions funded by Chesapeake and Atlantic Coastal Bays 2010 Trust Fund reimbursable funds with the intent of improving job retention. However, due to the hiring freeze instituted effective April 13, 2020, these positions were not filled. Subsequently, DBM authorized the recruitment of 50 reimbursable fund regular positions and 5 general fund regular positions. The first recruitment closed on January 13, 2021, with job offers expected immediately following approval of the selection paperwork. The second round of recruitment is open until February 2, 2021. While the first round of hiring is mostly individuals currently working at the soil conservation districts under a grant and therefore will only moderately increase capacity, it is anticipated that the second round of recruitment will actually increase conservation work.

2. Spay/Neuter Fund

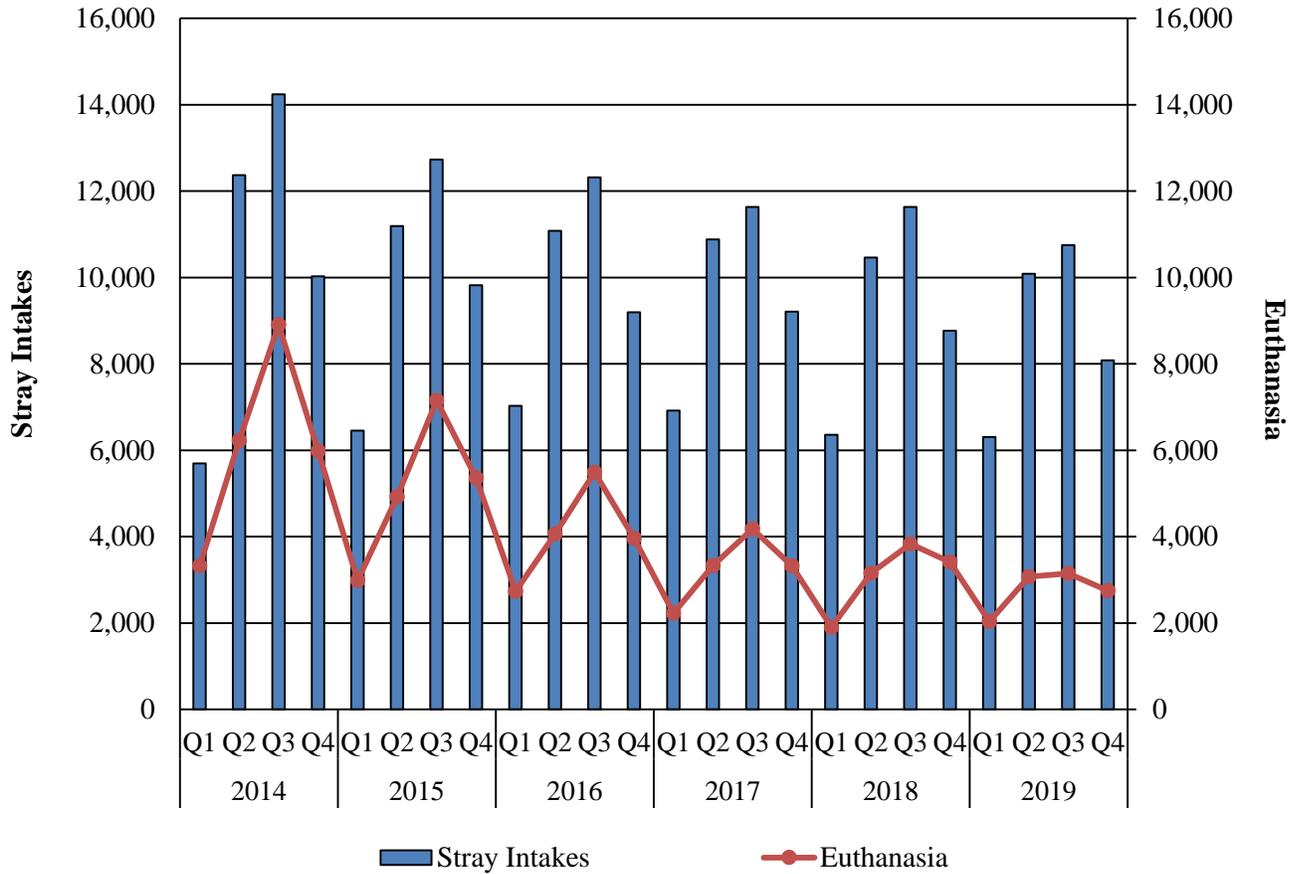
Chapters 561 and 562 of 2013 established a fee on dog and cat commercial feed registered in Maryland and created a Spay/Neuter Fund to reduce animal shelter overpopulation and cat and dog euthanasia rates by financing grants for programs that facilitate and promote spay and neuter services. Chapters 561 and 562 also required animal control shelter programs operated by or contracted by local governments to submit a quarterly report to MDA providing shelter statistics beginning January 1, 2014. The legislation terminates September 30, 2022.

In response to the upcoming termination date, HB 146 has been introduced in the 2021 session. The bill alters the fee on commercial feed prepared and distributed for consumption by dogs or cats by specifying that the fee is \$100 through September 30, 2022; \$125 from October 1, 2022, through September 30, 2027; and \$150 from October 1 2027, through September 30, 2032. The bill also extends the termination provision for the Spay/Neuter Fund from September 30, 2022, to September 30, 2032.

The Spay/Neuter Fund generally fits under MDA’s second goal – to protect the health of the public, plant, and animal resources in Maryland. MDA notes that in five or six years, spay/neuter efforts have reduced euthanasia in shelters by 55%, which in turn has prevented thousands of homeless animals from entering the sheltering system.

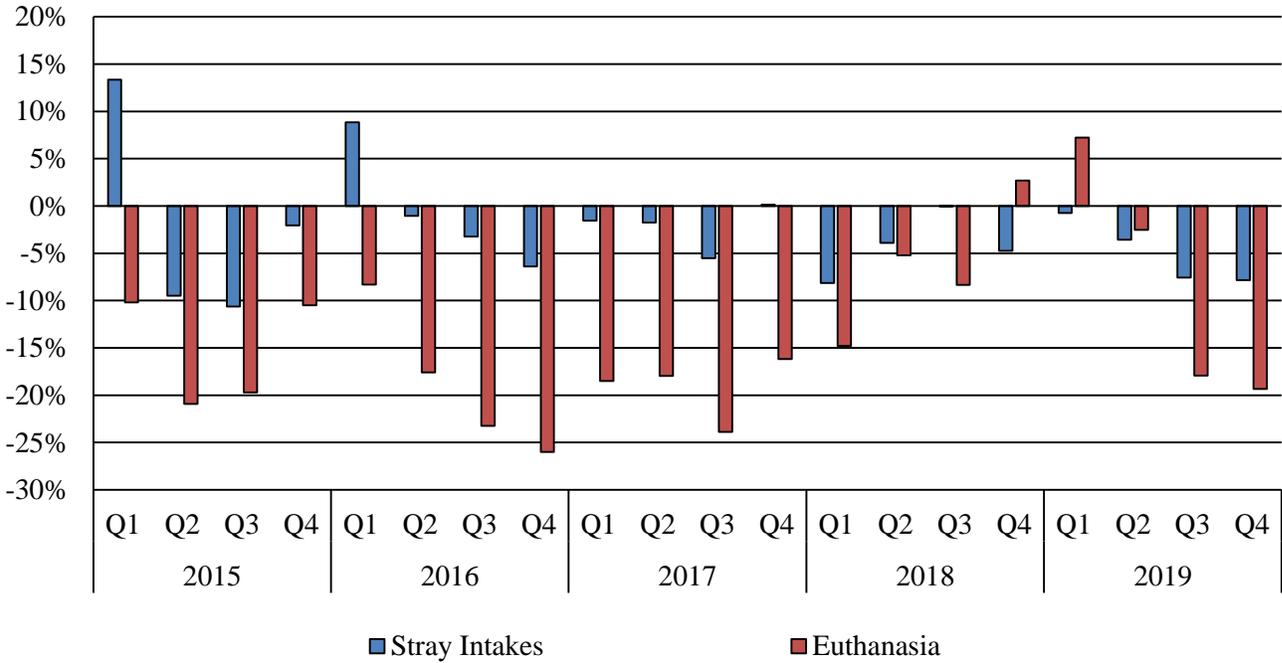
Exhibit 3 shows the quarterly statistics for the Spay/Neuter Fund between calendar 2014 and 2019. The exhibit shows that there is an annual spike in both the stray intakes and euthanasia in the third quarter, which corresponds to the summer months when cats typically have their kittens. The general trend appears to be declining stray intakes and euthanasia and a softening of the curve for euthanasia, in particular for the summer months, which speaks well for the Spay/Neuter Fund’s purpose. However, it looks like there may be a decreasing rate of progress. This declining progress is reflected more clearly in **Exhibit 4**, which shows the year-over-year comparison of quarters and shows that there were euthanasia increases in the fourth quarter of 2018 and first quarter of 2019. It remains to be seen whether there is in fact a reversal or stagnation of progress, particularly since there has been an uptick in pet adoptions during the COVID-19 pandemic.

Exhibit 3
Spay/Neuter Fund Quarterly Statistics
Calendar 2014-2019



Source: Maryland Department of Agriculture; Department of Legislative Services

Exhibit 4
Spay/Neuter Fund Quarterly Statistics Year-over-year
Calendar 2015-2019



Source: Maryland Department of Agriculture; Department of Legislative Services

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1 2020 Joint Chairmen’s Report Responses from Agency

The 2020 *Joint Chairmen’s Report* (JCR) requested that the Maryland Department of Agriculture (MDA) prepare four reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Maryland’s Agricultural Strategic Plan Implementation:*** Committee narrative in the 2020 JCR requested a report on the status of stakeholder discussions about Maryland’s agricultural strategic plan implementation, including any information about action items, responsible parties, and implementation status. The submitted report notes that stakeholders met in January 2020 to identify goals and areas of potential collaboration; met again in September 2020 to discuss progress and the impact of the COVID-19 pandemic on the agricultural industry; and planned to meet again in December 2020. Progress was noted on the following topics: rural broadband, urban agriculture, increased staffing and funding resources for agriculture in general, and specific funding relief for the pandemic.
- ***Dairy Industry Status Report:*** Committee narrative in the 2020 JCR requested a report on the overall status of the dairy industry in Maryland, including the number of farms, milk production in million pounds, and average milk price for calendar 2015 through 2020; what actions are being taken to mitigate the concerns of low milk price and high feed cost; and Dairy Margin Coverage Program data for calendar 2019 and 2020. The submitted report notes that milk prices have decreased from \$25 per hundredweight in 2014 to the most recent five-year average of \$17 per hundredweight due to national supply exceeding demand. In addition, the report notes that the COVID-19 pandemic worsened existing economic conditions for dairy farmers by shifting demand from bulk milk and cheese to individualized portions and thus challenged the existing supply chain.
- ***Office of Resource Conservation Grants Funding Report:*** Committee narrative in the 2020 JCR requested a report on the Office of Resource Conservation grant funding levels for the fiscal 2021 working appropriation and fiscal 2022 allowance by fund and fund source. MDA submitted a comprehensive report providing a narrative description of all the grant programs within the Office of Resource Conservation as well as detailed appendices detailing budget information by fund, subprogram, and most detailed level of budget code.
- ***Enforcement and Inspection Position Strength Assessment and Vacant Position Filling:*** Budget bill language in the fiscal 2021 operating budget appropriation restricted funding in MDA and the Maryland Department of the Environment until the submission of quarterly reports on compliance and enforcement inspections and positions and then further restricted funding for filling vacant compliance and enforcement positions. The reports have been submitted and indicate that the Agricultural Nutrient Management Program fell short of the goal of reviewing 20% of all regulated farms for fiscal 2020 due to the COVID-19 pandemic. In addition, the report notes that MDA has returned to a policy of reviewing the work of certified consultants for quality control purposes due to instances of nutrient management plans not being completed with the most up-to-date planning software or not including the most recent agronomic recommendations.

**Appendix 2
Audit Findings**

Audit Period for Last Audit:	August 21, 2015 – December 15, 2019
Issue Date:	December 2020
Number of Findings:	3
Number of Repeat Findings:	2
% of Repeat Findings:	66%

Finding 1: Cover Crop Program – the Maryland Department of Agriculture (MDA) had not established comprehensive procedures for soil conservation districts to perform inspections of farms in the Cover Crop Program, did not adequately monitor the inspections, and did not take required action when inspections identified grantees that were noncompliant with the related grant agreement.

Finding 2: Cash Receipts – MDA did not segregate duties for collections and did not ensure that certain product registrations were proper and the related fees were collected and deposited.

Finding 3: Equipment – MDA’s physical inventory and equipment recordkeeping procedures were inadequate and were not in accordance with State policy.

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

**Appendix 3
Object/Fund Difference Report
Department of Agriculture**

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	394.10	412.10	411.70	-0.40	-0.1%
02 Contractual	123.21	66.17	70.52	4.35	6.6%
Total Positions	517.31	478.27	482.22	3.95	0.8%
Objects					
01 Salaries and Wages	\$ 29,487,000	\$ 34,080,002	\$ 35,068,555	\$ 988,553	2.9%
02 Technical and Spec. Fees	2,078,162	2,315,958	2,300,853	-15,105	-0.7%
03 Communication	246,916	308,649	330,417	21,768	7.1%
04 Travel	373,652	531,625	471,068	-60,557	-11.4%
06 Fuel and Utilities	663,707	745,824	752,358	6,534	0.9%
07 Motor Vehicles	1,869,818	1,777,314	1,778,044	730	0%
08 Contractual Services	8,006,617	9,109,226	9,246,867	137,641	1.5%
09 Supplies and Materials	931,250	1,668,477	1,499,237	-169,240	-10.1%
10 Equipment – Replacement	380,431	339,151	349,271	10,120	3.0%
11 Equipment – Additional	7,016	59,000	72,500	13,500	22.9%
12 Grants, Subsidies, and Contributions	57,316,488	58,432,528	48,091,469	-10,341,059	-17.7%
13 Fixed Charges	2,144,140	1,279,183	1,223,884	-55,299	-4.3%
14 Land and Structures	197,202	255,000	240,000	-15,000	-5.9%
Total Objects	\$ 103,702,399	\$ 110,901,937	\$ 101,424,523	-\$ 9,477,414	-8.5%
Funds					
01 General Fund	\$ 38,981,779	\$ 36,890,331	\$ 36,353,461	-\$ 536,870	-1.5%
03 Special Fund	34,425,561	33,306,224	33,702,331	396,107	1.2%
05 Federal Fund	5,327,364	17,357,651	7,695,424	-9,662,227	-55.7%
09 Reimbursable Fund	24,967,695	23,347,731	23,673,307	325,576	1.4%
Total Funds	\$ 103,702,399	\$ 110,901,937	\$ 101,424,523	-\$ 9,477,414	-8.5%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.