

PHED COMMITTEE #4 & 5  
April 13, 2011

**Worksession**

**MEMORANDUM**

April 12, 2011

TO: Planning, Housing and Economic Development Committee  
FROM: Justina J. Ferber, Legislative Analyst  
SUBJECT: Worksession - Executive's Recommended FY12 Operating Budget -  
**Department of Economic Development (DED)**  
**CIP: Agriculture Land Preservation Easements**

Those expected for this worksession:

Steve Silverman, DED Director  
Tina Benjamin, Chief of Staff, DED  
Peter Bang, Chief, Finance, Administration and Special Projects Division, DED  
Jeremy Criss, Chief, Agricultural Services, DED  
Barbara Kaufmann, Chief, Workforce Services  
Allison Dollar, Management and Budget Specialist, OMB

The Executive's Recommended FY12 Operating Budget for the Department of Economic Development (DED) can be found on pages 57-1 to 57-8 of the budget. A copy is attached at ©1.

**Overview**

For FY12 the Executive recommends an operating budget of \$8,184,330 for the Department of Economic Development (DED); this includes approximately \$2.3 million in grant funding for Workforce Services. The overall DED budget has decreased \$444,840 or 5.2% from FY11. Not included in the FY12 budget are \$588,000 and 4.2 workyears charged to the CIP for the Agricultural Preservation Program; \$120,540 and 1.0 workyear charged to the Economic Development Fund, and \$116,170 and 1.0 workyear charged to the Conference Center.

The Executive recommends a net decrease of five positions with 1.2 workyears shifting to the Agricultural Preservation CIP. Total workyears proposed in the DED FY11 budget are 24.5 compared to 30.8 workyears in FY11 and 40.8 workyears in FY10. Lapse for the department is budgeted at \$31,462 for 0.5 workyears. Departmental accomplishments are outlined on page 57-1 of the budget.

**Department of Economic Development -- FY12**

CE Recommended Budget

General Fund	
36 Positions (24.5 WY)	
Operating: \$2,765,070	
Personnel: \$3,075,240	
Total:	\$5,840,310
Grant Fund	
Operating \$2,344,020	
Grand Total:	\$8,184,330

Director's Office, Administration and Finance	
6 Positions (3.5 WY) <sup>A</sup>	
Operating	Personnel
\$1,971,204	\$541,676
Total:	\$2,512,880
% of budget:	43%

Change from FY11 CC Approved Budget

\$ (844,440)	o r	-13%
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—not included in chart—

- A. 1.0 workyear charged to the EDF
- B. 4.2 workyear charged to the Ag Services CIP
- C. 1.0 workyear charged to the Conference Center NDA

Business Empowerment	Agricultural Services	Marketing and Business Development	Workforce Investment Services	Special Projects	
7 Positions (7.0 WY)	11 Positions (3.0 WY) <sup>B</sup>	5 Positions (5.0 WY)	3 Positions (3.0 WY)	4 Positions (3.0 WY) <sup>C</sup>	
Operating	Personnel	Operating	Personnel	Operating	Personnel
\$60,800	\$891,380	\$231,862	\$606,338	\$22,200	\$395,030
Total:	\$952,180	Total:	\$838,200	Total:	\$417,230
% of budget:	16%	% of budget:	14%	% of budget:	7%

1. \$1,971,204 in Operating Budget of Finance & Administration funds \$1,733,055 for the operations of 5 Business Incubators.
2. \$231,862 in Operating Budget of Marketing and Business Development funds \$77,000 for the Program Partners (GWI, HTC, MC, WTCI).
3. \$287,283 in Operating Budget of Workforce Investment Services funds \$250,000 for the Latin American Youth Center for youth programs.
4. \$191,721 in Operating Budget of Agricultural Services funds \$160,241 for the Cooperative Extension Service (UMD), and \$8,280 in SCD.
5. \$60,800 in Operating Budget of Business Empowerment funds \$30,000 for the federal SBDC program in the County.

**Agricultural Services Division**

<b>Agricultural Services</b>	
<b>FY12 Expenditures \$494,220</b>	<b>FY12 3.0 Workyears</b>
<b>FY11 Expenditures \$631,780</b>	<b>FY11 4.6 Workyears</b>
-\$129,930; -1.8wy -1.2	Shift funding of. Resource Conservationist and PT PAA to Ag Preservation CIP
-\$7,630; 0.2wy	Miscellaneous adjustments – restoration of furloughs, employee benefit changes, departmental reorganization, etc.

Agricultural Services promotes the preservation of farmland and the promotion of agriculture as a viable component of the County business and economic sector. The Soil Conservation Service and the Cooperative Extension Service are included in this program. For FY12 \$588,000 and 4.2 workyears are charged to the CIP. The program is described on ©4.

**Personnel Complement (workyears)**

<b>Agricultural Services (including MSCD)</b>	<b>FY11</b>	<b>FY12</b>
Manager II	1.0	1.0*
Sr. Business Development Specialists	2.0	2.0*
Business Development Specialists III	1.0	0.5*
Resource Conservationist	1.0	1.0*(0.2 to CIP)*
Principal Administrative Aide	2.8	2.8*(1.8 to CIP)*
	7.8	7.3

\*Some or all of these positions are charged to the CIP. The number of workyears being charge to the CIP needs to be clarified.

**Background**

The County's Agricultural Land Preservation Easements Capital Program is administered by the County's Agricultural Services Division in the Department of Economic Development. The Agricultural Land Preservation Easements Program protects and preserves agricultural land from development with the goal of retaining a significant farming sector. In 2009, Montgomery County achieved its farmland preservation goal of protecting over 70,000 acres of farmland (71,353 acres). Preservation of agricultural land is accomplished under five separate programs: MC Agricultural Easements Program, MD Ag Land Preservation Foundation Program, MC Transferable Development Rights Program, Maryland Environmental Trust Program, and Rural Legacy Program.

**CIP Project**

The Agricultural Land Preservation Easements PDF can be found on ©9-10. The recommended appropriation for the FY12 Capital Budget for the Agricultural Land Preservation Easement Capital Program is \$3,379,000. A portion of the Agricultural Preservation Program is funded through the State Agricultural Land Transfer Tax that is levied when farmland is sold and removed from agricultural status and the remainder is funded by investment income. Montgomery County is permitted to retain 75 percent of the revenue from the Agricultural Land Transfer Tax for the purpose of agricultural land preservation. There are legal constraints for the use of the Agricultural Transfer Tax. Investment income also funds the program. The use of investment income is directed by the Council and OMB.

In FY11 the PHED Committee unanimously recommended the Council add \$5,000,000 in GO bond funding to the Executive's recommendation on the Agricultural Land preservation project to supplement declining Agricultural Transfer Tax revenues. At the conclusion of the FY11 budget \$2,000,000 was designated for GO bonds in FY11 and \$2,000,000 in FY12.

The PHED Committee unanimously agreed to sponsor legislation to amend Chapter 20 of the Finance Section of the County Code to allow GO bond funding to be used for the Agricultural Land Preservation program. Expedited Bill 8-10, Finance – Public Facilities – Agricultural Easements, was enacted on May 4, 2010.

**Issues:**

In FY11 the PHED Committee urged DED to charge additional positions to the CIP and the response was that when income in the Agricultural Services CIP could sustain additional positions they would migrate to the CIP. For FY12 several additional workyears will be moved to the CIP.

There is confusion because the operating budget attributes 1.8 new workyears to the CIP; however, the Department and the PDF attribute 1.2 new workyears for a total 4.2 workyears in the CIP.

**Question: If 4.2 workyears for the CIP is correct, what happens to the remaining 0.6 workyears that was to be shifted to the CIP in the operating budget document?**

*See Next Page 15.*

**Charged to the CIP in FY11**

In FY11 investment income funded operating expenses to run agricultural programs:

- 1.0 wy Business Development Specialist III
- 1.0 wy Business Development Specialist I
- 1.0 wy \_\_\_\_\_ MLS Manager II;
- 3.0 wy for FY11
- Deer Donation Program \$30,000
- Montgomery Weed Control Program \$10,000
- Cooperative Extension Partnership \$31,000

**FY12 CIP Amendment** - On March 15 the County Executive submitted a CIP amendment for Council consideration. The Agricultural Land Preservation Easements Capital Program PDF No. 788911 was amended to --

- update the PDF for FY12 agricultural services charged to the program
- adjust investment income for FY12 to FY16

**FY12 Agricultural Land Preservation Easements PDF No. 788911** - FY12 estimated investment income expenditure before partial closeout adjustments is \$588,000 and is made up of:

- 1.0 wy Business Development Specialist III
- 0.5 wy Business Development Specialist I
- 1.0 wy MLS Manager II;
- 1.7 workyears Principal Administrative Aides
- 0.2 workyears for Resource Conservationist
- 4.4 wy for FY12\*

Deer Donation Program \$30,000  
Montgomery Weed Control Program \$10,000  
Cooperative Extension Partnership \$72,000

\*The PDF was subsequently revised to reflect 4.2 workyears. However, the verbiage in the operating budget document states that 1.8 workyears will be shifted to the CIP.

**DED's Explanation of the CIP funding follows:**

- **Employee name and job class**      **Work Year**      **Source of Funds**  
Manager II      1.0 work year      Investment Income  
Business Dev Spec III      1.0 work year      Investment Income  
Business Dev Spec I      0.5 work year      Investment Income  
PAA      0.25 work year      Investment Income  
PAA      0.25 work year      Investment Income  
Vacant PAA      1.0 work year      Investment Income/ MCFB  
Contribution \$21,000 and UME  
Contribution \$10,000
  
- **Employee name and job class**      **Work Year**      **Source of Funds**  
Business Dev Spec III      0.1 work year      MSCD Contribution \$10,000  
Resource Conservationist      0.1 work year      MSCD Contribution \$10,000
  
- **Program & Source of Funding**  
Montgomery Weed Control Program: \$10,000  
This represents the normal DED contribution-DOT funding  
\$22,000 will be provided by DED for FY12  
Deer Donation: \$30,000  
This program usually costs \$20,000 annually and savings  
was used to fund a portion of DOT funding for Weed  
Control  
UME State Partnership \$72,000
  
- **4.2 work years and programs charging \$588,000 in Investment Income and \$51,000 in Private Contribution for a total of \$639,000**      *correct!*

**Staff Comments recommendations**

- Staff recommends approval of the amendment to the Agricultural Land Preservation Easement Capital Program PDF No. 788911 as revised on April 8 to shift 1.2 workyears to the CIP for a total 4.2 workyears.      *Correct!*
  
- Staff recommends approval of the Division of Agricultural Services budget with corrections to CIP shifts.

Program Performance Measures	Actual FY09	Actual FY10	Estimated FY11	Target FY12	Target FY13
Number of employers assisted with training	40	40	40	40	40
Number of employers assisted with recruitment	120	120	120	120	120
Number of DED job related placements for unemployed adults-dislocated, older, and disadvantaged workers <sup>1</sup>	13,775	12,650	12,900	13,200	13,200

<sup>1</sup> The County received additional federal stimulus grants at the end of FY09, but FY10 placements will decrease due to the continuing rise in unemployment. To reflect the anticipated improvement in the job market, DED projects a gradual increase in placements in FY11 and FY12.

FY12 Recommended Changes	Expenditures	WYs
<b>FY11 Approved</b>	<b>3,268,820</b>	<b>3.8</b>
Add: Latin American Youth Center Workforce Development for Youth	200,000	0.0
Reduce: Workforce Services - Abolish Program Manager II Position	-90,670	-1.0
Decrease Cost: Workforce Services	-372,500	0.0
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-36,030	0.2
<b>FY12 CE Recommended</b>	<b>2,969,620</b>	<b>3.0</b>

### Agricultural Services

This program encompasses the promotion of agriculture as a viable component of the County's business and economic sector, as well as the preservation of farmland as a resource for future agricultural production capabilities. The Department of Economic Development co-sponsors farmers' markets, an annual farm tour, and other activities which promote agricultural products. The goal of the Agricultural Preservation Program is to acquire easements to protect 70,000 acres of farmland in the Agricultural Reserve. This goal was achieved in January, 2009, one year prior to the 2010 target date. Agricultural Services also provides farmers with zoning and master plan technical assistance and coordinates the County's Weed Control and Deer Donation programs.

The Montgomery Soil Conservation District (MSCD) is considered 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 assist 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. 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 in the County.

The Cooperative Extension Office serves as the agricultural outreach education component of the University of Maryland. 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, consumer education with a focus on promoting positive parenting skills and healthful diets and 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 personnel 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, TV, and print media.

Program Performance Measures	Actual FY09	Actual FY10	Estimated FY11	Target FY12	Target FY13
Cumulative farm acres protected	70,832	71,332	71,832	71,832	71,832
Number of farm businesses assisted	94	140	160	160	160

FY12 Recommended Changes	Expenditures	WYs
<b>FY11 Approved</b>	<b>631,780</b>	<b>4.6</b>
Shift: Funding for Agricultural Programs to the CIP	-129,930	-1.8
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-7,630	0.2
<b>FY12 CE Recommended</b>	<b>494,220</b>	<b>3.0</b>

-1.2

### Special Projects

The Division of Special Projects administers all aspects of DED's public-private partnerships programs, encompassing the Department's capital projects, legislative activities, strategic planning endeavors and new program development. The program builds programmatic relationships with local academic institutions and Federal installations to advance the County's economic base. The

### Ag Land Pres Easements -- No. 788911

Category	Conservation of Natural Resources	Date Last Modified	April 08, 2011
Subcategory	Ag Land Preservation	Required Adequate Public Facility	No
Administering Agency	Economic Development	Relocation Impact	None.
Planning Area	Countywide	Status	On-going

639

#### EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY10	Rem. FY10	Total 6 Years	FY11	FY12	FY13	FY14	FY15	FY16	Beyond 6 Years
Planning, Design, and Supervision	3,252	0	0	3,252	486	629	513	527	541	556	0
Land	21,650	0	12,500	9,150	2,600	2,750	850	950	1,000	1,000	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	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>24,902</b>	<b>0</b>	<b>12,500</b>	<b>12,402</b>	<b>3,086</b>	<b>3,379</b>	<b>1,363</b>	<b>1,477</b>	<b>1,541</b>	<b>1,556</b>	<b>0</b>

#### FUNDING SCHEDULE (\$000)

Agricultural Transfer Tax	9,923	0	4,773	5,150	600	750	850	950	1,000	1,000	0
Contributions	41	0	0	41	0	41	0	0	0	0	0
Federal Aid	393	0	393	0	0	0	0	0	0	0	0
G.O. Bonds	4,000	0	0	4,000	2,000	2,000	0	0	0	0	0
Investment Income	3,285	0	74	3,211	486	588	513	527	541	556	0
M-NCPPC Contributions	5,000	0	5,000	0	0	0	0	0	0	0	0
State Aid	2,260	0	2,260	0	0	0	0	0	0	0	0
<b>Total</b>	<b>24,902</b>	<b>0</b>	<b>12,500</b>	<b>12,402</b>	<b>3,086</b>	<b>3,379</b>	<b>1,363</b>	<b>1,477</b>	<b>1,541</b>	<b>1,556</b>	<b>0</b>

**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. 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 already protected by Transferable Development Rights (TDRs) 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 proposed voluntarily by the farmland owner. Project funding comes primarily from the Agricultural Land 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.

Beginning in FY10, a new Building Lot Termination (BLT) program will be initiated that represents an enhanced farmland preservation program tool to further protect land where development rights have been retained in the Rural Density Transfer Zone (RDT). This program will use Agricultural Transfer Tax revenue to purchase the development rights and corresponding TDRs retained on these properties.

**COST CHANGE**

Investment Income was increased and Contributions were added in FY12 to fund administrative expenses and agricultural initiatives carried out by the Agricultural Services Division.

**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.

**OTHER**

FY12 estimated Investment Income expenditure before partial closeout adjustments is \$588,000 and is made up of \$476,000: 1 workyear Business Development Specialist III, .5 workyear Business Development Specialist I, 1 workyear MLS Manager II, 1.5 workyears Principal Administrative Aides, .2 workyear Resource Conservationist; \$30,000 - Deer Donation Program; \$10,000 - Montgomery Weed Control Program; and \$72,000 for Cooperative Extension Partnership.

<p><b>APPROPRIATION AND EXPENDITURE DATA</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Date First Appropriation</td> <td>FY09</td> <td style="text-align: right;">(\$000)</td> </tr> <tr> <td>First Cost Estimate</td> <td></td> <td></td> </tr> <tr> <td>Current Scope</td> <td>FY12</td> <td style="text-align: right;">24,902</td> </tr> <tr> <td>Last FY's Cost Estimate</td> <td></td> <td style="text-align: right;">25,834</td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Appropriation Request</td> <td>FY12</td> <td style="text-align: right;">3,379</td> </tr> <tr> <td>Supplemental Appropriation Request</td> <td></td> <td style="text-align: right;">0</td> </tr> <tr> <td>Transfer</td> <td></td> <td style="text-align: right;">0</td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Cumulative Appropriation</td> <td style="text-align: right;">15,585</td> </tr> <tr> <td>Expenditures / Encumbrances</td> <td style="text-align: right;">2,779</td> </tr> <tr> <td>Unencumbered Balance</td> <td style="text-align: right;">12,805</td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Partial Closeout Thru</td> <td>FY09</td> <td style="text-align: right;">57,085</td> </tr> <tr> <td>New Partial Closeout</td> <td>FY10</td> <td style="text-align: right;">1,062</td> </tr> <tr> <td>Total Partial Closeout</td> <td></td> <td style="text-align: right;">58,147</td> </tr> </table>	Date First Appropriation	FY09	(\$000)	First Cost Estimate			Current Scope	FY12	24,902	Last FY's Cost Estimate		25,834	Appropriation Request	FY12	3,379	Supplemental Appropriation Request		0	Transfer		0	Cumulative Appropriation	15,585	Expenditures / Encumbrances	2,779	Unencumbered Balance	12,805	Partial Closeout Thru	FY09	57,085	New Partial Closeout	FY10	1,062	Total Partial Closeout		58,147	<p><b>COORDINATION</b></p> <p>State of Maryland Agricultural Land Preservation Foundation          State of Maryland Department of Natural Resources          Maryland-National Capital Park and Planning Commission          Landowners</p>	<p><b>MAP</b></p>
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**Ag Land Pres Easements -- No. 788911 (continued)**

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Appropriations are based upon a projection of Montgomery County's portion of the total amount of Agricultural Transfer Tax which has become available since the last appropriation and State Rural Legacy Program grant funding. Appropriations to this project represent a commitment of Agricultural Land Transfer Tax funds and State Aid to purchase agricultural easements. The Agricultural Transfer Taxes are deposited into an investment income fund, the interest from which is used to fund direct administrative expenses, the purchase of easements, and other agricultural initiatives carried out by the Agricultural Services Division. The program permits the County to take title to the TDRs. These TDRs are an asset that the County may sell in the future, generating revenues for the Agricultural Land Preservation Fund. The County can use unexpended appropriations for this project to pay its share (40 percent) of the cost of easements purchased by the State. Since FY99, the County has received State RLP grant funds to purchase easements for the State through the County. The State allows County reimbursement of three percent for direct administrative costs such as appraisals, title searches, surveys, and legal fees.

Given changes to the Federal Program, Federal Aid funds are no longer programmed in this project.

**FISCAL NOTE**

Expenditures do not reflect additional authorized payments made from the Agricultural Land Preservation Fund balance to increase financial incentives for landowners.

Terms and conditions regarding Contributions from the Montgomery County Farm Bureau (MCFB) and the Montgomery Soil Conservation District (MSCD) will be specified within the MOU between the County and these agencies.

**OTHER DISCLOSURES**

- The Executive asserts that this project conforms to the requirements of relevant local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.