



Table of Contents

Page	Section
1	Executive Summary
6	Maryland Department of Agriculture Overview
9	Current Key Policy, Legislative, and Budget Issues
29	Audit Procedures
32	Performance Measures, Strategic Planning and Accountability
36	Summary of Recommendations
48	Conclusion

MARYLAND DEPARTMENT OF AGRICULTURE

I. EXECUTIVE SUMMARY

This report has been written to assist Governor Martin O'Malley's transition team as it prepares to assume the managerial and programmatic responsibilities of the Maryland Department of Agriculture. Hagner Mister, former Secretary of Agriculture and farmer, and Lucie Snodgrass, former Deputy Campaign Manager for the O'Malley/Brown campaign and a farmer and writer led the Agriculture Work Group. The staff member for the Agriculture Workgroup was Brian Hammock, Former Field Director for the O'Malley/Brown campaign and current Special Assistant to the Chief of Staff.

A group of volunteers assisted in the review of the Department and in the writing and preparation of the report. They brought in decades of expertise and involvement with Maryland agriculture. Among them were grain and dairy farmers, nurserymen, academics, subject area experts in soil conservation and land preservation, former elected and appointed officials, and an executive in the poultry industry.

The group met as a whole a total of five times, including with Secretary Riley and his senior staff, and worked in subcommittees for more in depth examination of particular issues and for additional meetings with MDA personnel. As part of its charge, the group reviewed current and past budgets, DLS audits and responses, and existing performance measurement infrastructure and reporting capabilities. It also identified key Departmental initiatives and accomplishments. In all instances, the professionals at MDA were exceptionally helpful and forthcoming with their information, beginning with Secretary Riley and Deputy Secretary Brooks, and including all of the Department's Assistant Secretaries, and professional and support staff.

This report is divided into seven sections: the Executive Summary; a brief overview of the Maryland Department of Agriculture (MDA); a discussion of key policy and legislative issues and initiatives; a review of audit practices; a section on Performance Measures, Strategic Planning and Accountability; a section on recommendations; and a conclusion.

MDA is, on the Whole, a Well Managed Agency

It was the group's consensus that MDA is, on the whole, a well managed agency with a seasoned, highly professional senior management team overseeing a core of experienced administrative, scientific, technical and regulatory personnel. The group, while not charged specifically with looking at personnel and staffing issues, was uniformly impressed with the senior management team and its commitment to the Department's mission and goals, its customers, and to the men and women who work at MDA. MDA has rewarded hard work and experience, which is evident in the Assistant Secretaries, most of whom have worked their way up through the ranks of MDA, some of them since the Department's founding. It is the work group's judgment that it would be, if not impossible to replicate their knowledge of MDA and its workings, extremely challenging to attempt to do so.

Staffing and Funding Levels Are Inadequate and Hamper MDA's Ability to Function at an Optimum Level

Excellent staff notwithstanding, the group found MDA to be chronically understaffed and under-funded at a time when the Department is being called upon to preserve more acres of farmland and open space, modernize its IT infrastructure, and play critical roles in protecting the environment; preventing the outbreak of potentially devastating diseases like avian flu; ensuring food safety; and helping to maintain homeland security. As noted in the MDA Transition Report prepared for the Agriculture Work Group:

MDA is primarily an agency of scientific and technical personnel who perform regulatory, advisory and service functions. MDA's formal position count for 2007 of 435 is 25 positions below our personnel figures for 1985. This staffing level includes 70 new positions authorized in 1999 and 2000 to implement the new Water Quality Improvement Act. Over these 22 years, MDA has reduced nearly 150 positions for various budgetary recessions and cost containment requirements in 1992 and 1993, 1996 and 2003 and 2004. The great majority of these position reductions were laboratory and field positions performing regulatory and service functions.

Recent Legislative and Executive Directives Are Further Straining MDA's Resources and Capabilities

Budget cuts and staff reductions are compounded by a number of other factors, including two major legislative and executive directives that recommend or require MDA to increase staff and resources. Both the Statewide Plan for Agriculture and Resource Management and the passage of the Agricultural Stewardship Act in 2006 place new demands on MDA that will be impossible for MDA to meet without restoring staff cuts and giving the Department more financial resources. Among the new and ongoing initiatives are Forest Pest Management; permitting Confined Animal Feeding Operations (CAFO); and creation of the Maryland Horse Park and Agricultural Education Center.

Some of these are addressed in budget enhancements or "Over the Target" proposals for the FY08 budget. "Over the target" requests for FY08 total \$14,409,000, all of which the working group recommends be funded. Even if all of these are funded, however, the Department will still need additional budgetary resources to address longstanding problems like chronic staffing shortages and a badly outdated IT infrastructure. Accordingly, the work group strongly recommends that the new Governor look for new sources of revenue to augment the MDA budget.

MDA Needs More Staff and Budget Enhancements

Carefully targeted staff and budget enhancements will make it possible for MDA to fully implement other key initiatives like the Emerald Ash Borer eradication program,

adequately fund departmental priorities like the replacement of the Salisbury Diagnostic Laboratory, and increase support for MDA field staff who work in soil conservation districts (SCD). Repeated staff and budget cuts have also taken their toll on the ranks of the administrative staff within the MDA, drawing criticism from Department of Legislative Services (DLS) in the Department's annual audits, for example, and they have made it nearly impossible to recruit, train and retain the Department's next generation of professional leaders. In light of this, the work group strongly recommends the incoming Administration carefully review MDA's request for more resources and make the necessary commitment to ensure that MDA can perform all of its mandated roles and responsibilities in a satisfactory manner.

Agriculture is Changing; Its Leaders Must Adapt

Agriculture in Maryland, like in every state across America, is changing. While Maryland has a diverse farm economy that generates \$2.5 billion in gross farm income annually, competition from other states and countries and intense development pressures are changing agriculture in profound ways. In some areas where suburban development has encroached upon farming communities, farmers are even facing challenges to their fundamental "right to farm" by new neighbors who lack experience with and appreciation for the rhythms of agricultural life. Adjusting to these external forces and ensuring the future survivability of Maryland agriculture are the major challenges facing the farm community and its leaders. The new Governor and leadership at MDA must be prepared to elevate agriculture to a position of heightened importance in the State, while at the same time demanding a new level of innovative partnerships, strategic planning and accountability.

The new Governor and MDA leadership must also place a greater emphasis on working with Maryland's U.S. Senators and Congressional delegation, both to secure more federal dollars to assist Maryland farmers, but also to ensure that Maryland agriculture has a voice in the ongoing formulation of federal farm policy, such as in the upcoming rewrite of the Farm Bill.

HB 2 and the Statewide Plan for Agricultural Policy and Resource Management, two major blueprints for the future of agriculture in Maryland, provide the incoming Administration with tremendous opportunities for ensuring the future viability of agriculture in Maryland and for setting some new directions in key policy areas. For example, agriculture will play a key role in renewable energy projects and protection of drinking water resources for future Marylanders. MDA leadership and the new Administration must both rise to the challenge.

Both HB 2 and the Statewide Plan for Agriculture require MDA to assume leadership roles in ensuring an adequate base of farmland, assisting with nutrient management and environmental stewardship, enhancing profitability, protecting the state from bioterrorism and potential pandemics, and advancing research and education for agriculture, among others. These cannot be done in isolation or without significant support from the Governor and the General Assembly. Agriculture's elevated visibility as a critical issue statewide will require unprecedented levels of cooperation with the Department of Natural Resources (DNR), the State Department of Planning (DOP), the

Department of Business and Economic Development (DBED), the Department of the Environment (MDE), and the US Department of Homeland Security. It will also require a commitment on behalf of the Governor and the leaders of the General Assembly. The leadership at MDA must be looking for opportunities to work with other departments and the environmental community to create partnerships to advance new and existing programs and achieve common goals, at the same time achieving economies of scale. It is also important that the Department looks outside the state boundaries and examine opportunities for federal support and programs that can benefit Maryland agriculture.

Opportunities for a New Administration

The state of agriculture in Maryland is at a crossroads, with as many perils as potential opportunities. It will take thoughtful and deliberate leadership to guide the farm community in the direction of renewed vigor and profitability, and there is considerable anxiety about how the new Administration will treat this vital sector of Maryland's economy. Because he is not widely known among farmers, the new Governor will have some unique opportunities to show early support for Maryland agriculture. Symbolic acts like meeting early in his Administration with farm leaders will have a positive impact, as will speaking out about farmers' "right to farm" and the desirability of some agricultural curriculum within targeted geographical public school districts. The work group also recommends centralizing oversight for the clean up of the Chesapeake Bay within the Governor's office, for example, which will give the agricultural community a far greater voice in determining what role it should play.

Support for the many more substantive measures recommended in this report will also be critical, such as funding MARBIDCO, providing greater staff support for the Soil Conservation Districts, and many of the other programs and initiatives identified in HB 2 and in the Statewide Plan for Agriculture. Many of these were explicitly supported during the O'Malley campaign, and following through on those pledges will go far in demonstrating to the farm community that the O'Malley Administration will be strongly supportive. They will also be key determinants in the success or failure of agriculture in the coming decade. Finally, the O'Malley administration has an opportunity to work much more closely with Congressional leaders to ensure that Maryland receives a greater share of federal dollars for agriculture and that Maryland has a stronger voice in formulating federal farm policy.

II. THE MARYLAND DEPARTMENT OF AGRICULTURE (MDA)

The Maryland Department of Agriculture (MDA) was created in 1973 to focus on just one sector of the State's economy: agriculture. 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." The Agency's primary goals are to: "promote profitable production, use and sale of Maryland agricultural products; protect the health of the public and plant and animal resources...; preserve adequate amounts of productive agricultural land...; limit random development and to protect agricultural land and woodland as open space; and provide and promote land stewardship..."

Its many duties notwithstanding, MDA has been something of a stepchild among Maryland State agencies, perhaps in part due to its relatively new status. It has been especially hard hit by staff and budget cuts in the last twenty years. The work group found MDA to be chronically understaffed and under-funded at a time when the Department is being called upon to preserve more acres of farmland and open space, modernize its IT infrastructure, and play critical roles in protecting the environment; preventing the outbreak of potentially devastating diseases like avian flu; ensuring food safety; and helping to maintain homeland security.

Because MDA is primarily a technical, regulatory and service agency, senior management has rightly chosen to keep as many professionals as possible working in the field at all times. This has negatively impacted MDA's ability to modernize its Information Technology (IT) infrastructure, reduced administrative functions to below optimal levels, and left the Department with little flexibility to respond to new programmatic needs or carry out legislative or executive directives. With the exception of one new senior policy development position created four years ago, which the work group feels should be combined with the governmental relations position, there are no obvious staff positions to be cut or consolidated. On the contrary, the current staffing levels are clearly inadequate and need to be reviewed and increased.

The Maryland Department of Agriculture is organized into four principal units: Office of the Secretary, Office of Marketing, Animal Industries and Consumer Services, Office of Plant Industries and Pest Management, and the Office of Resource Conservation.

These four units include 31 budgetary programs with 66 primary activities and 477 employees, 435 permanent, 42 contractual. The MDA budget is \$168 million of which only 18% is based on General Funds.

The Department's FY 07 budget is \$168 million and is budgeted to be spent as follows:

MALPF	89.5 M
Grants	9.3 M
Tobacco Conversion	11.6 M
Contractual Services	9.3 M

Supplies	1.7 M
Salaries	28.1 M
MACS	5.5 M
Cover Crop	8.3 M
Other	<u>4.7 M</u>
Total	\$168 M

In addition, MDA has requested 16 “Over the Target” proposals for consideration in the FY08 Budget, most of which emanate from the recent passage of the Agricultural Stewardship Act (HB 2) and the Statewide Plan for Agriculture and Resource Management, compiled in June 2006. If MDA is to be able to carry out the endorsed initiatives, which are housed in different areas within MDA, the Department must receive the additional requested funding for FY08.

Budget Enhancements for FY08 “Over the Current Services Budget” (OCSB)

1. Food Quality Assurance	\$ 100,000
2. Gypsy Moth Suppression	\$ 837,000
3. Resource Conservation Data	\$ 220,000
4. Nutrient Management	\$ 310,000
5. MD. Agricultural Marketing	\$1,335,000
6. Administrative Support	\$ 212,000
7. IT Services Migration	\$ 232,000
8. Cover Crop (Up To)	\$3,042,000
9. Wine and Grape Board	\$ 350,000
10. Homeland Security	\$ 94,000
11. Salisbury Lab Program	\$ 40,000
12. Aqua-culture/Seafood	\$ 136,000
13. MARBIDCO Next Generation	\$5,000,000
14. Crop Insurance (Up To)	\$2,000,000
15. Nut. Management Enforcement	\$ 201,000
16. Corsica I (Replace FF)	\$ 300,000

Total “Over the Target” Requests for FY08=\$14,409,000

Additionally, MDA’s operating budget should be increased in FY09 to begin to address, not just the staffing shortfalls referred to above, but to allow MDA to carry out key initiatives endorsed in 2006. In order to increase the budget, the new Administration should also carefully review current revenue streams and consider new revenue sources for MDA, such as increasing Program Open Space (POS) allocations in MDA’s favor.

Recommendation #1: Review staffing levels at MDA and restore key administrative, laboratory and field positions as necessary.

Recommendation #2: Fully fund the FY08 MDA budget, including the \$14,409,000 in “Over the Target” requests.

Recommendation #3: Increase MDA's operating budget in FY09 to allow for new and continuing initiatives endorsed in 2006. In order to increase the budget, the new Administration should also carefully review current revenue streams and consider new revenue sources for MDA, such as increasing Program Open Space (POS) allocations in MDA's favor.

III. CURRENT KEY POLICY, LEGISLATIVE AND BUDGET ISSUES FACING MDA AND MARYLAND AGRICULTURE

Preservation of Viable Farmland - MALPF

There is no single issue more critical to the future of farming in Maryland than the availability of enough quality farmland. Appropriately, MDA's largest budgetary program is the Maryland Agricultural Land Preservation Foundation (MALPF), which preserves farmland forever by purchasing development rights from farmers, thus ensuring a critical mass of productive farmland. The State continues to be a national leader in preserving prime farmland, and this program is critical to sustaining a landmass to maintain agriculture as a viable industry in the state of Maryland. In Maryland, 459,000 acres have been preserved through MALPF, and when MALPF's preserved acreage is combined with acres preserved by private land trusts, Maryland leads the nation by a wide margin.

Agriculture covers more than two million acres or 33 percent of the states land area. While the MALPF program has protected 459,000 acres, we are loosing over 19,000 acres annually to development. Obviously if this trend continues it will have an enormous negative impact on the economic viability of farming, the health of the Chesapeake Bay, and the quality of life for all Marylanders.

Therefore, in addition to increasing POS funding for MALPF, MDA needs to work closely with DNR to maximize the farmland acres protected with both the Rural Legacy and Greenprint Programs as well as with local land trusts. Finally, MDA, DNR, and MDP need to work with towns, cities, and county councils to provide the leadership necessary to promote the use of new and innovative land use tools like PDR's and TDR's which require the developers to purchase development rights from farmers to get increased density in areas designated for growth. These tools, if implemented properly, protect the farmer's equity while keeping development from sprawling into our rural areas.

Earlier cuts to MALPF were restored in FY07, which is critical to the Department's ability to compete with developers in acquiring development easements. With the average cost per acre of acquiring easements standing at \$5,400 in FY07 and the expected price in FY08 to be \$6,500, the Department will need to expand existing revenue sources and create additional revenue opportunities to continue to fund MALPF in years to come. HB 2 recommended that the Administration identify an additional \$20 million for MALPF to supplement the existing easement program. The work group concurs in this finding. The work group also recommends that MALPF recognize the important role that forests play in protecting water quality and providing economic opportunities for landowners and therefore encourage their protection with easement dollars.

Funding for the MALPF comes from the agricultural transfer tax and program open space (POS) funds. Currently, MALPF receives 17% of POS funding. To overcome the increased cost of land so that the program maximizes purchases before further increases in land prices, the percentage of funding for MALPF from POS should

be increased. Funding for the MALPF from the transfer tax has varied from approximately \$20 to \$50 million per year. Each one percent increase in POS funds will therefore add between \$1.18 to 2.94 Million to the program each year. Moving it to 25%, for example, would add \$9.6 to \$23.5 million per annum, allowing the program to purchase significantly more land in advance of escalating land prices. In addition, the new Administration should consider increasing MALPF funds by \$20 million for more easement acquisitions.

Another issue that affects the protection of agricultural land is the recent decision by the Supreme Court that allows land to be taken by government and turned over to private developers. This has caused significant concern in the agricultural community. There needs to be a legislative change to protect farmland from this type of eminent domain “taking” to help preserve agricultural land.

Recommendation #4: Expand existing revenue sources and create new revenue opportunities for MALPF by, among other things, seeking a legislative change for MALPF to receive additional POS funding.

Recommendation #5: In addition, increase MALPF funding for more easement acquisitions by a further \$20 million with general funds, bond funds or other designated funding sources, such as revenues from slots.

HB 2: The Agricultural Stewardship Act of 2006

The Agriculture Stewardship Act, HB 2, is one of the most far-reaching legislative initiatives affecting agricultural reform to have been passed in the General Assembly, and both agricultural and environmental communities supported it. The bill mandated or recommended significant funding increases to agricultural programs that expand resources for environmental management and support the viability of the agricultural industry.

HB 2 called upon MDA to review the condition of its marketing and agricultural development programs to determine how best to serve Maryland’s farmers. The report was published in November 2006 and among the report’s top recommendations are for a \$1 million investment in a “buy local” marketing campaign for Maryland farm products, and a \$2 million investment in cost-sharing premiums on federal crop insurance. Both of these items are included in the “Over the Target” requests for consideration in FY08, which the agriculture-working group endorses.

According to MDA, “the crop insurance cost-sharing initiative would leverage more than \$24 million of federal and private funds for the State and reduce the risk of financial failure of Maryland farmers in a drought or other weather disaster. With the increase in grain prices, premiums are likely to increase substantially discouraging farmers from purchasing the higher coverage even though their risk is greater.

Another HB 2 initiative is continuation and expansion of the Cover Crop program. Cover crops are widely recognized as one of the most cost-effective and environmentally promising ways to reduce agricultural runoff into the Bay and its tributaries. Planted in

the fall, cover crops are cereal grains such as oats, rye, wheat and barley that grow quickly in cool weather. They provide farmers with dual protection against farm runoff and soil erosion by absorbing unused crop nutrients remaining in the soil following the harvest and acting as a ground cover to keep the soil from washing away during the winter.

The Maryland Department of Agriculture (MDA) provides grants to farmers who plant cover crops on their fields. Forty percent (40%) of the fees collected from septic system owners through the Chesapeake Bay Restoration Fund are used to fund MDA's cover crop program. This summer, Maryland farmers signed up to plant a record 450,000 acres of cover crops during the 2006-2007 planting season. MDA only had funds available for 290,000 acres. The ratio of the disbursement of the funds should be reversed so additional funds (60%) are provided for cover crops. This will provide an additional \$2.5M for cover crops. Based on the recommendations in HB 2, the state should also fully fund the cover crop program with General Funds to supplement Chesapeake Bay Restoration Funds.

Yet another key recommendation of HB 2, which is consistent with one of the O'Malley campaign's pledges to strengthen state programs that offer farmers incentives to practice environmentally friendly policies, is to expand staffing for the Soil Conservation Districts (SCD).

Soil conservation districts (SCDs) are political subdivisions of the state. They are the local delivery system for agricultural non-point source programs to clean up the Chesapeake Bay. SCD's provide landowners with technical expertise to install conservation practices on their land. Although not regulatory, these agencies help farmers and other landowners comply with local, state and federal environmental laws and regulations. The technical staff includes soil conservation planners, agricultural engineers, soil scientists, urban planners and other natural resource professionals.

On the farm, conservation field staff work with farmers to promote healthy farming practices such as cover crops and streamside buffers that help keep soil and fertilizers on crop fields and out of the Chesapeake Bay and its tributaries. They also design and supervise the construction of complex systems, such as animal waste storage structures, that help livestock operations manage waste more efficiently.

At construction and road building sites—where sediment runoff is a major concern—urban planners from the district work with construction managers and developers to ensure that safeguards are in place to minimize sediment and nutrient impacts.

Having enough qualified technical staff to work with farmers on conservation projects and oversee sediment and erosion control laws has been an ongoing struggle. Soil conservation districts, located in every Maryland County, are funded through a combination of local, state and federal sources. This funding has been inconsistent, at best, over the years despite the fact that soil conservation districts have taken on many additional responsibilities amid growing public concern over the impact of agricultural and development activities on the Chesapeake Bay.

In addition to HB 2's provisions that increased funding for cover crops and other agricultural conservation practices, the Agricultural Stewardship Act of 2006 restores state funding for soil conservation district staffing. In 1998, the passage of the Water Quality Improvement Act included language recognizing the important role of the districts and called for a minimum of 110 field staff to work with farmers. At the start of the 2006 legislative session the number of field positions had dwindled to 82. HB 2 calls for the restoration of these employees to 110 and allows for the increase in salaries so that once trained, these professionals can be retained by MDA to work in the districts.

Maryland agriculture is nearing a critical juncture in terms of its future viability. With an aging farmer population and skyrocketing real estate prices, it appears likely that much remaining farmland, and the resulting opportunity for agricultural production on that land, will be in danger of disappearing forever. Aspiring young Maryland farmers report that they face an often-insurmountable difficulty in purchasing farmland for the first time. Moreover, the Young Farmers Advisory Board reports that the top impediment to the future success of the next generation of farmers is their ability to purchase farmland. (Agricultural leaders and public and private sector service providers concur with this analysis.) A partial solution to this problem is a reasonably well-financed and rapid response-type farmland easement purchase option program to help facilitate the transfer of farmland to a new generation of farmers. This new generation would, in turn help support working landscapes in rural communities and sustain a critical mass for the agricultural activity in this State. An additional advantage of such a program is that it would help permanently preserve considerable agricultural land from future development, thus providing significant open space and water quality benefits.

During the preceding year, the Maryland Agricultural and Resource Based Industry Development Corporation (MARBIDCO) and Maryland Agricultural Land Preservation Foundation (MALPF) have collaborated with young farmers, land preservation experts, cooperative extension agents, commercial lenders, and MDA staff to develop the proposed Next Generation Farmland Acquisition Program (NGFAP). MARBIDCO and MALPF officials believe that the State should dedicate sources of revenue to assist MARBIDCO in buying the development rights on farmland being purchased by young or beginning farmers under the NGFAP. These revenues should complement any existing or new sources of funding for MALPF, including any new funding for MALPF's proposed Critical Farms Program.

Public support for the NGFAP is already evident. The Maryland Agricultural Commission in its "Statewide Plan for Agricultural Policy and Resource Management" endorsed the NGFAP. HB 2 authorizes MARBIDCO to receive up to \$5 million in the State budget for the NGFAP. MARBIDCO and MALPF staffers anticipate that the NGFAP will need an initial capitalization of about \$15 million during the first 2-3 years of operation, with infusions of additional funding up to \$5 million annually thereafter for a period of 15 to 20 years.

HB 2 recommends increased funding of up to \$7M a year for five years or until the annual budget for the Maryland Agricultural Water Quality Cost-share (MACS) Program is \$35 million. In 2006, SCDs helped Maryland farmers secure \$9.4 million in

state grants to install more than 1,600 projects on their farms to control soil erosion, manage nutrients and protect water quality in streams, rivers and the Chesapeake Bay. Farmers who received these grants invested more than \$1.3 million of their own money into projects that will collectively prevent an estimated 1.2 million pounds of nitrogen and 13,500 pounds of phosphorus from entering Maryland waterways each year. The projects will also help prevent an estimated 14,000 tons of soil annually and 1,276 tons of manure per day from impacting local streams. Retaining the funding for the MACS program as identified in HB 2 is extremely important to Maryland farmers and the restoration of the Chesapeake Bay. Additionally, the payment procedures need to be streamlined.

Recommendation #6: Support the “Over the Target” request to provide up to \$2M in financial support for farmers to increase their coverage level of Federal crop insurance.

Recommendation #7: Support legislation to switch the allocation from the Chesapeake Bay restoration program so that Cover Crops receive 60% of the funding, an increase from the current 40%.

Recommendation #8: Grant the \$3,042,000 “Over the Target” request in general funds to fully fund the cover crop program.

Recommendation #9: Increase field staffing levels in SCD to 110 positions as required by HB 2.

Recommendation #10: Fully fund MARBIDCO, NGFAP, and CFP.

Recommendation #11: Maintain adequate funding for the MACS program.

Recommendation #12: Streamline the payment procedures for MACS so farmers do not wait as long for payment.

Strengthening Maryland’s Horse Industry

Maryland’s horse industry is an important part of agriculture, with over 65,600 Marylanders directly involved in that sector and 10% of Maryland’s land held by horse breeders and owners. The horse industry in Maryland includes not only the racing breeds of thoroughbreds and standardbreds, but other breeds involved in recreational activities, such as Arabians, quarter-horses, sport horses and smaller pony breeds. The MDA must continue to strengthen Maryland’s horse industry, which produces a total economic impact valued at approximately \$1.6 billion, according to a 2005 study by the American Horse Council.

In order to strengthen and promote the horse industry, we recommend the MDA continue to support the Maryland Horse Industry Board (MHIB), which is funded by the Maryland Equine Feed Assessment. Created in 1998, the MHIB licenses and inspects stables, advises MDA on matters related to the horse industry, supports research related to equine health, promotes the development and use of horses in the state, creates public

awareness of the value of equine activities as they relate to the preservation of green space and agricultural land. MHIB has also been involved in promoting the following issues, which are of importance to the entire horse industry in the state, the establishment of a Maryland Horse Park and Agricultural Education Center; establishing a federally certified international import/export facility for equines near BWI-Thurgood Marshall Airport; creating a public notification system in time of equine emergency (bio-security issues); and the availability of regional animal health diagnostic laboratories and reasonable fees for necropsy and disposal of equines.

The establishment of the Maryland Horse Park and Agricultural Education Center (MHP) would generate an estimated 1,500 jobs and \$122 million in economic impact to the state each year according to a 2006 feasibility study performed by the Maryland Stadium Authority (MSA). Support for the MHP is strong throughout the horse industry and the MSA. The new administration should support legislation to authorize the MSA to use already budgeted funds to construct the facility, and should work to facilitate necessary transportation and infrastructure improvements in the area selected for the horse park.

Although the Maryland racing industry will benefit by the activities of MHIB, additional steps are necessary by MDA in order to counter the loss of horses and racing to other states that are using slots to subsidize racing. In particular, Department of Labor, Licensing and Regulation (DLLR) and MDA should consider the possible transfer of authority to administer the Maryland Bred Race Fund to MDA to encourage the overall promotion of thoroughbred and standardbred breeding in the state. In addition, MDA should consider creating a new incentive fund to promote the raising and breeding of horses in the state. The monies from the incentive fund would support individuals who breed and raise horses as an agricultural activity. The incentive fund could be funded with some type of industry generated sales tax revenue, lottery monies, or revenue from a horse license plate.

MDA leadership needs to continue to work closely with the Maryland Horse Breeders Association and other groups to ensure that issues related to the horse industry are given proper attention, including several proposed bills for the 2007 General Assembly session that impact the horseracing industry that will need careful monitoring and support.

RECOMMENDATION#13: Ensure that issues of importance to the horse industry are given careful attention, especially legislation authorizing the construction of the Maryland Horse Park (MHP), continued support of the activities of the MHIB, establishing a federally certified international import/export facility for equines near BWI-Thurgood Marshall Airport and continued support of the racing and breeding industry.

Upgrade of the Information Technology (IT) System

According to MDA, "Information Technology Services (ITS) is charged with providing the resources necessary for employees to achieve their data storage and retrieval needs in a secure and efficient environment." Unfortunately, cuts to MDA's

budget have made that impossible, affecting staff and ITS' ability to expand services. MDA's IT infrastructure is unsupported and does not allow for web-based email or remote access to user files and services that staff and customers deserve. MDA must plan for the next migration of workstation hardware, operating systems and application software that will enhance best management and accountability practices. Department officials have requested \$232,000 in "Over the Target" funds for FY08 for "IT services migration", which the work group strongly supports.

HB 180, passed in 2006, mandates the establishment of a Maryland Agricultural Land Link Program in MDA to establish and maintain an on-line "electronic bulletin board" to provide information on a wide range of agricultural issues. Unfortunately, while the law is scheduled to take effect on July 1, 2007, there are no funds budgeted for this effort.

In addition, however, the group recommends an internal review of IT functions to determine what other steps need to be taken to modernize the entire system to better serve SCD and regional MDA offices and staff – and then allocate the budgetary resources to effect the changes.

Recommendation #14: Support \$232,000 in "Over the Target" funds for IT services migration.

Recommendation #15: Allocate funds for startup costs associated with the Maryland Agricultural Land Link Program.

Recommendation #16: Conduct an internal review of IT functions and capabilities and allocate resources to effect needed changes.

Broadband for Rural Maryland

In response to SB 753, which provided multi-year funding and oversight to construct a fiber optic Broadband network throughout rural Maryland, the five Maryland Regional Councils established The Maryland Broadband Cooperative (Mdbc). Continued funding and support of this legislation provides rural Maryland the necessary mix of modern technology to sustain its rural heritage. The Mdbc has begun the construction of the network utilizing resource-sharing agreements with private sector Internet Service Providers, Wireless Internet Service Providers, and other private entities possessing fiber optic network capabilities. The completion of this network, which requires private sector members to provide ubiquitous service to farms and the agriculture industry is an essential ingredient to the development of alternative markets, value added production, and agricultural industry in Maryland.

Recommendation #17: Continue support for SB 753 and the Maryland Broadband Cooperative.

Supporting Maryland's Poultry Industry

The poultry industry is an important sector of Maryland's economy. Maryland is

Maryland Agricultural Cash Receipts (\$000)			
	<u>2001</u>	<u>2003</u>	<u>2005</u>
Poultry and Egg	\$604,612	\$548,680	\$605,316
Greenhouses/Nurseries	286,436	324,366	354,407
Milk	208,008	160,265	186,624
Corn for Grain	93,803	88,399	92,367
Meat	68,916	87,632	88,808
Soybeans	80,935	81,081	87,855
Vegetables and Fruits	74,273	60,261	75,219
Wheat	27,855	17,336	28,142
Hay	21,667	22,313	21,031
Tobacco	13,620	5,119	2,674
Miscellaneous	<u>73,196</u>	<u>66,272</u>	<u>74,213</u>
Total	\$1,553,321	\$1,461,724	\$1,616,656

ranked 12th in the U.S. in the pounds of broilers produced with 1.23 billion pounds. In 2005, poultry sales in Maryland exceeded \$605 million. Poultry companies employ more than 5,000 people in Maryland, and there are approximately 1,000 Maryland poultry producers. Each job in the poultry industry creates 7.2 jobs elsewhere in the economy in allied

industries such as farm equipment sales and maintenance, feed, etc. as well as in the general community such as retail stores and groceries, etc.

The poultry industry is also an active contributor to Maryland communities in environmental matters. Integrators have taken the initiative and are working with poultry producers to help on compliance with nutrient management legislation. For example, poultry house litter is transported to regions where its nutrients are in demand, or it can be processed into a consistent, easy-to-handle organic fertilizer. The poultry industry has adapted feeds¹ to help reduce phosphorus in the soil. Integrators also work closely with producers on new chicken house construction in terms of its orientation on the property to be good neighbors (location of entrance, positioning for prevailing winds, vegetative barriers, etc.). Programs such as these--litter handling, efficient feed, and chicken house location-- are just a few examples of the poultry industry's leadership in managing nutrients to help protect our environment.

With a strong poultry industry comes an equally strong crop farming industry. Corn and soybeans brought in more than \$180 million to Maryland's economy in 2005. As the largest single component of the state's agricultural economy, the poultry industry is the anchor in the mutually beneficial relationship with crop farmers and poultry producers. This vital economic network, evolving over the last 80 years, is essential to the state's economy and a base for Maryland's future prosperity. In order for the poultry industry to continue to expand, the new administration should advocate infrastructure and land use policies that balance the needs of agriculture with the demands of urban interests (Recommendations 4-12, 25, 44). Further, the administration should initiate and fund programs that strengthen and grow domestic as well as international agricultural markets. Robust agricultural markets will enable farmers to remain viable and grow.

Recommendation #18: Support and fund advancements in agriculture and food, e.g. avian influenza, food safety. With the world's awareness of the threat of avian

¹ Phosphorous is one of the key nutrients monitored in state nutrient management programs. The phytase enzyme, when added to the feed, helps the chicken more efficiently digest phosphorus rather than pass it to the litter.

flu growing, there are increasing demands for more diagnostic tests on poultry. In Maryland, 100% of its commercial flock is tested before slaughter, ensuring that Maryland's poultry is safe and economically viable around the world. Continue this work to better prepare the state and the poultry industry in case of disease outbreaks. As home to research facilities at the University of Maryland at both College Park and Princess Anne, Maryland should be a leader in research into food safety and agricultural practices. Consumers will be reassured that there is ongoing research.

Recommendation #19: Research the impact of biofuels on Maryland's poultry, dairy and livestock industries. While additional market for corn and soybeans as feedstocks for the biofuels industry is a benefit to crop farmers, the anticipated higher prices may be a detriment to the animal industries that feed these products. National studies indicate that there is enough grain for 15 million gallons of ethanol but the recent level of ethanol expansion has caused excessive short term increases in grain prices. In the long term, prices are anticipated to reach a new level, above the historic low levels, but not a today's prices. Many federal and state programs support the production and marketing of biofuels; equally important are programs that would support the poultry and livestock farmers.

Replacement of the Salisbury Poultry Diagnostic Laboratory

With the world's awareness of the threat of avian flu growing, Maryland's largest agricultural industry is receiving close scrutiny. There are increasing demands for more diagnostic tests on poultry. In Maryland, 100 percent of its commercial flock is tested before slaughter, ensuring that Maryland's poultry is safe and economically viable around the world, especially in developing foreign markets.

Poultry testing is done at the Salisbury Animal Health Laboratory, an obsolete, dangerous facility that is more than fifty years old. MDA believes, and the work group concurs, that replacement of the facility is critical and should be done immediately. The new facility could be completed as early as December of 2008 for an estimated cost of \$1.5 million. It is the opinion of a group of state officials and private industry representatives that the new lab be built possibly near the University of Maryland Eastern Shore. This new lab would perform basic analyses and would collaborate with the University of Delaware-Lasher Lab (Georgetown, Delaware) on analytical activities that require higher-end instrumentation. The labs would share their results through a common information/technology system. In the long run, this should save Maryland's financial resources and still provide ample technical and analytical capability to state agencies and private industry on Delmarva. We suggest that a task force be named (to include appropriate Delaware representatives) to look into the feasibility of this proposal and evaluate possible sites.

Recommendation #20: Fund a Capital Budget appropriation for a new Poultry Diagnostic Laboratory and support the \$40,000 in "Over the Target" funds for FY08.

Recommendation #21: Name a task force to look into the feasibility of building the new lab and working in collaboration with the University of Delaware.

Emerald Ash Borer Eradication Program

The Emerald Ash Borer (EAB) is an extremely invasive beetle that is fatal. EAB was detected in 2003 in Prince George's County and MDA put into place an intensive eradication program that is ongoing. MDA continues to need Federal and State funds to combat this serious threat.

Gypsy Moth Suppression

The loss of Federal funds available to control gypsy moth; the doubling of acres in Maryland that need to be treated; and the increased cost of treatment in FY07, will require additional funds to deal with this ongoing threat to hardwood trees. More than \$1.2 million in general funds has been requested to retain staff involved in the spraying effort, as well as for costs for surveys and to contract for aerial application of pesticides.

Recommendation #22: Support ongoing general fund requests as well as the FY08 "Over the Target" proposal in the amount of \$837,000 for ongoing gypsy moth suppression efforts.

Helping Agriculture to Clean Up the Chesapeake Bay

The soil conservation districts are a coalition of federal, state and local agencies dedicated to protecting and conserving natural resources by providing a range of educational, financial, technical assistance and regulatory programs to farmers. The federal partners at USDA's Natural Resource Conservation Service (NRCS) have indicated a decline in staffing support for Maryland programs as part of a national decline in their budget. It is important that the new Administration work with Maryland's Congressional Offices to eliminate this reduction in federal support so that the state's efforts to increase SCD funding through HB 2 do not result in a "status quo" with inadequate support for farmers.

One of the biggest shortfalls in USDA NRCS is in basic Conservation Operations, which funds the Conservation Technical Assistance Program as well as other important conservation projects. Once a farmer signs up for a Farm Bill program such as the Environmental Quality Improvement Program (EQIP), Wildlife Habitat Improvement Program (WHIP), Agricultural Management Assistance (AMA) or Conservation Security Program (CSP), funds are allocated for technical staffing but prior to them signing up, Conservation Operation funds must be used. The Conservation Operation funds have diminished considerably and need to be restored. This funding is essential to provide technical planning and implementation expertise to Maryland landowners, including those that may not be seeking any other financial assistance for resource conservation, for farmer education, general planning, or to assist with the technical aspects of state and local programs.

One of the impediments to hiring qualified individuals to work in the soil

conservation districts is that, according to the State Ethics Commission, being a farmer automatically precludes an individual from working at the Department of Agriculture. Many part-time farmers seek off-farm work in careers in which they can use their farming knowledge and background; conversely, there are many programs, such as the preparation of a soil conservation and water quality plan where a working knowledge of a farming operation is critical. Not to be able to hire a farmer to carry out such work is nonsensical and a simple law change that still recognizes that there may be circumstances where there is a conflict of interest and establishes necessary precautions, should be supported.

Known as the Nutrient Management Law, the Water Quality Improvement Act (WQIA) of 1998 calls on all farmers with an income of \$2,500 or 8,000 lbs or more live animal weight to have a phosphorus-based nutrient management plan. As well as outlining the quantity and source of nutrients to be applied to growing crops, many nutrient management plans call for best management practices to address livestock waste and water quality concerns.

This controversial legislation has been tweaked to a point where farmers are more comfortable with the process and are complying with the law. There is a need to ensure enforcement of the law, however, for the few individuals who are not in compliance.

Farmers can get their nutrient management plans prepared through three processes. Currently the state provides these plans at no charge through the Cooperative Extension Service; the farmer can apply for cost-sharing to have the state pay a portion of the cost to have a certified commercial nutrient management consultant prepare the plan or the farmer can become certified to write his own plan. This process needs to be improved. MDA needs to analyze ways to maximize the number of farmers certified to write their own plans and reward them appropriately for their time and effort, and expand the involvement of commercial plan writers.

Farmers who have earned the nutrient management certification need to be able to qualify for a cost share. If they do not qualify there is no incentive for the farmer to spend the time to do the plan or even obtain certification when the state will do it for free. It is time consuming to prepare a nutrient management plan. Providing some cost share would enable the farmer to have an extra revenue source in the non-peak season.

The level of technical assistance provided to farmers for nutrient management is an ongoing challenge and concern. MDA budget reductions are having a negative impact on Extension staff, which currently prepares the majority of nutrient management plans for Maryland farmers. MDA submitted an "Over the Target" request of \$270, 058 over the Current Services Budget to maintain Extension services in the counties. Without that funding, there will be a further reduction in technical assistance to assure compliance with the WQIA.

A financial incentive program called the Low Interest Loans for Agricultural Conservation (LILAC) is available to help farmers install best management practices (BMPs) or purchase equipment to protect natural resources. Loans offered through the LILAC program can help farmers pay the 12½%, or more, not supported by the states

cost-share programs (MACS). Guaranteed by the State Revolving Loan Fund, these loans are typically offered at three to four percentage points below market. The use of these funds has grown substantially over the past two years and additional funding is necessary to support the program.

There is a need to fully fund the animal waste transportation program to allow manure to be transported from fields with excess nutrients to those where additional nutrients are needed. The process needs to be greatly simplified to encourage more participation.

The current programs are based on well-respected and proven best management practices to help clean up the Bay. There is a need to continue to evaluate alternative BMP's that can improve cleanup efforts and expanding monitoring efforts to ensure that the time, funding and effort placed on BMP implementation is indeed providing the required water quality improvements.

Water quality issues are a paramount concern of the agricultural community. MDA, along with other agencies, is responsible for helping the state meet its commitment to the tributary strategy goals. To encourage more effective coordination of Bay programs and to assure the public of this administration's commitment to these goals, we recommend returning the Bay Program coordination to the Governor's Office.

Recommendation #23: Amend the State Ethics Law to allow MDA to hire farmers to work in programs such as those in the soil conservation districts, where their expertise is needed.

Recommendation #24: Work with the Maryland Federal delegation to raise USDA, NRCS funding to support Chesapeake Bay cleanup.

Recommendation #25: Provide additional \$310,00 in resources as requested in the "Over the Target" request for FY08 to ensure nutrient management law compliance.

Recommendation #26: Review the delivery system for nutrient management plans to ensure that farmers are able to receive low cost plans as efficiently and sustainably as possible for the state.

Recommendation #27: Support "Over the Target" request for ongoing Extension staff for FY08. Dedicate a revenue source specifically to support research to develop additional BMPs needed to meet the nutrient reduction goals for agriculture.

Recommendation #28: Additional funding should be allocated to the State Revolving Loan Fund to support the LILAC program.

Recommendation #29: Fund additional BMP effectiveness research and expand water quality monitoring.

Animal Waste Transport Program

There is a need to fully fund the animal waste transportation program at the level of \$750,000 per year to allow manure to be transported from fields with excess nutrients to those where additional nutrients are needed. The process also needs to be greatly simplified to encourage more participation. Currently the turnaround time is too long for the farmers to be able to schedule manure transport. The state of Delaware has managed to make it much more efficient. It is a necessity that the times of the turnaround on paperwork are closely monitored in order to determine and eliminate weaknesses in the system. This would help quantitatively measure performance and the efficiency of the people that administer the program.

Additionally, the O'Malley administration should work with Maryland's Congressional delegation to seek federal funding related to this initiative (perhaps from EPA or other federal agencies) and target payments to those entities that move excess nutrients out of the Chesapeake Bay watershed

Recommendation #30: Simplify the state's manure transportation program and adequately fund the program at \$750,000 per year. Additionally, seek additional funding (perhaps from EPA or other federal agencies) and target payments to those entities that move excess nutrients out of the Chesapeake Bay watershed.

The Statewide Plan for Agricultural Policy and Resource Management

Maryland farmers are facing tremendous pressures that threaten their ability to farm and earn a living. From unprecedented land prices to foreign competition to barriers to market access and mandates to reduce agriculture's impact on the environment and the Chesapeake Bay, today's farmer is struggling to survive.

To address those concerns, MDA and the farm community undertook a comprehensive strategic planning process that evolved into The Statewide Plan for Agricultural Policy and Resource Management. The process involved extensive public input and yielded a plan that addresses the needs, not just of the farm community, but of a larger group of stakeholders, as well. The process yielded three overarching issue areas: Enhancing Profitability; Ensuring an Adequate Base of Well-Managed Agricultural Land; and Advancing Research, Education and the Advocacy of Agriculture. The core of the plan is comprised of these three issue areas, from which thirty main recommendations resulted. To ensure that the Plan's recommendations are fully implemented, Agriculture Secretary Riley appointed a committee to oversee the process. That committee should be broadened to include stakeholders from outside just the agriculture community.

The farm community, which was integral to the strategic planning process, has embraced the plan and is waiting to see how the new Administration will respond to it. One of the most important signals the Governor can send to the farm community is to endorse the plan and its recommendations and ensure that it is thoroughly implemented and fully funded, where necessary.

Recommendation #31: Broaden the committee to make recommendations on how to fully implement the Statewide Strategic Plan for Agricultural Policy and Resource Management.

Intergovernmental Commission for Agriculture

A return to Smart Growth principles and tenets will be an invaluable tool in ensuring the future availability of contiguous farmland, as poor planning has been one of the most destructive forces to farming. One of the issues identified in the Statewide Plan for Agricultural Policy and Resource Management was the need to work with local jurisdictions to ensure the establishment of agricultural needs for farm-friendly zoning, regulations and long term community planning.

To this end, MDA has started a process of bringing together local planning, health and other politicians and personnel to educational forums to discuss agriculture's needs. These forums provide an opportunity for the local jurisdictions to share success stories and gather input, such as model legislation, on programs they want to establish locally. These forums can also be used to encourage counties to expand the use of Right to Farm Ordinances, Transferable Development Rights (TDRs) and other useful agricultural land preservation tools. The process has been formalized and membership on the Intergovernmental Commission for Agriculture has recently been announced. Membership on this commission should be reviewed by the Administration and then be allowed to carry out its mission for the benefit of the agricultural community.

Consistent with other goals in the Statewide Plan for Agriculture for raising the profile of Agriculture in the State, the Administration should hold an informal meeting within the first month in office with key agricultural leaders representing the states agricultural organizations. This brief meeting will do a great deal to establish a positive relationship. When more time is available, the Governor, or key staff, should attend the Maryland Agricultural Commission's monthly meetings. (This will be a very important "first".)

Recommendation #32: Continue the activities of the Intergovernmental Commission for Agriculture.

Recommendation #33: Meet with the agricultural community early on in the Governor's Administration and establish an ongoing relationship, designating a senior staff person to regularly attend the Maryland Agricultural Commission meetings.

Biofuels Production

There is interest from several groups to bringing ethanol production into Maryland. The Maryland Grain Producers Utilization Board (MGPUB) has sponsored an effort to produce ethanol from hulless barley for part of the year, which has two unique benefits. One is to provide a new market for a small grains crop that will provide water quality benefits and the other is that it maintains more local corn to support the poultry

industry. MGPUB is also planning to maximize farmer investment in the project. Farmer investment in value-added projects such as an ethanol plant enables them to gain additional profits other than just finding a new market for a commodity grain. All efforts to expand the market for grain will benefit Maryland farmers, while the poultry industry is the grain industry's primary and most important market, there is a need to diversify and develop new and alternative markets for price protection.

An Interagency Biofuels Committee has been established with membership from MDA, DBED, MDE, and MEA to support a developing biofuels industry and streamline the permitting process. This important committee should be maintained.

In 2005, the Maryland General Assembly passed the Maryland Renewable Fuels Promotion Act to encourage ethanol production from small grains and biodiesel production from new soybean crushing activities. This legislation calls for future funding once production facilities are certified. The Administration should pledge to support the implementation of this program.

Ethanol plants are high cost facilities. The Administration should support efforts to expand farmer involvement in such facilities with loan guarantees, funding support, technical advice, and grant writing support to capture federal funds. The Administration should establish a low interest loan program for farmers to borrow money to invest in biofuels projects.

Legislation supporting mandated use of ethanol and biodiesel will benefit farmers and the development of biofuel production opportunities in the State.

To expand the use of alternative fuels, the Administration should support the expanded use of 20% Biodiesel (B20) blends and 85% ethanol blends (E85) by state government and promote and facilitate their use by the general public.

The National Governor's Ethanol Coalition has membership from 35 states. Maryland joined in July 2006 with little fanfare. Pledging to continue this membership is an opportunity to show support for agriculture and its role in the growing biofuels industry. (<http://www.ethanol-gec.org/index.htm>)

Passing legislation to increase the volume of soybeans crushed in Maryland has the potential to provide a significant benefit to Maryland soybean growers. It would establish a new local use for soybeans and provide a new source of oil for biodiesel production. Since the loss of the export pier in Baltimore City, Maryland soybean growers have been reduced to a single market and have seen a considerable loss in basis price as a result. The state should maximize its use of biodiesel and support incentives and/or credits for refueling infrastructure development. There are significant benefits for biodiesel use in home heating. The state should consider following New York's lead and offer a one-cent (\$0.01) tax credit per percent of biodiesel, i.e., B5 (5% biodiesel blend) would be eligible for a five cent per gallon Maryland state income tax credit. Promoting the use of biodiesel in school buses should also be incentivized. Much of this can be accomplished using matching federal funds.

Recommendation #34: Support biofuels use and production in Maryland.

Recommendation #35: Maintain the Interagency Biofuels Committee.

Recommendation #36: Commit to funding the Maryland Renewable Fuels Promotion Act when a project becomes certified.

Recommendation #37: Build on existing economic development programs to support the biofuels industry.

Recommendation #38: Purchase bonds, up to \$10 M, to establish a low interest loan program to buy down interest on up to \$10 million to provide low interest loans for farmers to use to invest in biofuels projects. The state will be repaid over a ten-year period as the principal is paid off.

Recommendation #39: Support biofuel use requirements for 2% biodiesel and 5% ethanol statewide.

Recommendation #40: Participate actively in the Governor's Ethanol Coalition.

Recommendation #41: Support the development of a new crushing facility for soybeans.

Recommendation #42: Support tax credit incentives for home heating oil at \$0.01 for each percent of biodiesel included.

Recommendation #43: Promote the use of biodiesel in school buses.

Dairy Farming

The MD Dairy Industry faces a number of obstacles and opportunities in its future. MD milk, like many other MD commodities, is produced near a large metro area where demand exceeds our ability to produce. This adjacency to markets is both a curse and a blessing. The curse is land that is too high priced to farm, water quality and quantity issues, conflicts with suburban neighbors, low prices due to out of region pricing influences; all these create barriers for future generations of family farmers to enter the business. The blessing is direct marketing opportunities, large dairy processing facilities, nearness to bio-tech and food industry research centers, a vast transportation infrastructure, which all offer unlimited future growth opportunities.

Long Term Support Program: Maryland's dairy industry is in a state of crisis. The farm-level price for milk is frequently lower than the cost of production. Economic models show that dairies would have to get much larger to survive under current conditions. Government should step in to support the dairy industry before it is too late. States in the north and southeast have instituted programs to provide monetary support to dairy farms when the price of milk drops below an established level. Several states are working to create a state and federally subsidized revenue insurance program for dairies.

Truck Weights: The dairy industry would benefit from increasing the allowable weight limits for milk hauling trucks. Primarily out-of-state hauling companies that are allowed higher weight limits in Pennsylvania service Maryland's dairies. Expanding the allowable weight level for milk to haul up to 87,000 pounds, with additional safety inspections, as passed for Allegany and Garret Counties for the timber, would be an excellent first step.

Methane Digesters: Methane digesters provide a nutrient management solution for excess nutrients and odor management for larger livestock operations while providing a renewable fuel source that can be used on farm and/or sold back to the grid. Maryland needs to step up to the plate, embrace this technology and work with some of the larger dairy operations to bring this technology to Maryland. It will require considerable funds and expertise, but through our congressional offices, federal funding can be sought to offset some of the cost.

Recommendation #44: Commit to working with the dairy industry to develop a long-term support program to ensure that Maryland maintains its dairy industry.

Recommendation #45: Due to seasonal changes in milk production and the MD Health Department's desire to have all milk removed at each farm pick-up, weight restrictions on milk hauling trucks should be more flexible per the example of Western MD's timber hauling trucks.

Recommendation #46: Embrace methane digester technology for livestock operations.

Recommendation #47: Work with other state agencies and Tributary Strategies Teams to develop "green payments" as opportunities from dairy producers. These opportunities could include reducing nitrogen and phosphorus in feeds, renewable energy through bio-gas production and stream buffers and stream fencing for dairy lots and pastures.

Tax Structure

Inheritance tax: Elimination of the state's inheritance tax and/or re-coupling of the state and federal estate tax formula would benefit Maryland agriculture.

Sales tax on agricultural production: It is important for agriculture to maintain the exemption of agricultural inputs from the state sales tax.

Agri-tourism tax: Providing an exemption of agri-tourism activities from the admission and amusement tax statewide would help those farmers who are expanding into value-added activities like agri-tourism by opening their farms to visitors. Under current law, each county may enact this tax and may determine which activities are subject to the tax. In recent years, Harford and Baltimore Counties have passed legislation in Annapolis to exempt agri-tourism from the tax. Several other counties have exempted farm tour and pick-your-own operations from the tax at the local level.

Legislative Taskforce on Ag tax structure: A legislative task force was implemented as part of HB 2 to study tax incentives for agriculture. The recommendations from this task force should be given serious consideration. If recommendations involve federal tax relief, the Administration should support such changes at the federal level.

Recommendation #48: Support elimination or a recoupling of the state and federal inheritance tax.

Recommendation #49: Support continued exemption of sales tax on agricultural input products.

Recommendation #50: Encourage local governments to eliminate the local tax on agri-tourism activities.

Recommendation #51: Give serious consideration to the recommendations of the Legislative Taskforce on Ag Tax Structure. This may involve providing support for federal tax changes.

Economic and Production Support

Economic Development: The important role agriculture plays in the state's economy must be recognized and given higher priority, including through an aggressive new marketing campaign to promote Maryland-grown and produced products – both here and abroad. This should include niche products like organic produce and wine products. The Governor should maintain an agricultural representative at DBED to work as a liaison between DBED, MDA and the agricultural community.

Cooperative Extension: Traditionally farmers have received production support from the Maryland Cooperative Extension. This support has declined over the past few years and needs to be reinstated. There also needs to be performance monitors put in place so that the right people are in the right places to suit their areas of expertise within the extension service.

Wildlife: Farmers have considerable loss of income due to damage caused by wildlife, primarily deer and geese with bear damage being significant in the western part of the state. It is critical that farmers be provided with all the tools necessary and without burdensome regulation to reduce this crop loss.

Biotechnology: Opportunities exist in Maryland to capitalize on advancements in biotechnology. There is strong interest in the development of an Agricultural and Environmental Biotechnology Center at the University of Maryland, which can advance opportunities for Maryland farmers to become involved in agriceutical and nutraceutical research, development production and distribution.

Recommendation #52: Maintain an agricultural position within DBED to serve as a liaison between DBED, MDA and the agricultural community to ensure DBED financial and business support programs are made available to farmers.

Recommendation #53: MDA needs to aggressively market Maryland grown and produced products – both in the U.S. and abroad.

Recommendation #54: Expand the Cooperative Extension Program to include adequately support staff for a changing agriculture.

Recommendation #55: Establish an interagency committee to help farmers with wildlife issues, including crop destruction.

Recommendation #56: The Administration should support the development of an Agricultural and Environmental Biotechnology Center as part of the University of Maryland.

Health Insurance: Many farm families seek off the farm employment with the primary goal of obtaining reasonable priced health insurance. Seeking ways to reduce the cost of health insurance for farm families is extremely important and should be considered a high priority.

Crop insurance: Farmers benefit greatly by purchasing the higher levels of coverage for crop insurance. Incentivize farmers to buy higher coverage levels thereby increasing the amount of federal support dollars that come back to Maryland in times of hardship, such as drought. With the increase in grain prices, premiums are likely to increase substantially discouraging farmers from purchasing the higher coverage even though their risk is greater. Encourage MDA to continue to work with the USDA Risk Management Agency (RMA) to expand crop insurance programs to cover a larger percentage of Maryland farmers including whole farm coverage and non-traditional crops.

Recommendation #57: Support programs to provide lower health care costs for farm families.

Recommendation #58: Encourage MDA to continue to work with the USDA Risk Management Agency (RMA) to expand crop insurance programs to cover a larger percentage of Maryland farmers.

Federal legislation

Farm Bill 2007: Many Maryland farmers have benefited from funding appropriated through the 2002 Farm Bill. These include substantial conservation payments through USDA NRCS and commodity program payments through the USDA FSA. This bill is up for reauthorization in 2007 and it is important that Maryland become increasingly involved in this process so Maryland farmers can benefit from provisions within the legislation. For example, in the 2002 Farm Bill a “Delmarva Conservation Corridor” was developed, but no funding was allocated; there is now an opportunity to seek funds for this program and broaden the scope of farm programs so they meet the needs of more Maryland farmers and maximize funding for Chesapeake bay cleanup efforts.

Labor Laws: A lack of available labor for agricultural enterprises is a significant issue for many agricultural operations. The new Administration should work with our Congressional offices to amend labor laws to benefit Maryland farmers.

Recommendation #59: The new Administration must work closely with Maryland's Congressional offices and promote a Farm Bill that will have greater benefits to Maryland farmers and the state's conservation needs.

Forestry

The significant portion of forest land in the state is located on Maryland's farmland, and forestry programs are an important component of agricultural policy, a fact that is often overlooked. Therefore, the new administration should instruct the Secretaries of DNR and MDA to work cooperatively to advance forestry as an agricultural enterprise.

Recommendation #60: Have DNR and MDA work together to promote forestry within the agricultural community as another way for farmers to remain profitable.

IV. AUDIT PROCEDURES

Review of Department of Agriculture's Department of Legislative Services (DLS) Audit Report and Response

The most recent legislative audit, December 2006, was for the period beginning July 10, 2003 and ending April 30, 2006. The audit disclosed that MDA had not established adequate controls over certain fiscal functions, including disbursements, cash receipts, accounts receivable and equipment. This was an issue that was pointed out to MDA in the March 2004 audit. The December 2006 audit also noted that MDA had not satisfactorily resolved four of the eight findings from the March 2004 audit.

A Subcommittee of the work group met with MDA's representative to review the issues raised in the audit to obtain a better understanding of how the incoming management team could address the issues raised in the audit. Below are the five (5) findings in the Audit and subsequent recommendations for the O'Malley-Brown Administration and the incoming management team to resolve the findings in the audit.

1. Proper internal controls were not established over the processing of purchasing and disbursement transactions.
 - The March 2004 and December 2006 audits noted that proper internal controls were not established over the processing of purchasing and disbursement transactions. The audit noted that MDA did not use the security features available on the State's Financial Management Information System (FMIS) to establish proper internal controls over the purchases and disbursements.
 - The Audit Report recommended that MDA initiate steps to use the available FMIS security features for all critical purchase and disbursement transactions.
2. MDA's payment processing procedures were not adequate
 - The auditors tested certain transactions and noted that MDA did not always use the appropriate online method for payment transactions, prepare purchase orders, or verified the invoices agreed with the terms of the related contracts when the invoices were approved for payment.
 - The Audit Report recommended MDA take the appropriate steps to use the online method to process payment transactions to ensure that purchase orders are prepared for all applicable expenditures and matched with the related invoice prior to payment. MDA must also ensure the prices paid are in accordance with the approved contract prices.
3. Cash Receipts: Cash receipts received at several locations were not adequately controlled or verified to deposit
 - The December 2006 audit noted that cash receipts received at several locations were not adequately controlled or verified to deposit. This was of significant concern to the auditors, as MDA's cash receipts were

approximately \$14.7 million during fiscal year 2005.

- The audit recommended that all cash receipts be properly accounted for and deposited. In particular, all checks must be endorsed immediately upon receipt and an independent employee verifies that all cash receipts are deposited. It was also recommended that MDA follow up and implement a procedure to independently reconcile the total licenses issued and registration fees collected with its revenues.
4. **Accounts Receivable:** Non-cash adjustments recorded to accounts receivables were not adequately controlled.
- The December 2006 audit and the preceding audit noted that MDA lacked adequate controls over non-cash credit adjustments recorded to its accounts receivable records. The audit noted that there was no comprehensive documentation or justification provided for the non-cash credit adjustments to its accounts receivable records.
 - The audit recommended that MDA require supervisory personnel within each unit to authorize non-cash credits and that the appropriate documentation be submitted the Finance Office for review. MDA was also requested to independently verify that all non-cash credit adjustments recorded to its accounts receivable are properly supported and approved by the appropriate supervisory personnel.
5. **Equipment:** Equipment records are not adequately maintained and physical inventories were not conducted as required.
- The December 2006 audit notes that MDA failed to comply with the inventory control manual. This issue has been raised in MDA audit reports since October 1990. The December 2006 audit indicates, “Little or no action has been taken to correct the noted deficiencies.

Recommendation #61: We agree with MDA’s decision to set a \$10,000 procurement threshold for processing transactions through ADPICS and FMIS. MDA’s has found it is more efficient due to its size and its need to service the agriculture community to use manual processing for orders for small procurements.

Recommendation #62: A continuing issue in the March 2004 audit and the December 2006 audit is a lack of personnel to carry out the requests of DLS. Without the appropriate staff members to address the recommendations, MDA is unable to initiate programs to ensure staff complies with the recommendations. We agree with the DLS’s recommendation with respect to MDA’s need to comply with the Inventory Control Manual. In order to do so, MDA needs two inventory personnel to follow up and review the inventory. We recommend that the additional personnel be approved and not deleted from MDA’s budget request.

Recommendation #63: The DLS audit report generally did not find that MDA did

anything improper or engage in any mismanagement of State funds. A concern that continues to face MDA is following through on the procedures required by the State with respect to certain fiscal functions, such as disbursements, cash receipts, accounts receivables and equipment. Although MDA is following up on these issues, DLS is concerned with MDA's compliance with State requirements to avoid mishandling of funds. Although MDA has tightened their procedures, we are concerned that a lack of personnel may cause procedures to be relaxed in the future. We recommend that MDA be provided with the additional personnel or technology to follow-up on compliance issues.

V. Performance Measures, Strategic Planning and Accountability

In recent years, federal, state, and local governments have used goal-oriented strategic planning and outcome-based performance measures to show results to legislature and taxpayers. Results-based performance measures provide greater accountability to decision-makers and taxpayers, since they communicate how well a department or agency is achieving its goals in quantitative terms.

The statewide strategic planning process that was undertaken and resulted in the Statewide Plan for Agriculture should, with proper implementation, yield many dividends, but it will take time and education within the farm community. Equally important will be MDA's willingness to partner with other agencies and institutions with crossover objectives, and to expand these opportunities. Examples include working with DBED to implement the recommended agriculture marketing campaign, or expanding industry relationships beyond agriculture, to include the Chamber of Commerce.

Marketing MD agricultural products is a very visible part of MDA. This is one of the areas that the "farmer" looks to MDA to take the lead on a statewide basis—a foundation on which to build individual local marketing efforts. Creating an MD brand has changed focus throughout the years. From the producer perspective it would be helpful if MDA would provide some consistency in its marketing efforts.

Recommendation #64: Support the current joint marketing project between DBED and MDA and encourage consistency of messages. Create a component within the campaign that would assist MDA in gauging the effectiveness of the campaign, i.e. giveaways that would require consumers to access MDA website, coupons from chain grocery stores that would encourage consumers to buy local products, or games that would encourage consumers to buy from local farmers.

Recommendation #65: Support implementation of recommendations in the Statewide Plan for Agriculture that target key result areas with measurable objectives and new approaches to optimizing resources, roles and responsibilities.

Recommendation #66: Build coalitions with other groups – governmental and private – to advance strategic planning with outcome-based performance. For example, MDA might partner with Baltimore City around water quality issues or with the poultry industry for a new diagnostics laboratory for poultry testing.

Recommendation #67: Promote regional cooperation with nearby states on agricultural issues, including water quality, forest management, exotic pest and disease management and nutrient management.

Recommendation #68: Improve intra and inter-agency communication to facilitate and encourage cooperative approaches to problem solving, customer service, and education.

Underlying principles

Governor O'Malley used CitiStat as a key management tool when he was Baltimore Mayor. He will want to continue using a variation on this successful approach as Governor. Therefore, the incoming MDA Secretary will need to understand this tool and use it for directing action within the Department and for reporting to the Governor. It will be critical to focus on a few key results areas.

In any critical area (e.g., preservation of agricultural land; prevention and mitigation of avian flu), the Governor's -- and the public's -- ultimate interest will be on achieving greater accountability for results. However, the Governor understands that strong results will be more likely achieved if MDA has put together appropriate resources (e.g., a full and well-qualified staff, sufficient vaccine supplies ready to go) and if MDA has in place processes to best utilize those resources (e.g., staff works closely and effectively with key partner institutions, outside experts review key processes periodically). Thus, a CitiStat model will measure performance in terms of multiple measures, covering inputs/resources, processes, as well as outputs and outcomes.

Sometimes what is easily measurable is not what is most important, and what is most important is not always easily measurable. Thus, there will be some important MDA activities that will not be well covered by the CitiStat approach. It should be a key management tool, but not the only tool for gauging progress on important MDA goals and objectives.

The current situation in MDA

Based on information provided by MDA, the current performance measurement and reporting system provides some coverage of the following key issue areas: Agricultural land preservation; Marketing; and Economic viability of agriculture. In none of these three key areas, however, are the performance measures exactly what the incoming MDA Secretary will find fully satisfactory. For instance, if a stronger partnership between the state and county governments will be a key strategy for moving forward on agricultural land preservation, that strategy is not captured in the existing performance measures.

A number of likely key issue areas for the new MDA Secretary are not covered by the current set of performance measures. For instance, avian flu prevention and renewable energy production are barely touched upon.

On the other hand, it appears that the current performance measures include at least a handful of measures for every program and sub-program. However, the line between outputs and outcomes is blurred in the performance measures currently in place at MDA. It is not at all clear that the current performance measures are particularly helpful for effective program management and delivery.

Recommendation #69: Do not immediately disband the current performance measurement and reporting system. Use that in-place system as a starting point for building a CitiStat-like system.

Recommendation #70: Identify a few (perhaps about 6-7) key results areas where

improvements in and/or augmentations to the current performance measurement and reporting system will likely produce the largest payoffs over the next 12 months.

Recommendation #71: A full tracking process should include the CitiStat approach of selecting and following a range of performance measures to track inputs/resources, processes, and results, outputs, and outcomes. When appropriate, each performance measure should be tracked against a target level of performance. When the quantitative performance measures do not fully capture what is happening in the key area, the CitiStat approach will be supplemented with more qualitative measures.

Recommendation #72: Over the next 12 months examine the entire breadth of MDA's programs and activities outside the key issue areas. This examination should probably include discussions with the appropriate MDA staff and stakeholders to get their views on the performance measures that will most accurately tell the story of how the program/activity is doing. As needed, modify the performance measures for these non-key results areas.

Recommendation #73: Modify the system in both small and large ways over the next 12 months and beyond to accommodate newly identified problems and opportunities, and to respond to lessons learned from use of the above performance measurement and reporting system.



VI. SUMMARY OF RECOMMENDATIONS

Number	Subcategory	Term	Recommendation	Increased Cost			
				FY 2008	FY 2009	FY 2010	FY 2011
Department Overview							
1		Long	Review staffing levels at MDA and restore key administrative, laboratory and field positions as necessary.	unknown	unknown	unknown	unknown
2		Short	Fully fund the FY08 MDA budget, including the \$14,409,000 in "Over the Target" requests.	\$14,409,000	unknown	unknown	unknown
3		Short/Long	Increase MDA's operating budget in FY09 to allow for new and continuing initiatives endorsed in 2006.	unknown	unknown	unknown	unknown
Current Key Policy/Legislative/Budget Issues							
4	MALPF	Long	Expand existing revenue sources and create new revenue opportunities for MALPF by, among other things, seeking a legislative change for MALPF to receive 25% of POS funding. This would add from \$9.6-\$23.5 million per annum to the program at no additional cost to the State.				
5		Long	In addition, increase MALPF funding for more easement acquisitions by a further \$20 million with general funds, bond funds or other designated funding sources, such as revenues from slots.	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
6	HB2	Short	Support the "Over the Target" request to provide up to \$2M in financial support for farmers to increase their coverage level of Federal crop insurance.	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
7		Short	Support legislation to switch the allocation from the Chesapeake Bay restoration program so that Cover Crops receive 60% of the funding (from 40%)	None			
8		Long	Grant the \$3,042,000 "Over the Target" request in general funds to fully fund the cover crop program.	\$3M	\$3M	\$3M	\$3M
9		Short	Increase field staffing level in SCD to 110 positions as required in HB 2 (budget levels are above current funding)	\$1 M	\$1.5M	\$2M	\$2.50
10		Short	Fully fund MARBIDCO, NGFAP, and CFP.	\$10M	\$10M	None	None
11		Long	Maintain adequate funding for the MACS program	\$7M	\$7M	\$7M	\$7M

Number	Subcategory	Term	Recommendation	Increased Cost			
				FY 2008	FY 2009	FY 2010	FY 2011
12		Short	Streamline the payment procedures for MACS so farmers do not wait as long for payment.	None			
13	Horse Industry		Ensure that issues of importance to the horse industry are given careful attention, especially legislation authorizing the construction of the Maryland Horse Park (MHP), continued support of the activities of the MHIB, establishing a federally certified international import/export facility for equines near BWI-Thurgood Marshall Airport and continued support of the racing and breeding industry.				
14	IT	Short	Support \$232,000 in "Over the Target" funds for IT services migration.	\$232,000			
15			Allocate funds for startup costs associated with the Maryland Agricultural Land Link Program.				
16			Conduct an internal review of IT functions and capabilities and allocate resources to effect needed changes.				
17	Broad Band		Continue support for SB 753 and the Maryland Broadband Cooperative.				
18	Poultry		Support and fund advancements in agriculture and food, e.g. avian influenza, food safety. With the world's awareness of the threat of avian flu growing, there are increasing demands for more diagnostic tests on poultry. In Maryland, 100% of its commercial flock is tested before slaughter, ensuring that Maryland's poultry is safe and economically viable around the world. Continue this work to better prepare the state and the poultry industry in case of disease outbreaks. As home to research facilities at the University of Maryland at both College Park and Princess Anne, Maryland should be a leader in research into food safety and agricultural practices. Consumers will be reassured that there is ongoing research.				
19			Research the impact of biofuels on Maryland's poultry, dairy and livestock industries. While additional market for corn and soybeans as feedstocks for the biofuels industry is a benefit to crop farmers, the anticipated higher prices may be a detriment to the animal industries that feed these products. Many federal and state programs support the production and marketing of biofuels; equally important are programs that would support the poultry and livestock farmers. If the animal feeding industry fails and the biofuels industry moves to other feedstocks such as cellulose, the real losers could be the grain farmers in the state of Maryland.				

Number	Subcategory	Term	Recommendation	Increased Cost			
				FY 2008	FY 2009	FY 2010	FY 2011
20		Short	Fund a Capital Budget appropriation for a new Poultry Diagnostic Laboratory and support the \$40,000 in "Over the Target" funds for FY08.	\$40,000			
21			Name a task force to look into the feasibility of building the new lab and working in collaboration with the University of Delaware.	None			
22	Gypsy Moth	Short	Support ongoing general fund requests as well as the FY08 "Over the Target" proposal in the amount of \$837,000 for ongoing gypsy moth suppression efforts.	\$837,000			
23	Bay Clean Up	Short/Long	Amend the State Ethics Law to allow MDA to hire farmers to work in programs such as those in the soil conservation districts, where their expertise is needed.	None			
24		Long	Work with the Maryland Federal delegation to raise USDA, NRCS funding to support Chesapeake Bay cleanup.	None			
25			Provide additional resources as requested in the "Over the Target" request for FY08 to ensure nutrient management law compliance.				
26			Review the delivery system for nutrient management plans to ensure that farmers are able to receive low cost plans as efficiently and sustainably as possible for the state.	None			
27			Support "Over the Target" request for ongoing Extension staff for FY08. Dedicate a revenue source specifically to support research to develop additional BMPs needed to meet the nutrient reduction goals for agriculture.				
28		Long	Additional funding should be allocated to the State Revolving Loan Fund to support the LILAC program.	\$2M	\$2M	\$2M	\$2M
29			Fund additional BMP effectiveness research and expand water quality monitoring.				
30		Animal Waste	Short	Simplify the state's manure transportation program and adequately fund the program.	None		
31		Short	Broaden the committee to make recommendations on how to fully implement the Statewide Strategic Plan for Agricultural Policy and Resource Management.	None			
32	ICA	Short	Continue the activities of the Intergovernmental Commission for Agriculture.	None			
33		Short	Meet with the agricultural community early on in the Governor's Administration and establish an ongoing relationship, designating a senior staff person to regularly attend the Maryland Agricultural Commission meetings.	None			

Number	Subcategory	Term	Recommendation	Increased Cost			
				FY 2008	FY 2009	FY 2010	FY 2011
34	Biofuels	Short	Support for biofuels use and production in Maryland.	None			
35		Short	Maintain the Interagency Biofuels Committee.	None			
36		Long	Commit to funding the Maryland Renewable Fuels Promotion Act when a project becomes certified. (up to)		\$4M	\$4M	\$4M
37			Build on existing economic development programs to support the biofuels industry.				
38		Short	Purchase bonds, up to \$10 M to establish a low interest loan program to buy down interest on up to \$10 million to provide low interest loans for farmers to use to invest in biofuels projects. The state will be repaid over a ten year period as the principal is paid off.	\$10M	(\$1M)	(\$1M)	\$1M)
39			Support biofuel use requirements for 2% biodiesel and 5% ethanol statewide.				
40		Short	Participate actively in the National Governor's Ethanol Coalition.	None			
41		Long	Support the development of a new crushing facility for soybeans.				
42			Support tax credit incentives for home heating oil at \$0.01 for each percent of biodiesel included.				
43		Short/Long	Promote the use of biodiesel in school buses.				
44		Dairy		Commit to working with the dairy industry to develop a long-term support program to ensure that Maryland maintains its dairy industry.			
45	Short		Due to seasonal changes in milk production and the MD Health Department's desire to have all milk removed at each farm pick-up, weight restrictions on milk hauling trucks should be more flexible per the example of Western MD's timber hauling trucks	None			
46			Embrace methane digester technology for livestock operations.				
47	Dairy		Work with other state agencies and Tributary Strategy Teams to develop "green payments" as opportunities for dairy producers. These opportunities could include reducing nitrogen and phosphorus in feeds, renewable energy through bio-gas production and stream buffers and stream fencing for dairy lots and pastures.				
48	Tax Structure		Support elimination or a recoupling of the state and federal inheritance tax.				
49		Long	Support continued exemption of sales tax on agricultural input products.	None			

Number	Subcategory	Term	Recommendation	Increased Cost			
				FY 2008	FY 2009	FY 2010	FY 2011
50		Long	Encourage local governments to eliminate the local tax on agritourism activities.	None			
51			Give serious consideration to the recommendations of the Legislative Taskforce on Ag Tax Structure. This may involve providing support for federal tax changes.				
52		Long	Maintain an agricultural position within DBED to serve as a liaison between DBED, MDA and the agricultural community to ensure DBED financial and business support programs are made available to farmers.	None			
53			MDA needs to aggressively market Maryland grown and produced products – both in the U.S. and abroad.				
54			Expand the Cooperative Extension Program to include adequately support staff for a changing agriculture.				
55		Short	Establish an interagency committee to help farmers with wildlife issues, including crop destruction.	None			
56			The Administration should support the development of an Agricultural and Environmental Biotechnology Center as part of the University of Maryland.				
57	Insurance		Support programs to provide lower health care costs for farm families.				
58			Encourage MDA to continue to work with the USDA Risk Management Agency (RMA) to expand crop insurance programs to cover a larger percentage of Maryland farmers.	In MDA budget			
59		Short	The new Administration must work closely with Maryland's Congressional offices and promote a Farm Bill that will have greater benefits to Maryland farmers and the state's conservation needs.	Will generate income for state None			
60	Forestry	Short	Have DNR and MDA work together to promote forestry within the agricultural community as another way for farmers to remain profitable.	None			
61			We agree with MDA's decision to set a \$10,000 procurement threshold for processing transactions through ADPICS and FMIS. MDA's has found it is more efficient due to its size and its need to service the agriculture community to use manual processing for orders for small procurements.				
62			Have DNR and MDA work together to promote forestry within the agricultural community as another way for farmers to remain profitable	None			

Number	Subcategory	Term	Recommendation	Increased Cost			
				FY 2008	FY 2009	FY 2010	FY 2011
AUDIT PROCEDURES							
63			We agree with MDA's decision to set a \$10,000 procurement threshold for processing transactions through ADPICS and FMIS. MDA's has found it is more efficient due to its size and its need to service the agriculture community to use manual processing for orders for small procurements.				
64			A continuing issue in the March 2004 audit and the December 2006 audit is a lack of personnel to carry out the requests of DLS. Without the appropriate staff members to address the recommendations, MDA is unable to initiate programs to ensure staff complies with the recommendations. We agree with the DLS's recommendation with respect to MDA's need to comply with the Inventory Control Manual. In order to do so, MDA needs two inventory personnel to follow up and review the inventory. We recommend that the additional personnel be approved and not deleted from MDA's budget request.				
65			The DLS audit report generally did not find that MDA did anything improper or engage in any mismanagement of State funds. A concern that continues to face MDA is following through on the procedures required by the State with respect to certain fiscal functions, such as disbursements, cash receipts, accounts receivables and equipment. Although MDA is following up on these issues, DLS is concerned with MDA's compliance with State requirements to avoid mishandling of funds. Although MDA has tightened their procedures, we are concerned that a lack of personnel may cause procedures to be relaxed in the future. We recommend that MDA be provided with the additional personnel or technology to follow-up on compliance issues.				
Performance Measures, Strategic Planning and Accountability							
66		Short	Support the current joint marketing project between DBED and MDA. Encourage consistency of message. Create a component within the campaign that would assist MDA in gauging the effectiveness of the campaign, i.e. give-aways that would require consumers to access MDA website, coupons from chain grocery stores that would encourage consumers to buy local products, or games that would				

Number	Subcategory	Term	Recommendation	Increased Cost			
				FY 2008	FY 2009	FY 2010	FY 2011
			encourage consumers to buy from local farmers.				
67		Short/Long	Support implementation of recommendations in the Statewide Plan for Agriculture that target key result areas with measurable objectives and new approaches to optimizing resources, roles and responsibilities.	\$0	\$0	\$0	\$0
68		Short/Long	Build coalitions with other groups – governmental and private – to advance strategic planning with outcome-based performance. For example, MDA might partner with Baltimore City around water quality issues or with the poultry industry for a new diagnostics laboratory for poultry testing.	\$0	\$0	\$0	\$0
69		Long	Promote regional cooperation with adjoining states on agricultural issues, including water quality, forest management, exotic pest and disease management and nutrient management.	\$0	\$0	\$0	\$0
70		Short/Long	Improve intra and inter-agency communication to facilitate and encourage cooperative approaches to problem solving, customer service, and education.	\$0	\$0	\$0	\$0
71		Short	Do not immediately disband the current performance measurement and reporting system. Use that in-place system as a starting point for building a StateStat system.	\$0	\$0	\$0	\$0
72		Short	Identify a few (perhaps about 6-7) key results areas where improvements in and/or augmentations to the current performance measurement and reporting system will likely produce the largest payoffs over the next 12 months.	\$0	\$0	\$0	\$0
73		Short	This full tracking process should include the CitiStat approach of selecting and following a range of performance measures to track inputs/resources, processes, and results, outputs, and outcomes. When appropriate, each performance measure should be tracked against a target level of performance. When the quantitative performance measures do not fully capture what is happening in the key area, the CitiStat approach will be supplemented with more qualitative measures.	\$0	\$0	\$0	\$0

Number	Subcategory	Term	Recommendation	Increased Cost			
				FY 2008	FY 2009	FY 2010	FY 2011
74		Short	Over the next 12 months examine the entire breadth of MDA's programs and activities outside the key issue areas. This examination should probably include discussions with the appropriate MDA staff and stakeholders to get their views on the performance measures that will most accurately tell the story of how the program/activity is doing. As needed, modify the performance measures for these non-key results areas.	\$0	\$0	\$0	\$0
75		Short/Long	Modify the system in both small and large ways over the next 12 months to accommodate newly identified problems and opportunities, and to respond to lessons learned from use of the above performance measurement and reporting system.	\$0	\$0	\$0	\$0



VII. CONCLUSION

The changing nature of Maryland's agricultural sector will provide the O'Malley administration with considerable challenges and opportunities. They range from budget and personnel shortfalls to the dwindling availability of affordable farm land, to new mandates in the areas of environmental protection and pest and disease management, to potential new niches for the farm economy, including in direct marketing, in biodiesel and ethanol, and in finding new outlets for Maryland-grown and produced products.

It is a time that will require skillful leadership from the Governor and from within MDA. If Maryland agriculture is to continue to thrive and remain profitable, it will need considerable help doing so. The Governor will not only need to elevate agriculture's importance and visibility in the State, but he must ensure that MDA has the vision, resources, staff and IT infrastructure it needs to fully carry out its myriad regulatory, technical, scientific and service responsibilities. Without a higher level of commitment than currently exists within the State, the agricultural sector simply cannot succeed, which will have profoundly negative implications for the State's economy, for land preservation, for the health of the Chesapeake Bay, and for Maryland's quality of life. This cannot be allowed to happen.

The Governor and his team must actively seek new opportunities to increase funding for MDA, not just through procuring more federal funds with the help of Maryland's Congressional delegation, but by examining new revenue streams for MDA from within the state, and by looking at opportunities to reduce costs, by partnering with private industry and other sectors on projects like the proposed new Poultry Diagnostic Laboratory, for example. Helping Maryland agriculture will also require creativity and new approaches to solving challenges such as modernizing MDA's IT capabilities; better utilizing DBED to help market Maryland-grown or produced products; or centralizing coordination of Chesapeake Bay cleanup efforts within the Governor's office, which would give MDA more of a voice than it currently has. Directing his Cabinet to increase partnerships and cooperation among State agencies will also require leadership from the Governor, but will yield considerable dividends, whether on Smart Growth planning or in the areas of disease prevention, homeland security and information sharing.

Much careful study has already been done to determine how best to support Maryland's agricultural sector. The new Governor should do everything in his power to see that recommendations and guidance outlined in HB 2 and the Statewide Plan for Agricultural Policy and Resource Management are fully implemented and funded.

Finally, the Governor must pay special attention to the thousands of farm families that comprise Maryland's agricultural community. Reaching out to them will ensure that farmers have the voice they deserve in determining how best to ensure profitability in farming and preserve Maryland's rural heritage and its natural beauty.