



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF
AGRICULTURE**

FISCAL YEAR

2009-2010

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Environment, Agriculture, Energy and Natural Resources Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Richard M. Handelman with contributions by Lucinda Tiajolloff.

Questions or comments may be directed to the OLS Environment, Agriculture, Energy and Natural Resources Section (609-292-7676) or the Legislative Budget and Finance Office (609-292-8030).

DEPARTMENT OF AGRICULTURE

Budget Pages..... C-4; C-11; C-18; D-13 to D-21

Fiscal Summary (\$000)

	Expended FY 2008	Adjusted Appropriation FY 2009	Recommended FY 2010	Percent Change 2009-10
State Budgeted	\$30,248	\$22,463	\$24,629	9.6%
Federal Funds	\$274,538	\$331,024	\$342,029	3.3%
<u>Other</u>	<u>\$10,129</u>	<u>\$11,121</u>	<u>\$10,960</u>	<u>(1.4%)</u>
Grand Total	\$314,915	\$364,608	\$377,618	3.6%

Personnel Summary - Positions By Funding Source

	Actual FY 2008	Revised FY 2009	Funded FY 2010	Percent Change 2009-10
State	115	100	95	(5.0%)
Federal	58	57	59	3.5%
<u>Other</u>	<u>73</u>	<u>65</u>	<u>67</u>	<u>3.1%</u>
Total Positions	246	222	221	(.5%)

FY 2008 (as of December) and revised FY 2009 (as of January) personnel data reflect actual payroll counts. FY 2010 data reflect the number of positions funded.

Key Points

- The department's total State-funded appropriation is recommended at \$24.6 million, an increase of \$2.2 million or 10 percent higher than the current adjusted appropriation.
- The Direct State Services appropriation is recommended at \$7.1 million, a net decrease of \$459,000 or 6 percent below the current adjusted funding level. This reduction is attributable to the following two recommendations:
- A reduction of \$250,000, from \$400,000 to \$150,000, in the Promotion/Market Development line item; this supports the advertising and promotion of the "Jersey Fresh" and "Jersey Fresh Quality" brands and other agricultural commodities.
- A reduction of \$209,000 in the Division of Marketing and Development's salary account due to the transfer of two State-funded positions to federally-funded programs.

Key Points (Cont'd)

- The Grants-In-Aid budget is recommended at \$6.0 million, a net increase of \$1.95 million or 48 percent more than the current appropriation of \$4.05 million. The recommended amount includes a \$2.0 million increase in the Hunger Initiative/Food Assistance Program. This increase provides partial continuation of a \$3.0 million supplemental appropriation (P.L.2008, c.113) to the program approved in December 2008 from the Long Term Obligation and Capital Expenditure Fund.
- The Grants-In-Aid budget also reflects the elimination of the annual \$50,000 appropriation for the Promotion/Marketing Development grant program, which provides small grants to local governments and organizations to help support agricultural activities.
- The State Aid budget is recommended at \$11.5 million, an increase of \$675,000 or 6 percent higher than the FY 2009 funding level of \$10.9 million. The increase would raise the appropriation for the School Lunch Aid-State Aid Grants account from \$7.4 million to \$8.1 million.
- The Federal Funds budget is projected to receive \$342 million, a net increase of \$11 million or 3 percent higher than the current adjusted level of \$331 million. The recommended amount reflects subsidy increases of \$5 million for the School Breakfast program and \$10 million for the School Lunch program.
- The Federal Funds budget, both in FY 2009 and FY 2010, includes the following federal economic stimulus funds allocated under the American Recovery and Reinvestment Act of 2009: In FY 2009, the act provides \$2.0 million for School Lunch Program equipment, \$2.2 million for the Temporary Emergency Food Assistance Program (TEFAP) and \$544,000 for TEFAP administration. This latter amount is scheduled to be appropriated to the department again in FY 2010.

Background Paper

- Gypsy Moth Control p. 10

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2008	Adj. Approp. FY 2009	Recom. FY 2010	Percent Change	
				2008-10	2009-10
General Fund					
Direct State Services	\$12,019	\$7,540	\$7,081	(41.1%)	(6.1%)
Grants-In-Aid	6,211	4,050	6,000	(3.4%)	48.1%
State Aid	10,969	10,873	11,548	5.3%	6.2%
Capital Construction	1,049	0	0	(100.0%)	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$30,248	\$22,463	\$24,629	(18.6%)	9.6%
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	\$30,248	\$22,463	\$24,629	(18.6%)	9.6%
Federal Funds	\$274,538	\$331,024	\$342,029	24.6%	3.3%
Other Funds	\$10,129	\$11,121	\$10,960	8.2%	(1.4%)
Grand Total	\$314,915	\$364,608	\$377,618	19.9%	3.6%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2008	Revised FY 2009	Funded FY 2010	Percent Change	
				2008-10	2009-10
State	115	100	95	(17.4%)	(5.0%)
Federal	58	57	59	1.7%	3.5%
All Other	73	65	67	(8.2%)	3.1%
Total Positions	246	222	221	(10.2%)	(0.5%)

FY 2008 (as of December) and revised FY 2009 (as of January) personnel data reflect actual payroll counts. FY 2010 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	22.8%	23.4%	25.8%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2009</u>	<u>Recomm. FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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DIRECT STATE SERVICES**Personal Services:**

Salaries and Wages	\$4,476	\$4,267	(\$ 209)	(4.7%)	D-17
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These figures represent total funding of all salary accounts within the department. Of these amounts, the salary account appropriation for the Division of Marketing and Development is recommended at \$240,000, a reduction of \$209,000 below its FY 2009 adjusted level of \$449,000. This reduction is attributable to the transfer of two State-funded positions to federally-funded programs.

Special Purpose:

Promotion/Market Development	\$400	\$150	(\$ 250)	(62.5%)	D-18
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This account supports the advertising and promotion budgets of the "Jersey Fresh" and "Jersey Fresh Quality" programs. Funding for these activities, which received \$826,000 in FY 2008 and half that amount in FY 2009, is recommended for further reductions in FY 2010 due to budgetary constraints. As noted below, the Governor has stated that the money saved from this reduction and the elimination of promotion/market development grants (see below) will be applied to the recommended increase in the Hunger Initiative account.

GRANTS-IN-AID

Promotion/Market Development	\$50	\$0	(\$ 50)	(100.0%)	D-18
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This account provides small grants to local governments and organizations to help support agricultural activities such as fairs, farmers markets, agritourism and special events that promote New Jersey agriculture and the Jersey Fresh brand in particular. The grant program is being eliminated due to budgetary constraints.

Hunger Initiative/

Food Assistance Program	\$4,000	\$6,000	\$ 2,000	50.0%	D-18
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This program was initiated in the FY 2008 State Budget to assist emergency feeding organizations, food pantries, soup kitchens, and homeless shelters in purchasing nutrient-dense food. The program allocates these funds to six major food banks, which then buy food and distribute it to smaller pantries, churches or organizations based on the number of people served. The geographic origins of food purchased under this program are prioritized to emphasize buying locally-grown products first, regionally-grown second and national/international products last. The recommended funding increase is in response to higher food prices and the greater number of people needing this service due to the current economic situation. The Governor has stated that part of the increase would be supported by the combined \$300,000 reduction recommended from the two Jersey Fresh promotion accounts cited above.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2009</u>	<u>Recomm. FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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As part of the "New Jersey Economic Assistance and Recovery Plan," the FY 2009 adjusted amount was augmented by a \$3.0 million supplemental appropriation (P.L.2008, c.113) approved in December 2008 from the Long Term Obligation and Capital Expenditure Fund.

STATE AID

School Lunch Aid- State Aid Grants	\$7,384	\$8,059	\$ 675	9.1%	D-19
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This account provides State subsidies to the federally-funded School Lunch program. The recommended increase reflects an anticipated rise in subsidized lunches served during FY 2010.

FEDERAL FUNDS

Food and Nutrition Services	\$319,239	\$330,639	\$11,400	3.6%	D-19
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These accounts mostly support the School Lunch and Breakfast programs, as well as other child nutrition activities and the Temporary Emergency Food Assistance Program (TEFAP). The current and recommended sums partially reflect the award of federal economic stimulus funds under the American Recovery and Reinvestment Act of 2009, as follows: In FY 2009, the act provides \$2.0 million for School Lunch Program equipment, \$2.2 million for TEFAP, and \$544,000 for TEFAP administration. This latter amount is also scheduled to be appropriated in FY 2010. The recommended amount also reflects subsidy increases of \$5.0 million for the School Breakfast program and \$10.0 million for the School Lunch program.

Language Provisions

No significant changes are recommended.

Discussion Points

1. The Governor's budget incorporates an estimated \$5.183 billion over two fiscal years in federal stimulus funding provided by the American Recovery and Reinvestment Act (ARRA) of 2009. According to a table on page 42 of the Governor's abbreviated budget, the State will use \$3.074 billion (\$854 million in FY 2009 and \$2.220 billion in FY 2010) from ARRA for budget relief. In addition to these funds which will offset revenue shortfalls, \$2.109 billion will be used for new or expanded programs or initiatives. The ARRA allocates funds to states both by formula and by competitive awards. Most executive departments anticipate stimulus funding in either FY 2009, FY 2010 or both.

- **Question:** Please itemize the federal stimulus funding, if any, other than portions of the \$3.074 billion allocated for budget relief, included in the department's budget, by fiscal year and federal program, setting forth program goals and eligible uses together with the amount for state administrative expenses and the amount for allocation to local public and private recipients, respectively. Please identify intended and actual recipients and the process by which the department determines recipients and funding awards. Are there ARRA funds that flow through your department for which the State has no discretion? Please also set forth the timetable for obtaining federal approval of funding, obligation and allocation of funding to recipients, and use by recipients. Could any of this funding be used to offset other State appropriations, and if so, what programs and in what amount? What additional positions, if any, have been and will be hired with these funds? If this money is being used for new or expanded activities, will the new or expanded activities be continued in FY 2011? If so, how will they be funded?
- **Question:** In addition to funding incorporated in the FY 2010 budget, what specific competitive grant opportunities has the department identified that it is eligible to pursue, has applied for, and has been awarded, respectively?

2. Over the past several years, the overall staffing level in the executive branch has been reduced through restrictions on hiring and an early retirement program. The FY 2010 budget proposal envisions continuation of the hiring restrictions coupled with possible furloughs or further reductions in positions.

- **Question:** How has the reduction in staffing affected your department? What strategies has the department employed to deal with staff reductions? What projects, work products or functions has the department discontinued or deferred because of staffing levels? Will the department be able to accommodate furloughs in FY 2010 without increasing spending for overtime?

3. The FY 2009 appropriations act anticipated that \$25 million in procurement savings would be achieved by executive departments. A chart on page 75 of the *Budget in Brief* categorizes those savings and indicates they will continue into FY 2010. The FY 2010 budget includes another \$25 million from procurement savings (*Budget in Brief*, Appendix I, page 8).

- **Question:** Please indicate the FY 2009 amount of procurement savings achieved by your department, by the categories set forth in the referenced table, and the sources of those savings by department program. What is the annual amount of these savings as continued into FY 2010? How have these reductions affected the department? What projects, work products or functions has the department discontinued or deferred in order to achieve these savings?

Discussion Points (Cont'd)

4. On January 2 and February 17, 2009, Governor Corzine announced two rounds of budget reductions to keep the State Budget balanced in the face of declining State revenues through the end of FY 2009. As a result, the department's original FY 2009 budget was reduced by \$3.95 million, of which \$3.3 million was derived from adjusted spending projections in the School Breakfast Program's State Aid account.

- **Question:** How will the School Breakfast Program and its recipients be affected by this reduction? What impact will the reduction have on federal matching funds or food stamps? Please describe the most significant changes in other program areas that are or will be affected by the two rounds of reductions. How will staffing, regulatory operations and fee revenues be affected by the reductions?

5. A new Public Health, Environmental and Agricultural Laboratory is currently being constructed on the State Police Division Headquarters grounds in West Trenton. This multi-agency facility is being financed and developed through the NJ Building Authority, with completion expected in April 2010. The lab is being designed to replace the existing Department of Health and Senior Services and Department of Agriculture labs and provide the Department of Environmental Protection with testing services currently contracted out to private labs. The Commission on Capital Budgeting and Planning approved a request of \$16.1 million in FY 2010 for lab equipment, which was subsequently reduced to \$11 million in the Budget Recommendation.

- **Question:** Please explain how the new lab will incorporate the department's current lab functions, both functionally and administratively. Would the Beneficial Insect Rearing Laboratory be affected and, if so, how? What benefits does the department expect to gain from the new lab? What anticipated costs, if any, are associated with moving to the new lab or dismantling the old labs, and how will they be met by the department? What impact, if any, will the reduced capital funding recommendation for the new lab have on the department?

6. Although the proposed elimination of the department in FY 2009 was not carried out, its FY 2009 budget still suffered reductions of \$700,000 in "Staff Vacancies and Attrition" and \$525,000 in "Operational Efficiencies," according to the OMB's *FY 2009 Citizens' Guide to the Budget*. The *Budget in Brief* indicates an additional decrease of \$209,000 in "management efficiencies" in the department's recommended budget.

- **Question:** Do these "efficiencies" include the procurement savings discussed in Question No.3 and, if so, to what extent? Please provide detail on the reductions cited above and their impacts on departmental operations.

7. Funding for the Promotion/Market Development account, which supports the Jersey Fresh advertising campaign, is recommended at \$150,000, a decrease of \$250,000 from the current funding level. In addition, no funding is recommended for the \$50,000 Promotion/Market Development grants program, which provides grants to local governments and organizations for agriculturally-related events or activities

- **Question:** When do the present advertising contracts expire and how much money will be available for new contracts during FY 2010? What alternative means of promotion are being considered for the Jersey Fresh brand? Will commodity councils be asked to become more involved in promotion activities? If applicable,

Discussion Points (Cont'd)

how does the recommended reduction affect the grading aspects of the Jersey Fresh program? Are any agricultural fairs or similar activities that have previously received promotion grants in danger of cancelling these events in FY 2010?

8. In 1996, the department was required under State law (P.L.1995, c.311) to promulgate regulations governing the minimum standards of humane raising, keeping, care, treatment, marketing and sale of domestic livestock and poultry. Under these regulations, the department is also responsible for responding to and investigating complaints of animal cruelty, although it does not receive specific funding for this purpose. The current regulations are due to expire in June 2009 and must be readopted within six months of that date or they will become void.

- **Question:** Please describe the staff and budget resources that are devoted to enforcing these regulations. Absent resource constraints, what would be the proper staffing and budget levels to sufficiently support this activity? How many complaints are filed and investigated in a typical year? What is the current backlog, if any, of complaints yet to be investigated and what is the oldest open case? Does the department anticipate any significant problems or issues arising when the regulations come up for renewal in June?

9. Funding from open space bond acts for farmland preservation purposes, especially to acquire development rights and farmsteads outright for future resale, has essentially been exhausted. Alternative funding sources or new bond issues have not yet been approved. Many counties and towns across the State collect special local taxes that are used in part to participate in the State's farmland preservation and open space programs.

- **Question:** What is the current financial status of the farmland preservation program, and what are its spending projections, if any, during FY 2010? How much money from county and local special taxes may be available for farmland preservation efforts in FY 2010, and could these monies be utilized more effectively in the face of little or no State funding.? How might the lack of State bond funds in FY 2010 affect the workload and responsibilities of the State Agriculture Development Committee?

10. According to the Overview section of the department's recommended budget, \$200,000 in State funds will be saved in the Division of Marketing and Development by shifting the salary costs of two State-funded positions to federally-supported programs.

- **Question:** Please provide detail on the two positions, including title, salary, and the affected accounts. How did federal money become available for this transfer and how long will it be available for this purpose?

Background Paper: Gypsy Moth Control

Controlling gypsy moths is a chronic problem in New Jersey, with ebbs and flows in levels of infestation. In 1921, the gypsy moth was declared by law to be a public nuisance. In 2009, the State is faced with the worst infestation in 19 years, although the increase in defoliated acres from 2007 to 2008 was small when compared to the severe increase in infestation in 2007. At the same time, 30,000 fewer acres are expected to be treated this year because the cost of gypsy moth control per acre has increased to \$50 per acre and 30 municipalities have declined to pay this fee.

The Department of Agriculture (DOA) has tracked the acres defoliated and the acres treated with control measures on an annual basis since 1970. The defoliated acres more than doubled in 2007 from 2006 to 320,000 acres of forest defoliated. In 1981, the acres defoliated hit a high of 798,790, but in the past 10 years, there have been five years when less than 7,000 acres were defoliated. In three of those five years, less than 2,000 acres were defoliated, with the low since 1970 occurring in 1999, when 1,380 acres were defoliated. Drops in acreage treated can result in increased infestation the following year. Without the money to fight the infestation, the State must rely on wet weather fostering the growth of a fungus that kills the moth larvae to decrease the impact of treating fewer acres.

Gypsy Moth Control in the State

The DOA operational costs for the gypsy moth control program are approximately \$200,000 annually. Each year, between mid-August and December, the DOA surveys the State for gypsy moth infestation, and recommends lands for treatment based on the survey. It also monitors spraying and treatment operations throughout the State. From August 1, 2006 to September 30, 2007, the DOA expended \$258,560 on the gypsy moth survey and monitoring of spraying operations. Funding of these program costs is federally supported.

The DOA recommends treatment of lands of 40 contiguous acres or more, with 520 egg masses or more per acre, and notifies landowners of these recommendations. That level of egg mass per acre yields a 75 to 100 percent defoliation when left untreated. However, the DOA recommends blocks of property with egg masses of 4,000 or more per acre (about 1.6 million caterpillars per acre) to have more than one spraying application to further reduce the infestation.

Gypsy moths can be controlled through the spraying of BT (*Bacillus thuringiensis*), a bacterium. It is very safe, but also only reduces infestation by about 65 percent and badly infested areas frequently require two sprayings in a season. There are chemical treatments available that can be more effective. However, these treatments kill beneficial insects as well, and in certain areas there may be some concerns about exposure of pets and children to the chemicals.

Historically, the Department of Environmental Protection (DEP) has treated State parks and forests for gypsy moth because they are State-owned lands. This treatment is funded by the United States Forest Service. Any other lands to be treated are addressed in cooperation with the DOA, as discussed below. There are also federally owned lands in the State that require treatment, but these lands are only treated to the extent that federal monies are available for the treatment. When these lands are to be treated, the United States Department of Defense or the pertinent federal agency arranges with the DOA for the spraying.

Background Paper: Gypsy Moth Control (Cont'd)

The treatment of all other lands is addressed in cooperation with DOA. These lands include lands along highways, municipal and residential properties, and colleges and universities. The DOA works with the municipality, county, college, or university where the lands are located and assists them in obtaining federal funding from the United States Forest Service to reduce the costs of treatment. However, the funding is provided as a reimbursement of up to only 50 percent of the cost, it is not guaranteed, and historically has been unreliable.

The following is an overview of the treatment, related costs, and funding for the past four years:

- ❖ There is currently no State funding specifically provided for treatment.
- ❖ In 2005, 656 acres were treated. No State or federal monies were provided and \$25,584 was expended by municipalities.
- ❖ In 2006, 26,668 acres were treated. Municipalities expended \$967,079 and were reimbursed 25 percent of these costs through the United States Forest Service. That year, the Secretary of Agriculture was able to provide \$85,000 in State monies as an additional reimbursement of costs to municipalities. The State monies were rationed proportionally according to the number of acres treated by a municipality, with the most money going to municipalities with the most treated acres.
- ❖ In 2007, there was no State funding. Municipalities expended \$2,464,559 and were reimbursed 50 percent of their costs.
- ❖ In 2007, a total of 320,610 acres were defoliated Statewide, of which 263,988 acres were State property and 56,622 acres were municipal, county, college, university, or residential properties.
- ❖ In 2007, a total of 62,460 acres were treated (with single applications on 37,168 acres and double applications on 25,292 acres). State lands treated by the Division of Parks and Forestry totaled 2,500 acres, with 1,200 acres receiving double applications.
- ❖ In 2008, the DOA received \$1.45 million in federal funding, provided a 23 percent reimbursement to local entities and municipalities, and had twice as many municipalities participating – about 80 to 100 municipalities, up from the 40 municipalities that participated in 2007. Almost 75,000 acres in participating municipalities were sprayed in 2008.

The disparities in the funding add to the challenges of budget planning. The DOA contracts with vendors to provide for gypsy moth control through aerial spraying. Some municipalities voluntarily contract directly with vendors for this spraying. The price often is based on a two-year contract with a one-year extension option and, as contracts end, the cost may increase. In 2009, the cost of gypsy moth control has increased to \$50 per acre from the \$40 per acre paid in 2008.

However, because the number of defoliated acres fluctuates from year to year, the total cost of fighting the infestation can also fluctuate accordingly. For example, based on the \$40 per acre cost, the lowest infestation since 1970, 1,380 acres, could cost \$55,200. Subsequently, a spike in the infestation could require from \$1 million to \$4 million each year

Background Paper: Gypsy Moth Control (Cont'd)

for three years running, with the average amount of infestation since 1970 costing more than \$1 million in one year and then dropping below \$100,000 the next year. Furthermore, as federal funding is not consistent, there can be huge spikes in infestation because treatment was not provided due to the lack of federal dollars, thereby requiring larger investments to beat back the infestations in subsequent years.

Outlook for 2009

In 2008, 339,240 acres of trees were reported as defoliated – an increase from 2007 of 18,630 acres Statewide. The hardest hit municipalities were Montague Township in Sussex County with 25,433 acres of trees defoliated, and Jackson Township in Ocean County with 22,384 defoliated acres. Jackson Township accounts for half of the defoliated acres in Ocean County. The county with the most defoliated acres was Sussex County with 137,171 defoliated acres, followed by Burlington County with 56,288 defoliated acres, and Ocean County with 44,205 defoliated acres.

The small increase in Statewide infestation between 2007 and 2008 is positive news, especially after the infestation more than doubled between 2006 and 2007 from 125,743 defoliated acres to 320,610 defoliated acres. As of January 2009, the United States Fish and Wildlife Service, the United States Department of Defense, the New Jersey Highway Authority, Atlantic Cape Community College, and parks in Atlantic, Burlington, Gloucester, Middlesex, Morris and Ocean Counties were expected to participate in the 2009 spraying program. However, the DOA has announced that only 36,000 acres in 68 towns will be treated this year – a 60 percent reduction from last year. As previously mentioned, the increase of the cost of the treatment to \$50 per acre has resulted in 30 towns declining to participate. The infestation may increase significantly if the State does not continue to consistently combat the infestation. It is hoped, however, that due to the significant amount of wet weather this spring, the fungus that controls gypsy moth populations may be active this year and assist in fighting the infestation despite the reduction in treated acreage.

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**Legislative Budget and Finance Office
State House Annex
Room 140 PO Box 068
Trenton, NJ 08625
(609) 292-8030 • Fax (609) 777-2442**