

ANALYSIS OF THE NEW JERSEY FISCAL YEAR 2001 - 2002 BUDGET



DEPARTMENT OF AGRICULTURE

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 2001

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF AGRICULTURE

Budget Pages.....C-8; C-16; C-20 to C-21; D-19 to D-28

Fiscal Summary (\$000)

	Expended FY 2000	Adjusted Appropriation FY 2001	Recommended FY 2002	Percent Change 2001-02
State Budgeted	\$44,513	\$24,024	\$24,788	3.2%
Federal Funds	168,110	234,800	234,800	0.0%
<u>Other</u>	<u>8,857</u>	<u>8,828</u>	<u>8,833</u>	<u>0.1%</u>
Grand Total	\$221,480	\$267,652	\$268,421	0.3%

Personnel Summary - Positions By Funding Source

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change 2001-02
State	145	161	180	11.8%
Federal	39	43	48	11.6%
<u>Other</u>	<u>59</u>	<u>47</u>	<u>52</u>	<u>10.6%</u>
Total Positions	243	251	280	11.6%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded.

Introduction

The primary mission of the Department of Agriculture (DOA) is to ensure the continued viability of New Jersey's agricultural environment and its related industries. The department's regulatory functions and operating programs provide services that support the following objectives: preserving up to 500,000 acres of farmland by the year 2010; developing fisheries and aquaculture resources; promoting and expanding domestic and foreign agricultural markets; detecting, controlling, and eradicating animal and plant pests and diseases; conserving soil and water resources; stimulating and expanding the State's agribusiness and equine industry; preventing unfair, illegal, and improper trade practices that may adversely affect the production and sale of agricultural products; promoting agricultural education and training programs; and distributing federally donated food commodities and cash reimbursements for child and adult nutrition programs.

Key Points

- ! The total General Fund appropriation recommended for the department is \$24.8 million, a net increase of \$764,000 or 3 percent over the current adjusted funding level.
- ! Of the General Fund appropriation, \$11.2 million is recommended for **Direct State Services** (DSS), an increase of \$244,000 or 2 percent above the current adjusted appropriation level. Significant changes in the DSS budget are as follows:
 - ! A new Special Purpose appropriation of \$183,000 is recommended for three additional staff to expand testing and research on horses that may be affected by mosquitos carrying the West Nile virus.
 - ! The State Agriculture Development Committee (SADC), which administers the Farmland Preservation Program and related activities, is recommended to receive an additional \$250,000 to hire five more staff to meet expanding program responsibilities.
 - ! The SADC is recommended to receive \$95,000 to pay the expenses of an additional Deputy Attorney General for legal services associated with farmland assessment activity.
 - ! Two Special Purpose appropriations included in the current budget by the Legislature, \$160,000 for the Organic Certification Program and \$50,000 for Farmers Against Hunger, are not continued in FY 2002.
 - ! Of the department's total General Fund appropriation, \$4.0 million is recommended for **Grants-In-Aid** programs, an increase of \$620,000 or 19 percent over the current funding level. Significant changes in the Grants-In-Aid budget are as follows:
 - ! A new \$500,000 initiative, the Farmland Stewardship Program, is recommended to provide matching grants to farmers enrolled in the Farmland Preservation Program to help them improve the economic viability of their farm operations.
 - ! A new appropriation of \$250,000 is recommended to provide matching grants to County Agriculture Development Boards to help support administrative costs incurred under the Farmland Preservation Program.
 - ! The following Grants-In-Aid accounts, totaling \$130,000, were included in the current budget by the Legislature but are not continued in FY 2002: N.J. Fresh Feasibility Study; Hunterdon County 4-H and Agricultural Fair; Agricultural Fairs Association of N.J.; and N.J. Dairy Association Re-Engineering Initiative.
 - ! The **State Aid** portion of the General Fund appropriation is recommended at \$9.5 million, an increase of \$450,000 or 5 percent greater than the current funding level. The entire increase is recommended for the School Breakfast Program, which would raise its funding level to \$2.4 million in FY 2002.
 - ! The General Fund appropriation for **Capital Construction** funding consists of one recommended project: \$50,000 to replace a cooling tower at the Alampi Beneficial Insect Laboratory. This facility received \$150,000 in FY 2001 for related equipment replacement.
 - ! **Federal** funding is estimated at \$234.8 million, the same amount currently authorized. Most of these funds support the various child nutrition programs run by the department's Bureau of Child Nutrition Programs.

Key Points (Cont'd)

- ! The **All Other Funds** portion of the budget is estimated at \$8.8 million, the same amount estimated for FY 2001. No significant changes are indicated in any program areas.
- ! New budget language is recommended that appropriates up to \$75,000 in DSS funds to the Division of Plant Industry to complete a survey concerning the spread of the Plum Pox virus in the State's fruit trees.

Background Paper

- ! School Breakfast Program p. 17

Program Description and Overview

The functions and programs of the Department of Agriculture (DOA) are grouped and displayed in the Budget Recommendation under one Statewide Program: Agricultural Resources, Planning, and Regulation. This Statewide Program consists of the following program classifications (identified by a two-digit budget code), which generally correspond to the department's organizational structure and reflect the operating levels at which specific appropriations are recommended:

Animal and Plant Disease Control (02) refers to the budgets of the Division of Animal Health and the Division of Plant Industry. The former provides programs and services that control the introduction and spread of disease in animals. Its major activities include exotic disease surveillance, investigations, regulatory enforcement, SPCA training, and diagnostic laboratory services. The latter protects the ornamental, vegetable, and field crop plants and forested acreage of the State from pest insects and diseases. Its major programs include nursery inspection, seed certification, gypsy moth suppression, apiary inspection, and biological control of plant pests through the operation of the Alampi Beneficial Insect Rearing Laboratory.

Resource Development Services (03) funds the Division of Rural Resources, which encompasses the State Soil Conservation Program, activities related to nonpoint source pollution, waste and stormwater management, the seafood and aquaculture industry, the Future Farmers of America program, and various research projects concerning the agricultural economy. It also is responsible for agricultural statistics, farm management training and financial and technical support for the State's 16 Soil Conservation Districts.

Dairy and Commodity Regulation (04) refers to the Division of Dairy and Commodity Regulation, which is responsible for the inspection and grading of commodities such as fruits, eggs and vegetables (under the Jersey Fresh Quality Grading Program), the regulation of feeds, fertilizers, and liming materials, and the regulation and enforcement of dairy and commodities laws.

Marketing Services (06) funds the Division of Markets, which supports promotional matching grants and the Jersey Fresh program, the State portion of the Temporary Emergency Food Assistance Program, commodity councils, sire stakes, horse breeding programs, and the Horse Park of N.J. This division also includes the Bureau of Child Nutrition programs, which administers the federal and State subsidies for the child nutrition, school breakfast and school lunch programs.

Farmland Preservation (08) supports the staff of the State Agricultural Development Committee, an independent agency charged with the administration of the Farmland Preservation program and other related activities, such as Right to Farm, Transfer of Development Rights, soil and water conservation grants and some County Agriculture Development Board functions.

Administration and Support Services (99) supports the Division of Administration, the Office of the Secretary, and the State Board of Agriculture. The division provides all the department's support services while the Office of the Secretary is involved with legislative and industry liaison, legal services, policy development and providing support to the State Board of Agriculture.

Commodity Distribution (07) contains only off-budget funds provided by federal and non-State funding sources. This classification encompasses federally-supported programs run by the department that receive and process federal surplus foods which are distributed to schools, food banks, institutions and needy individuals.

Program Description and Overview (Cont'd)

FY 2002 Budget Overview

The department's total General Fund appropriation is recommended at \$24.8 million, a net increase of \$764,000 or 3.2 percent above the FY 2001 adjusted appropriation level. The two other funding sources in the department's budget are Federal funds, recommended at \$234.8 million, the same amount authorized in FY 2001, and off-budget revenues (i.e. "Other Funds"), recommended at \$8.8 million, about the same level as currently estimated. The recommended total of these three funding sources is \$268.4 million, an increase of \$769,000 or less than one percent over the current adjusted total.

Notwithstanding a decrease of \$550,000 in the Capital Construction budget, the General Fund recommendation includes net increases of \$244,000 or 2.2 percent in Direct State Services, \$620,000 or 18.6 percent in Grants-In- Aid, and \$450,000 or 4.9 percent in State Aid. These changes are summarized as follows:

Direct State Services

The recommended Direct State Services (DSS) or operating budget is \$11.2 million, a net increase of \$244,000 or 2.2 percent over the current adjusted budget of \$11.0 million. The recommended total reflects the elimination of two Special Purpose appropriations that were added to the current budget by the Legislature: Organic Certification Program (\$160,000), and Farmers Against Hunger (\$50,000). Conversely, two significant increases in DSS funding are recommended: A new appropriation of \$183,000 to expand research efforts to control the West Nile Virus in the equine industry, and \$345,000, or 28.0 percent, more for the State Agriculture Development Committee's operating budget to meet increasing costs in the management of farmland preservation activities.

The recommended DSS funding levels of the department's remaining Special Purpose line items and regular spending accounts are about the same as the current adjusted levels. The Salaries and Wages account, recommended at \$6.4 million, also equals the current adjusted funding level.

Grants-In-Aid

The recommended Grants-In-Aid budget is \$4.0 million, an increase of \$620,000 or 18.6 percent more than the current funding level of \$3.3 million. The recommended total reflects the inclusion of two new programs to be managed by the State Agriculture Development Committee: The Farmland Stewardship Program (\$500,000) and Farmland Administration - County Grants (\$250,000). The first proposal would provide matching grants to farmers for projects designed to enhance the economic viability of their farms. The second program would provide grants to counties to help administer the State Farmland Preservation Program.

The recommended Grants-In-Aid budget does not contain funding for four accounts included by the Legislature in the current budget that total \$130,000. The following active accounts, however, are continued and recommended at their current funding levels: Soil and Water Conservation Grants (\$1.6 million); Farm Management and Training Initiative (\$24,000); Conservation Cost Share Program (\$1.15 million); Promotion/Market Development (\$250,000); and the New Jersey Museum of Agriculture (\$180,000).

Program Description and Overview (Cont'd)

State Aid

The total State Aid budget is recommended at \$9.5 million, an increase of \$450,000 or 4.9 percent over the FY 2001 total of \$9.1 million. The entire increase is recommended in the School Breakfast Program account, which received \$1.9 million in FY 2001 to provide a 10 cents per breakfast subsidy to school districts participating in the federally-funded School Breakfast program. The two other State Aid accounts associated with federal child nutrition programs, \$6.6 million for the School Lunch program and \$439,000 for non-public nutrition aid, are recommended at current funding levels.

The two current State Aid accounts related to the Farmland Preservation program, Payments In Lieu of Taxes (\$50,000) and the Right to Farm Program (\$100,000), are recommended at their current funding levels.

Capital Construction

The department received funding for two Capital Construction projects in FY 2001: \$150,000 to replace two boilers and one cooling tower at the Alampi Beneficial Insect Laboratory, and \$450,000 to replace the data network wiring in the Health and Agriculture Building in Trenton. One project, \$50,000 to replace the other cooling tower at the Beneficial Insect Laboratory, is recommended for funding in FY 2002.

Federal Funding

The department anticipates receiving \$234.8 million in federal funds in FY 2002, the same level that is currently budgeted for FY 2001. About 99 percent of the federal funds received and administered by the department are associated with the various federal child nutrition programs, which are listed in the Budget Recommendation with the following FY 2001 and FY 2002 appropriation levels: Child Nutrition - Child Care (\$47.6 million); Child Nutrition - Administration (\$3.4 million); Child Nutrition - School Lunch (\$145.4 million); Child Nutrition - Special Milk (\$1.5 million); Child Nutrition - Summer Programs (\$9.8 million); School Breakfast (\$25.0 million); and Team Nutrition Training (\$225,000).

Off-Budget Funds

The department's off-budget or "below the line" funding consists of revenues generated from various sources that are dedicated, or appropriated, directly to the department pursuant to budget language or other statutory authority. These monies are mostly derived from commodity inspection and grading fees, parimutuel betting (to support sire stakes and horse breeding activities), federal surplus food distribution and processing fees, bond administration funds, and commodity council assessments. In the Budget Recommendation, these monies are displayed under "**All Other Funds**" on Pages D-26 and D-27 and are also listed under "**Schedule II--Other Revenues**" on Page C-16.

In FY 2002, the total amount of appropriated revenue is projected at \$8.8 million, nearly the same as the current adjusted level. The largest single program in this category is Sire Stakes, budgeted at \$4.2 million in FY 2001 and FY 2002, which is supported by a dedicated percentage of parimutuel betting receipts that are used for sire stakes purses and related activities.

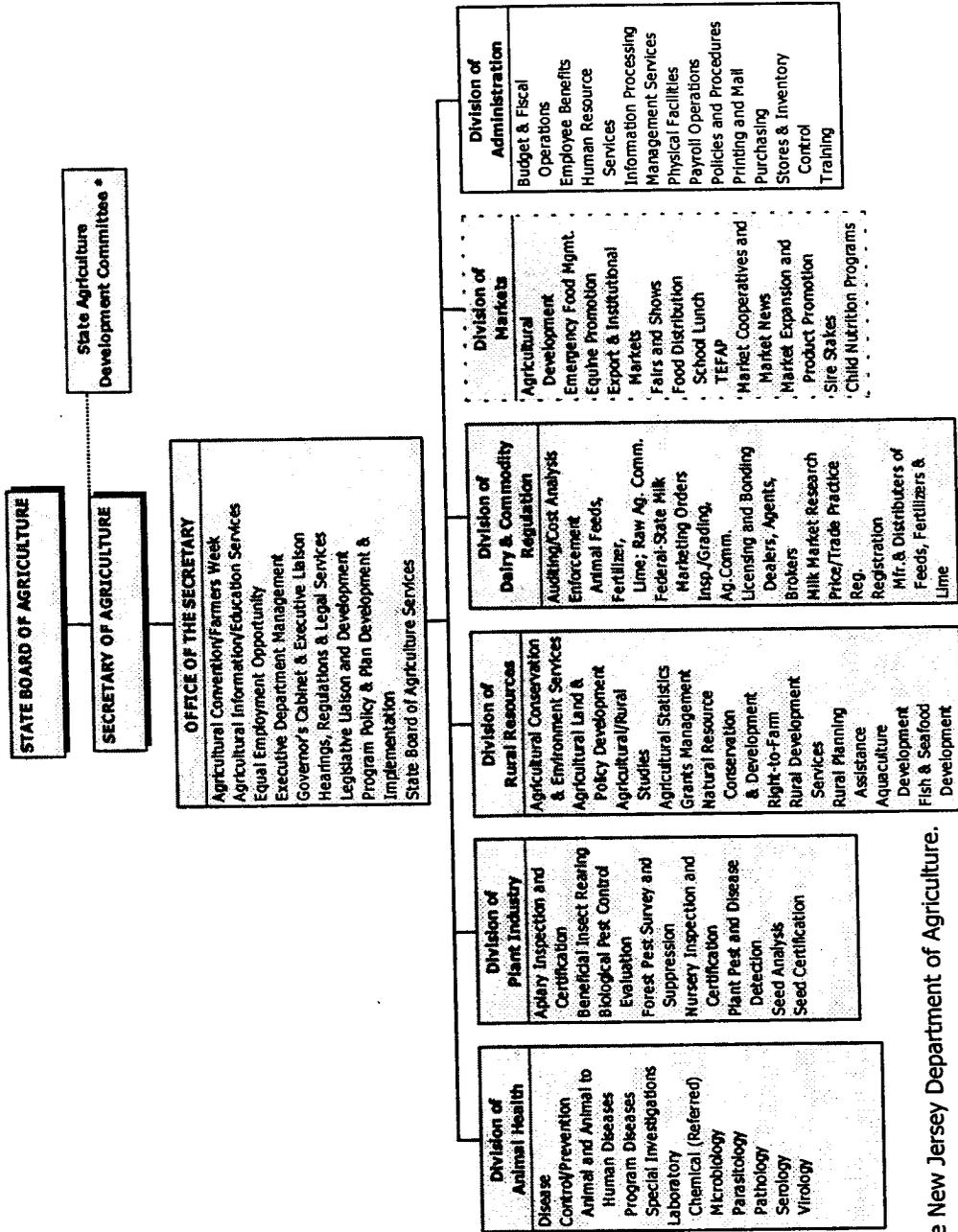
Program Description and Overview (Cont'd)

Positions

According to data made public by the Administration concerning the Budget Recommendation, no State or federally-funded departmental employees are scheduled to be laid off due to salary account or program reductions in FY 2002.

As displayed in the Budget Recommendation and in the "Fiscal and Personnel Summary" section of this report, the FY 2000 and FY 2001 position data figures reflect the actual number of employees on the department's payroll at a given point in time; the FY 2002 figures reflect the total number of positions to be funded without regard to vacancy status. The Budget Recommendation lists 161 State-funded positions in FY 2001 and 180 positions in FY 2002. The increase includes eight new funded positions, three from the new appropriation recommended for West Nile Virus research, and five from the increase recommended for the State Agriculture Development Committee's operating budget.

Organization Chart



* In, but not of, the New Jersey Department of Agriculture.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2000	Adj. Approp. FY 2001	Recom. FY 2002	Percent Change	
				2000-02	2001-02
General Fund					
Direct State Services	\$12,316	\$10,998	\$11,242	(8.7)%	2.2%
Grants-In-Aid	22,659	3,334	3,954	(82.6)%	18.6%
State Aid	8,564	9,092	9,542	11.4%	4.9%
Capital Construction	974	600	50	(94.9)%	(91.7)%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$44,513	\$24,024	\$24,788	(44.3)%	3.2%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$44,513	\$24,024	\$24,788	(44.3)%	3.2%
Federal Funds	\$168,110	\$234,800	\$234,800	39.7%	0.0%
Other Funds	\$8,857	\$8,828	\$8,833	(0.3)%	0.1%
Grand Total	\$221,480	\$267,652	\$268,421	21.2%	0.3%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change	
				2000-02	2001-02
State	145	161	180	24.1%	11.8%
Federal	39	43	48	23.1%	11.6%
All Other	59	47	52	(11.9)%	10.6%
Total Positions	243	251	280	15.2%	11.6%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	21.8%	21.4%	20.0%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2001</u>	<u>Recomm.</u> <u>FY 2002</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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DIRECT STATE SERVICES

Special Purpose:

West Nile Virus Enhancement	\$0	\$183,000	\$183,000	—	D-24
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The recommended appropriation would allow the Division of Animal Health to hire three employees to expand the diagnostic testing and analysis of the virus and its effects on the State's equine industry. According to the Budget In Brief, an additional \$42,000 is to be transferred to the department from the N.J. Mosquito Control Commission to extend testing to other animals such as chickens and crows.

Organic Certification
Program

	\$160	\$0	(\$160)	(100.0)%	D-24
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This appropriation was included by the Legislature in the current budget to enable the Division of Dairy and Commodity Regulation to develop and implement an organic farming certification program. Program parameters, as suggested by pending legislation, include the designation of one or more organizations to certify organic farming and handling practices, the establishment of two separate certification procedures for "certified organic" and "certified transitional organic," and the design of a label affixed to products signifying such certifications.

Farmers Against
Hunger

	\$50	\$0	(\$50)	(100.0)%	D-25
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This appropriation was included by the Legislature in the current budget to support the New Jersey Farmers Against Hunger, a nonprofit organization that annually collects up to 1.0 million pounds of surplus produce from farms and food distributors and donates it to local food banks and relief agencies. These funds are being used to expand this effort so that up to 1.5 million pounds of food can be collected and distributed during FY 2001.

Open Space

Administrative Costs	\$1,230	\$1,575	\$345	28.0%	D-25
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Of the recommended increase, \$250,000 would be used to hire five additional staff for the State Agriculture Development Committee to help manage the Farmland Preservation Program and three recently established programs involving direct easement purchases, planning incentive grants, and non-profit grants. The balance of the increase, \$95,000, would be used to pay the legal services of one additional Deputy Attorney General to accommodate the anticipated rise in contracts and assessments related to these programs.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
GRANTS-IN-AID					
New Jersey Dairy Association Re-Engineering Initiative	\$50	\$0	(\$50)	(100.0)%	D-25
This grant was included by the Legislature in the current budget to provide additional support to the N.J. Dairy Association to assist dairy farmers in improving milk quality and production.					
New Jersey Fresh Feasibility Study	\$25	\$0	(\$25)	(100.0)%	D-25
This grant was included by the Legislature in the current budget to provide a grant to the N.J. Dairy Association to conduct a study concerning a Jersey Fresh milk product development campaign.					
Hunterdon County 4-H and Agricultural Fair	\$5	\$0	(\$5)	(100.0)%	D-25
This grant was included by the Legislature in the current budget to help support the Hunterdon County 4-H association in promoting and staging its annual agricultural fair.					
Agricultural Fairs Association of New Jersey	\$50	\$0	(\$50)	(100.0)%	D-25
This grant was included by the Legislature in the current budget to continue supporting this organization in its promotion and staging of agricultural fairs throughout the State. An identical appropriation was included by the Legislature in the FY 2000 State Budget.					
Farmland Stewardship Program	\$0	\$500	\$500	—	D-25

The recommended appropriation would support a new program managed by the State Agriculture Development Committee that would provide 50 percent matching grants to farmers enrolled in the Farmland Preservation program for projects to enhance the economic viability of their farming operations. Grants up to \$20,000 would be awarded to eligible landowners based on the review of a panel of experts selected from a cross-section of institutions and organizations that are prominent in the State's agricultural industry.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Farmland Administration-County Grants	\$0	\$250	\$250	—	D-25

The recommended appropriation would support a new program managed by the State Agriculture Development Committee that would provide 50 percent matching grants to up to 13 County Agriculture Development Boards to help cover operating costs incurred from meeting the growing demands of participation in the State Farmland Preservation Program. Priority would be given to those counties with the most acreage available for preservation.

STATE AID

School Breakfast Program	\$1,938	\$2,388	\$450	23.2%	D-26
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This account was initiated in the FY 2000 budget to promote the federal School Breakfast program by subsidizing the costs incurred by school districts in providing this service. The subsidy, which pays 10 cents of the cost of each breakfast served, is intended to increase the number of breakfasts served Statewide by encouraging more school districts to participate. The Administration hopes the recommended increase will help raise the participation rate to 40 percent of the school districts that already participate in the federal School Lunch Program. The current rate is about 16 percent. Federal program support, which is based on the number of breakfasts served, is estimated at \$25 million in both FY 2001 and FY 2002.

CAPITAL CONSTRUCTION

Division of Plant Industry: Renovations to Phillip Alampi Beneficial Insect Laboratory	\$150	\$50	(\$100)	(66.7)%	D-26
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The current appropriation is for the replacement of two boilers and one cooling tower at the department's Alampi Beneficial Insect Laboratory in Ewing Township, Mercer County. The recommended amount would replace the other cooling tower at this facility.

Division of Administration: Data Processing-Network Upgrade	\$450	\$0	(\$450)	(100.0)%	D-26
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The current amount was appropriated to replace data network wiring on several floors of the Health and Agriculture Building in Trenton. This upgrade was designed to increase the processing speed of database applications and to support new information technologies.

Language Provisions

2001 Appropriations Handbook

No comparable language.

2002 Budget Recommendations

p. D-27

In addition to the amounts hereinabove, there is appropriated up to \$75,000 for non-salary costs for completing the survey for Plum Pox Virus, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended language would appropriate up to \$75,000 from the General Fund to the Division of Plant Industry to retain a consultant to survey and study the Plum Pox virus, a disease that affects plum and other stone fruit trees throughout the State. According to the department, this virus has been spreading and affecting more trees each year. Up to now, the department has used funding from other operating accounts to support research efforts in this area.

Discussion Points

1. In order to enhance the State's efforts in tracking, studying and controlling incidences of the West Nile virus, the Budget Recommendation includes \$1.9 million in various funding increases for this purpose that are allocated among the Departments of Agriculture, Environmental Protection and Health and Senior Services. Of this amount, the Department of Agriculture (DOA) is recommended to receive \$183,000 for a new Special Purpose line item, "West Nile Virus Enhancement," which would be used for diagnostic testing and analysis of the virus as it affects the equine industry. The Budget In Brief indicates that \$42,000 from the State Mosquito Control Commission would also be transferred to the department to help support this effort.

! *Question:* Please describe in detail how this new funding will be budgeted, including project scope, objectives, administrative responsibility and the effects on current departmental efforts for this activity. What other livestock, if any, will be tested for the virus? Explain how the department will coordinate its efforts with those of the DEP, DHSS, the Mosquito Control Commission, and other involved government agencies.

2. In the department's current budget, \$160,000 was included by a Legislative budget resolution for the Special Purpose line item "Organic Certification Program." These funds were to be used to develop and implement an organic farming certification program within the department. No Special Purpose funding for this purpose is recommended in FY 2002.

! *Question:* Please describe the current status of this program in terms of its development, implementation, parameters and expenditures. How will farmers and consumers be affected by the program? What are the program's anticipated administrative costs and staffing needs in FY 2002 and where in the recommended budget are these costs included?

3. The recommendation for the Special Purpose line item "Open Space Administrative Costs" is \$1,575,000, an increase of \$345,000 or 28 percent higher than the current adjusted appropriation. This account supports the operating budget of the State Agriculture Development Committee (SADC), which is responsible for managing the Farmland Preservation program and related activities. According to budget documents, \$250,000 of the recommended increase would be used to hire five new staff members, while the balance of \$95,000 would pay for the services of one additional Deputy Attorney General. Greater workload demands due to new programs and more available program funding are cited by the Administration as the reasons for this increase.

! *Question:* Please provide, by program area, a listing of SADC staff titles or assignments, and include a description of the anticipated duties of the five new staff members to be hired in FY 2002. What was the size and composition of the SADC staff in FY 1999, when funding for the Farmland Preservation program was shifted to State rather than bond monies? Please briefly describe the three new programs cited in the Budget In Brief, i.e. direct easement purchase, planning incentive grants, and non-profit grants, and how they have or will affect budget and staff levels in FY 2001 and FY 2002.

4. A new Grants-In-Aid appropriation of \$500,000 is recommended for "Farmland Stewardship Program," a program to be managed by the SADC that would provide 50 percent cost share grants to farmers enrolled in the Farmland Preservation program for projects to enhance their economic viability. According to the Administration, grants up to \$20,000 would be awarded to eligible landowners based on the review of a panel of experts selected from a cross-section of institutions and organizations that are prominent in the State's agricultural industry.

Discussion Points (Cont'd)

! **Question:** Please explain how this program was developed and describe its proposed implementation process, including grant criteria, objectives, and awards procedure. What are the program's projected administrative costs and manpower requirements? How do the objectives of this program differ from those of the department's Soil and Water Conservation grants program, since both programs purport to enhance the economic viability of farming operations?

5. A new Grants-In-Aid appropriation of \$250,000 is recommended for "Farmland Administration - County Grants," which would provide 50 percent matching grants up to \$20,000 to County Agriculture Development Boards (CADB) to help them support the administrative costs of participating in the Farmland Preservation program. The SADC would administer this program and give priority to counties with the most acreage in pending Farmland Preservation applications.

! **Question:** Please describe the application and award processes for these grants, including the criteria governing grant usage, award size and matching funds. What are the SADC's projected administrative costs and manpower requirements for this program? What percentage of the current budget and staff of potential CADB applicants are devoted to working on Farmland Preservation and other State-managed programs? What are the current funding sources of CADB operating budgets? As the Farmland Preservation program and related State initiatives increase, are CADB budgets likely to become more dependent on State Aid and, if so, to what extent?

6. The State Aid recommendation for the "School Breakfast Program" account is \$2,388,000, an increase of \$450,000 over the current funding level of \$1,938,000. These funds provide a subsidy for school districts that participate in this federally-funded program, which is expected to contribute nearly \$25 million in FY 2001 and in FY 2002. According to the Budget In Brief, it is hoped that the proposed increase will raise the participation rate in the program to 40 percent of the schools districts that already participate in the federal School Lunch program.

! **Question:** How has the participation rate of school districts and the number of students served breakfast daily changed since this subsidy was first provided in the FY 2000 State Budget? What is the current participation rate of school districts in the breakfast program that also participate in the school lunch program? What marketing or outreach techniques are being used or proposed to increase school district participation? Will the federal funding level in FY 2002 be affected by the proposed increase in the State subsidy and, if so, by how much?

7. The recommended Grants-In-Aid appropriation for the "Conservation Cost Share Program" remains the same as the current appropriation of \$1,150,000. This program provides matching grants to farmers to address nonpoint source pollution problems. This program also receives a minimum of \$850,000 annually, through budget language, from the Department of Environmental Protection (DEP) "Water Resources Monitoring and Planning" account, which is funded from dedicated Corporation Business Tax revenues. Budget records indicate that approximately \$1.7 million in unexpended funds were reappropriated or "carried forward" in this account from FY 2000 to FY 2001. As of March 1, 2001, the unexpended, uncommitted balance in this account is approximately \$1.3 million, and does not include any of the \$850,000 authorized to be transferred from the cited DEP account during FY 2001.

Discussion Points (Cont'd)

! *Question:* Please explain why the amount reappropriated from FY 2000 was not spent during FY 2000, and describe its anticipated disposition during FY 2001. Assuming at least \$850,000 will be transferred into this account from the DEP before the end of FY 2001, as was the case during FY 2000, what is the intended disposition of these funds during FY 2001? What is the projected disposition of the recommended FY 2002 appropriation?

8. The recommended budget does not include the following items that were added by the Legislature in the current budget: Farmers Against Hunger (\$50,000); N.J. Dairy Association Re-Engineering Initiative (\$50,000); N.J. Fresh Feasibility Study (\$25,000); Hunterdon County 4-H and Agricultural Fair (\$5,000); and Agricultural Fairs Association of N.J. (\$50,000).

! *Question:* Briefly describe these programs and the disposition of the related appropriations. Do these monies expand existing programs or are they used to provide new or different services? Which of these activities, if any, receive matching federal, local or private funding and in what amounts? Will any of these activities be continued in FY 2002 using departmental funds from regular operating accounts?

9. In the Department of Health and Senior Services (DHSS), \$12 million is recommended for an architectural and engineering design for a new State health laboratory to replace the existing 36 year-old facility which also handles the Department of Agriculture's (DOA) animal health testing needs. According to the Budget In Brief, an additional \$1.2 million has been recommended for the DHSS for equipment replacement and automation of the existing laboratory.

! *Question:* Please describe the current agreement for laboratory services provided to the DOA by the DHSS and the average annual costs for such services. How will the DOA's laboratory needs be addressed in the design for the new laboratory? What effects, if any, will the additional funding recommended for equipment replacement and automation in the existing laboratory have on the DOA's laboratory services?

10. The Pinelands Commission recently endorsed proposed regulations promulgated by the department that amended the method of appraising or valuating farmland (located in the Pinelands) in order to increase the value of development rights of these farms. Historically, Pinelands farmers have not participated in the Farmland Preservation program because their land has been undervalued due to the development restrictions imposed under the Pinelands Act. In order to increase farmland value, the proposed valuation system would introduce criteria to raise the value of the Pinelands Development Credits (PDC) now assigned to each of the 1,000 or so farms in this region. This, in turn, would raise the value of the farms and their development rights, thereby encouraging farmers who are interested in permanently selling and retiring these rights to join the Farmland Preservation program.

! *Question:* When will the proposed regulations become effective? What are the anticipated fiscal impacts on the Farmland Preservation program from Pinelands farmers who may wish to participate in the program? How many acres of farmland can potentially be permanently preserved? Will the participation of Pinelands farmers in the program affect the State's ability to permanently retire PDC's assigned to non-farm property owners in the Pinelands?

Background Paper: School Breakfast Program

As indicated on page D-26 of the Department of Agriculture's (DOA) Budget Recommendation, \$2,388,000 is recommended in State Aid funding for the "School Breakfast Program" line item. This account was initiated in the FY 2000 State Budget with an appropriation of \$1,738,000 and was increased to \$1,938,000 in FY 2001. The State's intention in establishing this account was to increase by 10 cents the federal subsidy paid to school districts for each breakfast served to eligible children who participate in the federally-funded School Breakfast Program. According to the Administration, it was hoped that this initiative would encourage the number of breakfasts served Statewide to increase by up to 5 percent annually. This paper provides some background information on this effort.

According to State Department of Education budget data (see page D-136), New Jersey will spend an average of \$11,668 per pupil on public education in FY 2002. While this amount is considered to be the highest in the United States, the State is ranked last nationwide in its participation in the National School Breakfast Program. For example, in Mercer County, 112 public and charter schools take part in the federally-sponsored School Lunch Program but only 37 schools participate in the School Breakfast Program. In response to this situation, the Administration embarked on a five-year plan, called "Food for Thought," to raise the School Breakfast participation rate to 40 percent of the school districts that already participate in the School Lunch Program. The present rate is about 16 percent.

PROGRAM HISTORY

The State currently receives approximately \$233 million for various child nutrition programs (see below), of which \$25 million is budgeted for the School Breakfast Program in both FY 2001 and FY 2002. While the State annually appropriates about \$7 million to the DOA to help subsidize the school lunch and non-public school nutritional programs, it had not provided (prior to FY 2000) funding for the School Breakfast Program since FY 1989. Since federal funding is based on the number of breakfasts actually served rather than on a direct state share ratio, it was hoped that the State subsidy would encourage more school districts to participate in the program, thereby increasing the number of breakfasts served and, consequently, the level of future federal allocations.

The State agency responsible for administering the School Breakfast Program, along with other federally supported child and adult nutrition programs, is the Bureau of Child Nutrition Programs in the DOA. This office was transferred from the Department of Education to the DOA in July, 1997 pursuant to Executive Reorganization Plan No. 002-1997. This action was taken to consolidate the management of State and federal subsidies for school lunch and other child and adult nutrition programs with the DOA's surplus food distribution program, which provides many of the same constituencies with raw and processed surplus food commodities.

CHILD NUTRITION PROGRAMS

The Child Nutrition programs run by the Bureau were largely established pursuant to the National School Lunch Act and Child Nutrition Act of 1966. Each of the programs listed below essentially support efforts to foster good health and improve academic achievement by providing nutritious meals to children of various ages and certain eligible adults. These programs are listed on pages C-20 and C-21 in the Federal Funds section of the Budget Recommendation with the following FY 2001 and FY 2002 appropriation levels, which are the same amounts in both years:

! School Breakfast: \$25.0 million

Background Paper: School Breakfast Program (Cont'd)

- ! Child Nutrition - Child Care: \$47.6 million
- ! Child Nutrition - Administration: \$3.4 million
- ! Child Nutrition - School Lunch: \$145.4 million
- ! Child Nutrition - Special Milk: \$1.5 million
- ! Child Nutrition - Summer Programs: \$9.8 million
- ! Team Nutrition Training: \$225,000.

PROGRAM OBJECTIVE OF THE SCHOOL BREAKFAST PROGRAM

According to federal and State guidelines, a nutritious, well-balanced breakfast in school age children must provide 1/4 of the Recommended Dietary Allowances, and be consistent with the Dietary Guidelines for Americans and calorie goals. Many children from all socio-economic backgrounds come to school without breakfast or with inadequate breakfasts. Extensive research has found that children who have satisfied their nutritional needs are better behaved at school, have longer attention spans, score higher on tests, have better attendance, and are generally more interested in educational activities.

ELIGIBILITY CRITERIA

All public, nonprofit, or private schools, and residential child care institutions are eligible to sponsor a School Breakfast program that may begin at any time during the year. Participating sponsors receive cash reimbursement, which is adjusted annually. A sponsor may receive "severe-need" funding if 40 percent or more of lunches served are free or at a reduced price, and if unusually high preparation costs exceed the regular breakfast reimbursement.

PARTICIPATION REQUIREMENTS

Sponsors must annually sign an agreement with the Bureau of Child Nutrition Programs that includes, but is not limited to, the following requirements: menu plans must meet specific minimum standards for key nutrients and calories through the selection of an approved menu planning system; claim reimbursement must only be for breakfasts served to children that meet the required meal pattern; free or reduced price breakfasts must be provided to any child from a household meeting the criteria for eligibility, based on household size and income; and the program must be operated on a nonprofit basis solely for the benefit of all children within the school.

PRICING OF BREAKFAST

Prices charged to paying children is established by the sponsor, but must be within the maximum prices established by the Bureau of Child Nutrition Programs. Reimbursements to school districts are as follows:

- ! For each breakfast served to a child eligible for free breakfast: \$1.22.
- ! For each breakfast served to a child eligible for reduced breakfast: \$.92.

Background Paper: School Breakfast Program (Cont'd)

! For each breakfast served to a child NOT eligible for benefits: \$.31.

For sponsors eligible for Severe Need rates of reimbursement:

! For each breakfast served to a child eligible for free breakfast: \$1.43.

! For each breakfast served to a child eligible for reduced breakfast: \$1.13.

! For each breakfast served to a child NOT eligible for benefits: \$.31.

In sum, the State subsidy provided for the School Breakfast Program serves to increase school reimbursement rates so that more schools may decide to participate in the program. In turn, more participation leads to the availability of higher levels of federal reimbursement aid.

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Individuals wishing information and committee schedules on the FY 2002 budget are encouraged to contact:

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