


MEMORANDUM

April 25, 2016

TO: Planning, Housing and Economic Development Committee

FROM: Jacob Sesker, Senior Legislative Analyst 

SUBJECT: FY17 Operating Budget: Office of Agriculture
FY17-22 CIP Adjustment: Ag Land Preservation Easements (P788911)

The following persons are expected to attend this worksession: Jeremy Criss, Director (Office of Agriculture); Pofen Salem, OMB.

The recommended operating budget for the Office of Agriculture is attached at © 1. The CIP adjustment is attached at © 5.

Staff Recommendations: (1) Concur with Recommended Budget for the Office of Agriculture; (2) Concur with CIP Adjustment for Ag Land Preservation Easements

FY17 Operating Budget Summary

The Executive has recommended \$1,001,957 in General Fund expenditures and a total of 4.15 FTEs. The 4.15 FTEs include 2.25 FTEs in the Division of Agricultural Services, and 1.90 FTEs in the Soil Conservation District.

<i>Change</i>	<i>Expenditure</i>	<i>FTEs</i>
FY16 Approved Budget	\$0	0.00
Shift Ag Services from FY16 DED	+\$875,438	4.15
Shift Operating Expenses from FY16 DED	+\$113,835	0.00
Compensation Adjustment	+\$21,289	0.00
Group Insurance Adjustment	+\$2,570	0.00
Motor Pool Adjustment	-\$1,159	0.00
Retirement Adjustment	-\$10,196	0.00
FY17 Recommended Budget	\$1,001,957	4.15

In addition to the 4.15 FTEs funded in the operating budget, the Office of Agriculture also has 2.10 FTEs funded by the Water Quality Protection Fund and 2.25 FTEs funded in the CIP. As part of the FY16 savings plan, 1.50 FTEs were abolished (1.25 General Fund, 0.25 CIP). As part of the reorganization, 1.00 FTE was shifted from DED (Division of Finance and Administration) to provide administrative coordination and support to the new stand-alone office.

Office of Agriculture – Overview

The Office of Agriculture promotes agriculture as a viable component of Montgomery County's economy and endeavors to preserve farmland as a resource for future agricultural production. The Office of Agriculture was created when the Council passed Bill 25-15, which restructured economic development service delivery. Agricultural services had formerly been housed in a division of the Department of Economic Development. This is the first year that the Council will approve an operating budget for the new stand-alone Office of Agriculture.

The services related to agriculture are funded from a variety of sources. A significant portion of the total annual expenditures on agricultural programs are actually funded in the capital budget. Given that the PHED Committee reviews the capital budget before it reviews the operating budget, recent practice has been to engage in a more detailed review of agriculture-related programs and projects in February.

The Office of Agriculture includes three separate programs:

- **Agricultural Services:** The Agricultural Services Division co-sponsors farmers' markets, an annual farm tour, and other activities that support agricultural businesses and products. Other projects include the New Farmer Program Pilot and partnerships with the Montgomery County Food Council. This division also manages the easement/preservation program. **The General Fund operating budget for this division is \$646,298.**
- **Soil Conservation:** The Soil Conservation District is a political subdivision of the State and is staffed by a combination of County, State, and Federal employees. The MSCD provides technical advice for conservation and natural resource planning, as well as educational opportunities. The MSCD also assists farmers by providing technical assistance related to conservation practices, Soil Conservation Plans, Water Quality Plans, and the Cover Crop Program. **The General Fund operating budget for this division is \$214,383.**
- **University of Maryland Extension:** The Montgomery County Cooperative Extension Office serves as the agricultural outreach and education component of the University of Maryland – Extension. The agency is funded cooperatively by County, State, and Federal governments. The UMD-Extension provides educational programming for farmers, families, and youth. **The General Fund operating budget for this division is \$141,276.**

FY17 Operating Budget Issues

There is one issue that will require post-budget follow up. The Office of Agriculture has been in discussions with the Department of Environmental Protection and the Office of Management and Budget regarding possible additional funding from the Water Quality Protection Fund to support Office of Agriculture programs. **Staff understands that those discussions are likely to continue into the summer/early fall – a fall update or report on the outcome is warranted.**

Staff recommendation: Concur with the Recommended FY17 Budget – Office of Agriculture.

FY17-22 CIP Adjustment

The CIP adjustment **increases FY17 Agricultural Land Transfer Tax** as a source of funding for this project by **\$490,000. The additional funding will be used for land (easement) purchases.** The Agricultural Land Transfer Tax is levied when farmland is sold and subsequently removed from agricultural use/status. Montgomery County is permitted to retain 75% of the revenue from the Agricultural Land Transfer Tax to use, in accordance with state law, for the purpose of agricultural land preservation. Agricultural Land Transfer Tax revenue has been stronger than expected in FY16. *See CIP Adjustment, © 5.*

Staff recommendation: Concur with FY17-22 CIP Adjustment - Ag Land Preservation Easements.

Attachments: © 1 CE's Recommended FY17 Operating Budget: Office of Ag
© 5 CIP Adjustment – Ag Land Preservation Easements

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Agriculture

Mission Statement

The Office of Agriculture exists to promote agriculture as a viable component of the County's economic sector, as well as the preservation of farmland as a resource for future agricultural production capabilities.

County Government Reorganization

In Spring 2015, the County Executive announced restructuring the Department of Economic Development which includes the creation of the Office of Agriculture in order to support and promote the viability of the agriculture industry in Montgomery County. The new Office of Agriculture Services will include Agricultural Services, Soil Conservation, and University of Maryland-Extension which were previously housed in the Department of Economic Development.

Budget Overview

The total recommended FY17 Operating Budget for the Office of Agriculture is \$1,001,957. Personnel Costs comprise 63.53 percent of the budget for eight full-time position(s) and one part-time position(s), and a total of 4.15 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 36.47 percent of the FY17 budget.

Linkage to County Result Areas

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ **Healthy and Sustainable Neighborhoods**
- ❖ **Strong and Vibrant Economy**
- ❖ **Vital Living for All of Our Residents**

Initiatives

- ★ Add funds to support operations of the new Office of Agriculture to provide agricultural related programs and services to the agriculture industry and farm communities.

Accomplishments

- ☑ Collaborated with the Maryland Agricultural Education Foundation (MAEF) to implement "Ag in the Classroom" on a weekly basis in the County's elementary schools.
- ☑ Connected with over 4,300 fourth grade students who participated in the Close Encounters with Agriculture (CEWA) program, a multi-phased program that teaches children about modern agriculture, maintaining a healthy environment, and leading a healthy lifestyle.
- ☑ Partnered with the Montgomery County Food Council to research the feasibility of a food hub in Montgomery County as a catalyst for small table crop production in the Agricultural Reserve by providing supply chain, equipment, and purchasing support to farms.
- ☑ Co-sponsored a workshop and public forum with the Montgomery County Food Council to help promote Maryland Department of the Environment's new regulations for composting facilities. The agricultural community can play a role in helping the County recycle its organic waste into a soil conditioner that can be used to increase the productivity of farmland or sold to generate additional farm income.

- ✓ Partnered with Microsoft, the National Institute of Standards and Technology (NIST), and a variety of local technology companies to explore the potential of new technologies on behalf of County farmers.
- ✓ Expanded the Small Farmer training workshops through the University of Maryland-Extension to residents interested in topics that cover farm management, integrated pest management, soil productivity, nutrient management, and other farm related topics.
- ✓ Office of Agriculture staff worked with 207 farmers to provide Fuel Energy Tax Renewals for Agricultural Producers Certificates.
- ✓ Hosted a Farm Trucking Forum for the State Highway Administration (SHA) to update and educate farmers on the policies and regulations for farm trucks registered with the Department of Motor Vehicles.
- ✓ Created and implemented a statewide series of grain marketing educational workshops titled "Winning the Game" resulting in 70 farmers receiving education to assist them with making effective business decisions related to cost of production and marketing of their products.

Program Contacts

Contact Jeremy Criss of the Office of Agriculture at 240-590-2830 or Pofen Salem of the Office of Management and Budget at 240-777-2773 for more information regarding this department's operating budget.

Program Descriptions

Agricultural Services

The Office of Agriculture oversees the day to day operations and functions for all agricultural agencies located at the one-stop Agricultural History Farm Park in Derwood. The Office serves as a liaison between the Executive Branch and the agricultural community and provides agricultural program coordination with all of the agricultural agency partners including the University of Maryland-Extension, the Montgomery Soil Conservation District, the Natural Resource Conservation Service and the Farm Service Agency.

The Agricultural Services Division co-sponsors farmers' markets, an annual farm tour, and other activities that promote agricultural businesses and products. The Division is also engaged in supporting a local food production network through the New Farmer Program Pilot or in partnership with the Montgomery County Food Council to provide assistance in local food production, food recovery and food recycling initiatives.

The Division serves as the primary resource for implementing and evaluating agricultural policies and programs, provides farmers with zoning and master plan technical assistance, and coordinates the County's Weed Control, Deer Donation, and Agricultural Education programs. It achieved the Agricultural Preservation Phase I goal in 2009 which was to acquire easements to protect 70,000 acres of farmland in the Agricultural Reserve and is currently working on the Phase II goal to further protect the farmland encumbered by Transferable Development Rights (TDRs) that encompass over 50,000 acres.

Program Performance Measures	Actual FY14	Actual FY15	Estimated FY16	Target FY17	Target FY18
Acres of land under easements inspected by Agricultural Services	2,048	2,314	2,300	2,300	2,300
Cumulative farm acres protected ¹	*70,400	*70,400	*70,400	*70,400	*70,400
Number of farm businesses assisted	160	160	207	200	200

¹ *The number represents the cumulative acres protected through the Phase I and II preservation goals.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	646,298	2.25
FY17 Recommended	646,298	2.25

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Soil Conservation

The Montgomery Soil Conservation District (MSCD) is a political subdivision of the State and is staffed by County, State, and Federal employees. Programs offered by MSCD include an array of technical advice for conservation and natural resource planning, as well as a variety of educational opportunities. MSCD staff assists farmers and landowners in the County with Soil Conservation and Water Quality Plans, provide technical assistance for conservation practices, and administer a variety of Federal and State cost-share programs which help fund projects to prevent soil erosion and improve water quality. Many of these programs are designed to help protect local waterways and the Chesapeake Bay as well as achieve State mandated nutrient reduction goals for farmland. The MSCD provides a number of programs that focus on educating Montgomery County residents about the benefits of agriculture, conservation, and natural resources management. Other services include small pond review, drainage advice for residential landowners, and administering the Cover Crop program.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	214,383	1.90
FY17 Recommended	214,383	1.90

University of Maryland - Extension (UMD-Extension)

The Montgomery County Cooperative Extension Office serves as the agricultural outreach and education component of the University of Maryland - Extension. This agency is funded cooperatively through Local, State, and Federal governments. Farmers, families, and youth are the primary audiences of the Extension Office. Educational programs for farmers include raising crops and livestock, protecting the environment, farm and business management, marketing commodities, and pest management. Programs for families and youth include: home horticulture, family budgeting, and consumer education with a focus on promoting positive parenting skills and healthy lifestyles, leadership development, and traditional 4-H youth development programs. The Extension Office's professional staff utilizes an extensive network of volunteers to assist them in program delivery. Extension Office staff manage a diverse group of over 3,000 volunteers to respond to over 100,000 information requests a year. Outreach education programs are delivered informally through one-on-one contacts, telephone assistance, the internet, classes and workshops, field days, radio, television, and print media.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	141,276	0.00
FY17 Recommended	141,276	0.00

Budget Summary

	Actual FY15	Budget FY16	Estimate FY16	REC FY17	%Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	0	0	0	476,905	—
Employee Benefits	0	0	0	159,655	—
County General Fund Personnel Costs	0	0	0	636,560	—
Operating Expenses	0	0	0	365,397	—
County General Fund Expenditures	0	0	0	1,001,957	—
PERSONNEL					
Full-Time	0	0	0	8	—
Part-Time	0	0	0	1	—
FTEs	0.00	0.00	0.00	4.15	—
REVENUES					
Other Intergovernmental	0	0	0	56,255	—

	Actual FY15	Budget FY16	Estimate FY16	REC FY17	%Chg Bud/Rec
County General Fund Revenues	0	0	0	56,255	—

FY17 Recommended Changes

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY16 ORIGINAL APPROPRIATION	0	0.00
<u>Other Adjustments (with no service impacts)</u>		
Shift: DED Agricultural Services to the Office of Agriculture	875,438	4.15
Shift: FY17 Operating Expenses	113,835	0.00
Increase Cost: FY17 Compensation Adjustment	21,289	0.00
Increase Cost: Group Insurance Adjustment	2,750	0.00
Decrease Cost: Motor Pool Adjustment	(1,159)	0.00
Decrease Cost: Retirement Adjustment	(10,196)	0.00
FY17 RECOMMENDED	1,001,957	4.15

Program Summary

Program Name	FY16 APPR		FY17 REC	
	Expenditures	FTEs	Expenditures	FTEs
Agricultural Services	0	0.00	646,298	2.25
Soil Conservation	0	0.00	214,383	1.90
University of Maryland - Extension (UMD-Extension)	0	0.00	141,276	0.00
Total	0	0.00	1,001,957	4.15

Charges to Other Departments

Charged Department	Charged Fund	FY16		FY17	
		Total\$	FTEs	Total\$	FTEs
COUNTY GENERAL FUND					
Environmental Protection	Water Quality Protection	0	0.00	323,051	2.10
CIP	Capital Fund	0	0.00	250,066	2.25
Total		0	0.00	573,117	4.35

Future Fiscal Impacts

Title	CE RECOMMENDED (\$000s)					
	FY17	FY18	FY19	FY20	FY21	FY22
COUNTY GENERAL FUND						
EXPENDITURES						
FY17 Recommended	1,002	1,002	1,002	1,002	1,002	1,002
Labor Contracts	0	(10)	(10)	(10)	(10)	(10)
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	1,002	992	992	992	992	992

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Ag Land Pres Easements (P788911)

Category Conservation of Natural Resources
 Sub Category Ag Land Preservation
 Administering Agency Economic Development (AAGE06)
 Planning Area Countywide

Date Last Modified 11/17/14
 Required Adequate Public Facility No
 Relocation Impact None
 Status Ongoing

	Total	Thru FY15	Est FY16	Total 6 Years	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Beyond 6 Yrs
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	2,821	268	373	2,180	350	360	360	360	370	380	0
Land	6,584	4,263	527	1,794	1,124	134	134	134	134	134	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	20	20	0	0	0	0	0	0	0	0	0
Total	9,425	4,551	900	3,974	1,474	494	494	494	504	514	0
FUNDING SCHEDULE (\$000s)											
Agricultural Transfer Tax	1,539	231	14	1,294	624	134	134	134	134	134	0
Contributions	1,668	1,000	10	658	510	10	10	10	10	108	0
G.O. Bonds	308	308	0	0	0	0	0	0	0	0	0
Investment Income	802	0	0	802	0	70	200	200	210	122	0
M-NCPPC Contributions	4,423	2,860	663	900	150	150	150	150	150	150	0
State Aid	685	152	213	320	190	130	0	0	0	0	0
Total	9,425	4,551	900	3,974	1,474	494	494	494	504	514	0

APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 17	1,133
Appropriation Request Est.	FY 18	494
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		5,792
Expenditure / Encumbrances		4,563
Unencumbered Balance		1,751

Date First Appropriation	FY 89
First Cost Estimate	
Current Scope	FY 17
Last FY's Cost Estimate	21,961
Partial Closeout Thru	70,790
New Partial Closeout	4,552
Total Partial Closeout	75,342

Description

This project provides funds for the purchase of agricultural and conservation easements under the County Agricultural Land Preservation legislation, effective November 25, 2008, for local participation in Maryland's agricultural and conservation programs and through Executive Regulation 3-09 AM, adopted July 27, 2010. The County Agricultural Easement Program (AEP) enables the County to purchase preservation easements on farmland in the agricultural zones and in other zones approved by the County Council to preserve farmland not entirely protected by Transferable Development Rights (TDR) easements or State agricultural land preservation easements. The Maryland Agricultural Land Preservation Foundation (MALPF) enables the State to purchase preservation easements on farmland jointly by the County and State. The Rural Legacy Program (RLP) enables the State to purchase conservation easements to preserve large contiguous tracts of agricultural land. The sale of development rights easements are proffered voluntarily by the farmland owner. The project receives funding from the Agricultural Transfer Tax, which is levied when farmland is sold and removed from agricultural status. Montgomery County is a State-certified county under the provisions of State legislation, which enables the County to retain 75 percent of the taxes for local use. The County uses a portion of its share of the tax to provide matching funds for State easements. In FY10, the Building Lot Termination (BLT) program was initiated. This program represents an enhanced farmland preservation program tool to further protect land where development rights have been retained in the Agricultural Reserve-AR zone. This program utilizes a variety of revenue sources that include: Agricultural Transfer Tax revenues, MNCPPC Contributions, Developer Contributions, and G.O. Bonds to purchase the development rights and the corresponding TDRs retained on these properties.

Cost Change

Update the FY16 Ag Transfer Taxes collected in FY16 and Crown Farm payment \$500,000 received to program for easement acquisitions in FY17. Expenditure and funding schedules reflect the revised estimates for Agricultural Transfer Tax revenues, contributions, investment income, and state aid to cover planning, design, and supervision for expenses FY17-22 and the addition of FY21 and FY22 project costs.

Justification

Annotated Code of Maryland 2-501 to 2-515, Maryland Agricultural Land Preservation Foundation; Annotated Code of Maryland 13-301 to 13-308, Agricultural Land Transfer Tax; and Montgomery County Code, Chapter 2B, Agricultural Land Preservation, and Executive Regulation 3-09 AM.

Other