

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1998 - 1999 BUDGET



DEPARTMENT OF AGRICULTURE

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 1998

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF AGRICULTURE

Budget Pages..... D-15 to D-21; E-2; F-2; G-2

Fiscal Summary (\$000)

	Expended FY 1997	Adjusted Appropriation FY 1998	Recommended FY 1999	Percent Change 1998-99
State Budgeted	\$20,359	\$18,042	\$18,106	0.4%
Federal Funds	145,961	178,161	190,472	6.9%
<u>Other</u>	<u>10,535</u>	<u>11,546</u>	<u>10,975</u>	<u>(4.9)%</u>
Grand Total	\$176,855	\$207,749	\$219,553	5.7%

Personnel Summary - Positions By Funding Source

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change 1998-99
State	144	141	140	(0.7)%
Federal	43	44	43	(2.3)%
<u>Other</u>	<u>51</u>	<u>54</u>	<u>54</u>	<u>0.0%</u>
Total Positions	238	239	237	(0.8)%

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

Introduction

The mission of the Department of Agriculture (DOA) is to ensure the continued viability of New Jersey's agriculture through programs, services and regulations that support the effective and efficient production, distribution and marketing of farm products. The department's programs are aimed at preserving the State's agricultural land base; 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; and distributing federally donated food commodities and cash reimbursements for child and adult nutrition programs.

Key Points

- ! Of the \$18.11 million in State funding recommended for FY 1999, \$8.59 million is recommended for the department's Direct State Services (DSS) or operating budget, a decrease of \$488,000, or 5 percent, from its current adjusted budget of \$9.08 million. This net reduction is largely due to the elimination of special funding added by the Legislature for two soil conservation districts (\$130,000); reduced support for dairy quality activities (\$125,000); and the transfer of State salary costs to non-State funding sources (\$283,000).
- ! A new DSS appropriation of \$50,000 is recommended for Sludge/Fertilizer Testing, a regulatory function that analyzes nutrient values and contaminants in fertilizers. This amount, plus \$174,000 in dedicated revenues from anticipated fee rate increases for feed, fertilizer and liming materials, would enable the department to initiate the testing of sludge-based fertilizers and expand the testing of other fertilizers, feed and liming materials.
- ! The department's total Grants-In-Aid recommendation is \$2.35 million, an increase of \$811,000, or 53 percent, over the current funding level of \$1.54 million. Most of this net increase reflects the creation of a new \$2.0 million grant initiative, the Conservation Cost Share Program, which would award matching grants to farmers to develop plans to implement nonpoint source pollution control programs.
- ! The Grants-In-Aid budget does not include any funding for the Production Efficiency (PEG) and Business Incentive (BIG) grants account, which currently receives \$1.04 million. These programs are scheduled to end this year.
- ! Grants-In-Aid funding for the Farm Management and Training Initiative account, which supports management courses for farmers at Cook College, is reduced from \$74,000 to \$24,000. This reduction coincides with the termination of the PEG grant program.
- ! The \$100,000 Grants-In-Aid appropriation included by the Legislature for the Sussex County Horse and Farm Show Association-Administration Building, Sussex County Fair is not continued in FY 1999.
- ! The recommended State Aid appropriations for Non-Public Nutrition Aid (\$439,000) and School Lunch Aid (\$6.57 million) remain unchanged from current funding levels. These funds provide most of the State matching share for the federally-funded Child Nutrition programs, which were recently transferred to the DOA from the Department of Education.
- ! Federal funding for the Child Nutrition programs is projected at \$188.9 million, an increase of \$13.5 million, or 8 percent, over the current authorized funding level of \$175.4 million.
- ! A new Capital Construction appropriation of \$156,000 is recommended to upgrade the HVAC system at the Beneficial Insect Laboratory.
- ! The current Capital Construction appropriations of \$350,000 to construct an outdoor grandstand at the Horse Park of N.J. and \$65,000 to replace a glassware washer/dryer in the Division of Animal Health's diagnostic laboratory are not renewed in FY 1999.
- ! Proposed budget language authorizes funds from the new \$50 million Open Space-Local Match Program recommended in the Department of Environmental Protection's budget to be transferred to the DOA to augment the Farmland Preservation program.

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, which generally correspond to the department's organizational structure and reflect the operating levels at which specific appropriations are recommended:

Animal Disease Control refers to the budget of the Division of Animal Health, which 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.

Plant Pest and Disease Control supports the Division of Plant Industry, which 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 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 research projects initiated under the Agriculture Economic Recovery and Development Initiative (AERDI). 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 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 funds the Division of Markets, which supports the promotional matching grants and Jersey Fresh programs, the Temporary Emergency Food Assistance Program (TEFAP), commodity councils, sire stakes, horse breeding programs, and the Horse Park of N.J. This division also includes the Child Nutrition and School Lunch programs, which provide financial subsidies to public and private schools, day care centers and adult care facilities.

Management and Administrative Services 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 and Administrative Costs, Farmland Preservation contain only off-budget funds provided by federal and non-State funding sources. The first classification includes federally-supported programs run by the department that collect and process federal surplus foods which are distributed to schools, food banks, institutions and needy individuals. The second classification pertains to the State Agriculture Development Committee, an "in, but not of" agency supported by State bond funds that administers the Farmland Preservation program and related activities.

Program Description and Overview

FY 1999 Budget Overview

The department's recommended General Fund appropriation of \$18.1 million is only \$64,000, or less than 1 percent, more than its FY1998 adjusted appropriation of \$18.0 million. Of these amounts, new program appropriations total \$2.2 million while program reductions, eliminations and funding source reallocations total \$2.0 million. Notwithstanding these changes, the department's regular operating accounts remain generally stable in FY 1999 and show no significant programmatic or budgetary variations.

Direct State Services

The recommended Direct State Services (DSS) or operating budget is \$8.6 million, a decrease of \$488,000, or 5 percent, from its current adjusted budget of \$9.1 million. This net reduction is largely attributable to the following factors: First, appropriations of \$65,000 each for the Sussex Soil Conservation District and the Hudson-Essex-Passaic Soil Conservation District to support the cost of updating soil survey data are not recommended for renewal. Both appropriations were added to the department's current budget by the Legislature.

Second, a Special Purpose appropriation of \$200,000 (also added by the Legislature) for Dairy and Commodity Regulation is recommended at \$75,000 in FY 1999. This appropriation provides additional support for the N.J. Farm Bureau's Dairy Self-Help Program, which assists farmers in improving milk quality and production.

Last, a combined reduction of \$283,000 in several salary accounts is recommended as a result of State monies by replaced by non-State monies. According to the Office of Management and Budget, \$150,000 from the Division of Administration will be reallocated to federal accounts and department-wide assessment revenues; \$83,000 from the Division of Dairy and Commodity Regulation will be replaced by dedicated revenues from federally-mandated commodity inspections; and \$50,000 from the Division of Rural Resources will be saved by utilizing additional revenues from stormwater management permit fees.

Notwithstanding these changes, the current funding levels of the department's remaining Special Purpose line items and regular spending accounts are continued at about the same budget levels in FY 1999. One new Special Purpose appropriation is recommended: \$50,000 for Sludge/Fertilizer Testing, which would enable the department to initiate the testing of nutrient values and contaminants in sludge-based fertilizers.

Grants-In-Aid

The recommended Grants-In-Aid budget is \$2.4 million, an increase of \$811,000, or 53 percent, over the current funding level of \$1.5 million. Most of this net increase is the result of the discontinuance of the \$1.04 million appropriation for the Production Efficiency Grant (PEG) and Business Incentive Grant (BIG) programs and the introduction of \$2.0 million for a new grant initiative called the Conservation Cost Share Program. These grant programs are described in greater detail in the "Significant Changes/New Programs" section of this report.

Other Grants-In-Aid line items affected by proposed funding changes are the Farm Management and Training Initiative account (down \$50,000, to \$24,000), and the Sussex County Horse and Farm Show Association-Administration Building, Sussex County Fair account (its \$100,000 grant is not renewed). Grant-In-Aid accounts that maintain current funding levels in FY

Program Description and Overview

1999 include the \$180,000 operating grant to the N.J. Museum of Agriculture and the \$150,000 appropriation for marketing and promotion matching grants.

State Aid

Pursuant to Executive Reorganization Plan No. 002-1997, the Bureau of Child Nutrition was transferred from the Department of Education to the DOA in July, 1997. This action was taken to consolidate the Bureau's management of State and federal subsidies for school lunch and other child and adult nutrition programs with the department's surplus food distribution program, which provides many of the same constituencies with raw and processed surplus food commodities. Although these programs are overwhelmingly supported by federal funds (see below), \$7.0 million in State matching funds is provided annually in the department's State Aid budget for this purpose.

Of the State matching share amount, \$6.6 million is appropriated for the school lunch program and \$439,000 for non-public nutrition aid, the latter amount acting as the State matching share for subsidy payments to non-public schools and other approved nutrition programs. In general, State Aid for these programs has traditionally remained at the same or above current funding levels while federal aid has increased dramatically over the last 20 years. For example, in FY 1980, State Aid totaled \$10.6 million for the school lunch program and \$615,400 for non-public nutrition programs. Federal aid, however, was only \$81.3 million in FY 1980 as compared to \$188.9 million expected in FY 1999.

Capital Construction

The department received two Capital Construction appropriations in FY 1998 that are not recommended for continuation in FY 1999: \$65,000 to replace a glassware washer/dryer in the Animal Health Laboratory and \$350,000 for the construction of an outdoor grandstand at the Horse Park of New Jersey. The only Capital appropriation recommended for FY 1999 is \$156,000 to upgrade the HVAC system at the Alampi Beneficial Insect Rearing Laboratory.

Federal Funding

The department anticipates receiving \$190.5 million in federal funds in FY 1999, an increase of \$12.3 million, or 7 percent, over the current appropriation level of \$178.2 million. The most noteworthy change is a projected increase of \$13.4 million (to \$188.9 million) for the following Child Nutrition programs that are funded by the U.S. Department of Education:

<u>Funding Category</u>	<u>FY 1999 Allocation</u>
Administration	\$ 2,170,000
Child Care	38,700,000
School Lunch	118,000,000
Special Milk	1,300,000
Summer Programs	8,348,000
School Breakfast	20,150,000
Team Nutrition Training	<u>195,000</u>
TOTAL	\$188,863,000

Other changes in federal aid include reduced funding from the U.S. Forest Service for the Gypsy Moth Control program, from \$180,000 to \$134,000, due to lower infestation levels projected for this summer, and an increase from the U.S. Department of Agriculture (USDA) of \$50,000 for

Program Description and Overview

the Temporary Emergency Food Assistance Program (TEFAP). A grant of \$1.0 million from the USDA for the department's Farmland Preservation program is not projected for renewal in FY 1999.

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 Recommendation, these monies are displayed under "**All Other Funds**" on Page D-20 and also listed under "**Schedule II--Other Revenues**" on Page C-16.

In FY 1999, the total amount of appropriated revenues is projected at \$11.0 million, a decrease of \$571,000, or 5 percent, from the current level of \$11.5 million. This net decrease is primarily attributable to a projected reduction of \$583,000 in the statutory percentage of parimutuel betting revenues that are dedicated to support the department's sire stakes program. This projection is indicative of the decline of horse racing attendance and revenues at State tracks in recent years.

It should be noted that, of the FY 1998 and FY 1999 estimates of \$537,000 for the revenue line entitled "Dairy and Commodity Regulation" (see Budget Page C-16), \$174,000 represents additional revenues that are expected to be generated from rate increases for fees covering feed, fertilizer and liming materials regulation. The increase of such fees, however, is dependent on the enactment of enabling legislation, which has not yet occurred as of this writing. According to the "Budget in Brief," these extra revenues, which would be dedicated to the department for program support pursuant to existing budget language, are intended to supplement the proposed \$50,000 appropriation for Sludge/Fertilizer Testing so that the department could expand its current testing capabilities for fee, fertilizer and liming materials.

Five Year Overview

Over the past five fiscal years (FY 1994 to FY 1998), DSS appropriation levels have remained fairly stable, rising from \$9.0 million in FY 1994 to \$9.1 million in FY 1998. Most of the new spending over this period has been for Special Purpose activities such as Jersey Fresh advertising, research, capital projects and grants to soil conservation districts. Several new activities such as aquaculture development, SPCA training and operating subsidies to the N.J. Museum of Agriculture were also introduced during this period.

The significant reductions-in-force or layoffs that took place in the early 1990's as a result of salary account cutbacks, attrition and early retirements have abated during this period. The department, in turn, has been able to refill some technical positions as well as create several new research and development positions for activities created through the Agriculture Economic Recovery and Development Initiative (AERDI). Consequently, the total number of State-funded positions has increased from 134 in FY 1994 to 141 in FY 1998. The recommended number of State-funded positions in FY 1999 is 140.

Recent organizational changes include the merger in 1995 of the Division of Dairy Industry and the Division of Regulatory Services into one unit, the Division of Dairy and Commodity Regulation, plus the transfer of the Future Farmers of America program from the Department of Education (DOE) to the Division of Rural Resources in 1996. As cited above, the most recent

Program Description and Overview

organizational change occurred in July, 1997 when the Bureau of Child Nutrition (with its 37 funded positions, 35 of which are federally-funded) was transferred from the DOE to the DOA in order to consolidate its functions with those of the Bureau of Food Distribution Services. Finally, in response to the enactment of P.L. 1997, c.236, an Office of Aquaculture Coordination is in the process of being established to help facilitate the implementation of the State Aquaculture Development Plan.

The most notable range of activities introduced over the last five years was the Agricultural Economic Recovery and Development Initiative (AERDI) program, which consisted of various grant and research programs based on findings from a comprehensive study and report issued by the State Board of Agriculture in 1993. These activities, many of which were contracted out to Cook College, were designed to give the State's agricultural industry a much-needed "shot in the arm" by financing research, management and technology training, marketing, and individual farming projects for the purpose of increasing the economic and production efficiency of farming operations.

Many of the programs begun under AERDI, such as Right-To-Farm, tax and farmland assessment, recycling, and regulatory mitigation have been addressed and studied, and have been integrated into the department's regular operations. This is not the case, however, with AERDI's two grant programs, the Business Incentive Grant (BIG) and the Production Efficiency Grant (PEG). Both programs will end in 1998 because, according to the Administration, their success and the State's healthy economy no longer necessitate the continuation of this type of State assistance.

While neither grant program is recommended to receive any funding in FY 1999, a new grant program, the Conservation Cost Share Program, is being recommended to provide matching grants to farmers to address one of the predominant issues facing the agricultural community today, the control of nonpoint source pollution. This program and issue are detailed throughout this report.

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Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 1997	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change	
				1997-99	1998-99
General Fund					
Direct State Services	\$9,193	\$9,080	\$8,592	-6.5%	-5.4%
Grants - In - Aid	4,162	1,543	2,354	-43.4%	52.6%
State Aid	7,004	7,004	7,004	0.0%	0.0%
Capital Construction	0	415	156	----	-62.4%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$20,359	\$18,042	\$18,106	-11.1%	0.4%
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	\$20,359	\$18,042	\$18,106	-11.1%	0.4%
Federal Funds	\$145,961	\$178,161	\$190,472	30.5%	6.9%
Other Funds	\$10,535	\$11,546	\$10,975	4.2%	-4.9%
Grand Total	\$176,855	\$207,749	\$219,553	24.1%	5.7%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change	
				1997-99	1998-99
State	144	141	140	-2.8%	-0.7%
Federal	43	44	43	0.0%	-2.3%
All Other	51	54	54	5.9%	0.0%
Total Positions	238	239	237	-0.4%	-0.8%

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	19.0%	22.0%	22.0%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</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:

Sussex Soil

Conservation District	\$65	\$0	(\$65)	(100.0)%	D-19
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This appropriation was added to both the FY 1997 and FY 1998 budgets by the Legislature to help support the cost of updating the district's soil survey data.

Hudson-Essex-Passaic

Soil Conservation

District	\$65	\$0	(\$65)	(100.0)%	D-19
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This appropriation was included in the current budget by the Legislature to help support the same type of soil survey project described above for the Sussex Soil Conservation District.

Dairy and Commodity

Regulation	\$200	\$75	(\$125)	(62.5)%	D-19
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The current appropriation was included by the Legislature to provide financial assistance to the N.J. Farm Bureau's Dairy Self-Help Program, which assists dairy farmers in improving milk quality and production. This program received a \$40,000 Business Incentive Grant from the department in FY 1997 for the same purpose. The recommended appropriation level reflects a lower program budget projected by the Farm Bureau for FY 1999.

Sludge/Fertilizer

Testing	\$0	\$50	\$50	—	D-19
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This appropriation is recommended to initiate the testing of sludge-based fertilizers for nutrient values and contaminants. In conjunction with this initiative, the recommended budget anticipates \$174,000 in additional revenues from regulatory fee rate increases. These monies would be dedicated to expand the current testing of feed, (non-sludge based) fertilizer and liming materials. Such increases in tonnage and registration fees for sellers of feed, fertilizers and liming materials would require legislative action.

GRANTS-IN-AID

Farm Management and
Training Initiative

	\$74	\$24	(\$50)	(67.6)%	E-2
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This grant subsidizes farm management and training seminars at Cook College. While farmers who receive Production Efficiency Grants (PEG) are required to take these courses, they are open to all farmers. The recommended amount reflects the elimination of the PEG program in FY 1999.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Production Efficiency and Agricultural Business Development Incentive	\$1,039	\$0	(\$1,039)	(100.0)%	E-2

This line item supports two grant programs begun in FY 1994 (with an appropriation of \$6.0 million) under the auspices of the Agriculture Economic Recovery and Development Initiative (AERDI). The larger program, Production Efficiency Grants (PEG), awarded matching grants to individual farmers to help finance equipment purchases and foster production efficiency. The other program, Business Incentive Grants (BIG), provided matching grants to agribusinesses and farming organizations to enhance marketing or production methods. According to the Administration, these programs are ending because the State's economy and net farm income have improved sufficiently to no longer warrant such assistance.

Of the programs' remaining \$987,000 in available grant funds, the department indicates that \$687,000 will be used to supplement the Board of Public Utilities' Business Energy Improvement Program, which provides farmers with grants for energy conservation projects. The remaining \$300,000 will be allotted to a Division of Fish, Game and Wildlife program that subsidizes the cost of deer fencing for farmers.

Sussex County Horse and Farm Show Association-Admin. Bldg., Sussex Co. Fair

	\$100	\$0	(\$100)	(100.0)%	E-2
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This appropriation was included in the current budget by the Legislature to help finance the construction of an administration building at the Sussex County Fairgrounds. Most of the building's construction costs, about \$5.0 million, are being supported by county and private funds.

Conservation Cost Share Program

	\$0	\$2,000	\$2,000	—	E-2
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This new program would provide 75/25 (State/recipient) matching grants to farmers who need technical and financial assistance to develop and implement conservation management plans incorporating "best management practices" (BMPs) to control nonpoint source pollution, also called surface runoff. "BMPs" refer to measures adopted by the DOA and the DEP to comply with requirements prescribed under the 1992 amendments to the federal Coastal Zone Management Act.

This program will be operated in conjunction with a similar federal program that is currently being managed by the State's 16 Soil Conservation Districts. As such, the districts will be responsible for administering both programs. A background paper on this subject is included in this report.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 1998</u>	<u>Recom. FY 1999</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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CAPITAL CONSTRUCTION

Beneficial Insect
Laboratory-Upgrade
HVAC System

\$0	\$156	\$156	—	G-2
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The recommended amount will provide full funding for an upgrade of the HVAC system at the Alampi Beneficial Insect Rearing Laboratory in Ewing Township, Mercer county. According to the department, this upgrade will provide a more optimal environment for the mass production of insects, thereby increasing production capacity by at least 25 percent as well as minimizing health risks to lab technicians caused by airborne micro-particulates associated with insect rearing.

Division of Marketing-
Construction Additions
to Horse Park

\$350	\$0	(\$350)	(100.0)%	G-2
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The current amount was appropriated to construct a 250-seat outdoor, wooden grandstand adjacent to the east show ring at the Horse Park of N.J. in Upper Freehold, Monmouth county. Additional funding was not requested for FY 1999.

Division of
Administration-
Laboratory Equipment

\$65	\$0	(\$65)	(100.0)%	G-2
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This one-time appropriation enabled the Division of Animal Health's diagnostic laboratory to replace a glassware washer/dryer that was more than 30 years old. This equipment is used to clean glassware in order to provide reliable and accurate test results.

FEDERAL FUNDS

Marketing Services	\$175,401	\$188,803	\$13,402	7.6%	D-20
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These appropriations represent most of the federal contribution toward the State's child nutrition programs, which provide subsidies to school breakfast, lunch and milk programs, child and adult day care, summer food services, and other related activities. State matching funds are appropriated from the department's State Aid accounts (\$7.0 million in both FY 1998 and FY 1999).

The Bureau of Child Nutrition, which administers these programs, was transferred from the Department of Education to the DOA in July, 1997 so it could be consolidated with the department's federal surplus food distribution program. Both programs essentially serve the same constituencies.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Farmland Preservation	\$1,000	\$0	(\$1,000)	(100.0)%	D-20

This appropriation represents a one-time grant from the U.S. Department of Agriculture to augment the State's farmland preservation program, which is financed by bond funds and local government contributions. This grant was awarded to help with the purchase of development easements on 13 properties covering 2,194 acres in 12 counties. The federal government's participation was made possible under the Farmland Protection Program, as established by the Federal Agriculture Improvement and Reform Act of 1996, which made \$14.5 million available nationwide for easement development purchases.

Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

p. B-10

Receipts from laboratory test fees are appropriated to support the Animal Health Laboratory program.

p. D-20

Same language, except the following provision is added: "The unexpended balance as of June 30, 1998 in the Animal Health Laboratory program is appropriated for the same purpose."

Receipts from the sale or studies of Beneficial Insects are appropriated to support the Beneficial Insect Laboratory.

Same language, except the following provision is added: "The unexpended balance as of June 30, 1998 in the Sale of Insects account is appropriated for the same purpose."

Explanation

These two language provisions are amended to authorize the reappropriation of any unspent monies remaining in these accounts at the end of FY 1998. This authority will allow such funds to be carried forward into the same accounts in FY 1999 rather than be lapsed into the General Fund. All program receipts, including those that are collected near the end of a fiscal year, could therefore be utilized for program support.



1998 Appropriations Handbook

1999 Budget Recommendations

p. C-1

The expenditure of funds for Production Efficiency and Agricultural Business Development Incentive grants shall be based upon an expenditure plan subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

An amount not to exceed 5% of the amount appropriated for the Production Efficiency and Agricultural Business Development Incentive grant program shall be available for administration of the program.

No comparable language.

Explanation

These language provisions are not continued because the two referenced grant programs are scheduled to end in the Summer of 1998. Consequently, no funding is recommended for this account in FY 1999. See the "Significant Changes/New Programs" section of this report for more detail on these programs.

Language Provisions

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-2

The expenditure of funds for the Conservation Cost Share program shall be based upon an expenditure plan subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The proposed language provision refers to the new \$2.0 million grant program recommended in FY 1999 that would provide matching grants to farmers to develop and implement soil conservation plans to control nonpoint source pollution (i.e. surface runoff). This language directs the department to prepare and submit to the State Budget Director a plan upon which the expenditure of these funds will be based.



Discussion Points

1. A \$2.0 million appropriation is recommended in the department's FY 1999 budget for a new Grants-In-Aid initiative, the Conservation Cost Share Program. This program will fund 75/25 (State/recipient) matching grants intended to assist farmers in developing and implementing practices to control nonpoint source pollution, or surface runoff. The program is to be administered primarily through the State's 16 Soil Conservation Districts.

! **Questions:** Please describe what program implementation standards the department has developed thus far with regard to criteria for awarding grants, grant amounts, the department's administrative role, and the responsibilities of the Soil Conservation Districts. In what ways will these grants either supplement or complement federal or other non-State funds that may be available to control nonpoint source pollution?

2. The recommended budget includes a new appropriation of \$50,000 for "Sludge/Fertilizer Testing," an initiative that would allow the department to begin testing sludge-based fertilizers as well as expand the testing of non-sludge-based fertilizers, feeds and liming materials. The Recommendation anticipates an additional \$174,000 in dedicated fee revenues for this effort. Legislation is required to raise regulatory fees for fertilizer, feed and liming materials.

! **Questions:** Please describe how the recommended appropriation and the additional fee revenue anticipation will affect the department's current testing programs and its ability to establish new testing capabilities.

3. The department's recommended budget for Direct State Services reflects the following three salary account reductions: \$150,000 from Management and Administrative Services, \$83,000 from Dairy and Commodity Regulation, and \$50,000 from Resource Development Services. According to the Office of Management and Budget, these reductions are attributable to the replacement of State funds with non-State funds rather than actual cutbacks in program budget levels.

! **Questions:** Please identify these non-State funding sources and discuss the reasons these other funds can absorb these costs. Will the reallocations affect staffing or operations associated with these accounts and, if so, how?

4. In the current budget, \$200,000 was added by the Legislature to the Division of Dairy and Commodity Regulation's budget to augment the N.J. Farm Bureau's Dairy Self-Help Program. The recommended budget reduces this amount to \$75,000.

! **Questions:** Please explain how these additional funds are being used for this program in FY 1998 and what effect the reduced funding level will have on program operations in FY 1999.

5. A \$200,000 appropriation is recommended in FY 1999 for "Aquaculture Development," which encompasses activities concerning the development and implementation of the State Aquaculture Plan. The same amount was appropriated in FY 1998. Under the Plan's enabling legislation (P.L. 1997, c. 236), the department is designated as the lead agency in coordinating the Plan's activities and is directed to establish an Office of Aquaculture Coordination to facilitate this function. In the department's response to last year's OLS Discussion Point on this subject, the department described various activities and plans it was engaged in at that time, including the hiring of three employees to support these efforts.

Discussion Points

! *Questions:* Please provide an update on the current and projected status of the Plan's implementation, particularly in terms of funding needs, inter-agency participation, and any quantitative benefits that the fishing industry or the State economy has realized thus far from these efforts.

6. The recommended budget contains no funding for the Production Efficiency (PEG) and Business Incentive (BIG) grant programs, which are being phased out later this year. These programs began in FY 1994, with an initial appropriation of \$6.0 million, and provided financial assistance to farmers and farming businesses or cooperatives to foster production efficiency through equipment purchases or by other means. According to the Administration, the State's robust economy and the program's success have negated the need to continue this assistance.

! *Questions:* Please provide program and statistical data on the impact or effect of the program on the farming community, plus the economic reasons for its discontinuation. How will program staff be affected once the program has ended? Will the Economic Investment Opportunity Loan Program, a Casino Reinvestment Development Authority initiative that provides financial assistance to South Jersey farmers, be affected by the cancellation of BIG/PEG and, if so, how?

7. In July, 1997, the Bureau of Child Nutrition was transferred from the Department of Education to the DOA in order to consolidate the Bureau's distribution of State and federal subsidies for the school lunch, breakfast, milk and day care programs with the department's surplus food distribution program. These programs are mostly supported by federal funds, with \$188.8 million in federal allocations estimated for FY 1999 as compared to \$7.0 million recommended from State funds. Most of the State matching share is allocated for the school lunch subsidy program. A study released in October, 1997 by the Food Research and Action Center reported that, despite impressive gains in recent years, New Jersey had the lowest participation rate nationwide in the school breakfast program.

! *Questions:* How has the Bureau's transfer affected its operations in terms of program efficiencies, savings, and organizational coordination with the department's food distribution program? Please explain how the State matching share appropriation for child nutrition programs can remain relatively constant at \$7.0 million annually while the federal share has steadily risen over the years (for example, the \$188.8 million expected in FY 1999 reflects an increase of \$13.4 million over the current funding level). What steps are being taken, if any, to raise the State's participation rate in the school breakfast program?

8. The department's current and recommended budget contains language that authorizes the transfer of such sums as may be necessary to the department from the Department of Environmental Protection's (DEP) "Water Resources Monitoring and Planning-Constitutional Dedication" account to support nonpoint source pollution control programs. This account, funded from Corporation Business Tax (CBT) monies dedicated for this purpose, has thus far received \$9.9 million in FY 1998 and is recommended to receive \$5.0 million in FY 1999. At the time of this writing, a transfer has not yet been effectuated.

! *Questions:* Please indicate how much is expected to be transferred to the department in FY 1998 and FY 1999, and describe the proposed utilization of these funds. What programmatic relationship, if any, would these funds have with the proposed Conservation Cost Share Program?

Discussion Points

9. An appropriation of \$50.0 million has been proposed in the DEP's budget for an "Open Space-Local Match" program that would provide matching grants to counties or municipalities to preserve open space and farmland. Budget language is also proposed in the DEP budget that authorizes an unspecified sum from this appropriation to be transferred to the department for farmland preservation activities.

! *Questions:* What portion of this appropriation will be made available to the department? Will these funds be used in accordance with existing Farmland Preservation Program criteria or will new criteria be developed? How much bond money remains available for farmland preservation and what is the total amount of assistance requested from pending applications?

10. The "Budget In Brief" states that the State Transfer of Development Rights (TDR) Bank will become fully operational this year. This independent bank was created pursuant to P.L. 1993, c. 339 and is capitalized by \$20 million from the Open Space Preservation Bond Act of 1989. The bank is staffed by the State Agriculture Development Committee (SADC) and, up until now, has been operating only as a pilot project in Burlington County. The bank is designed to facilitate programs that can improve the development potential of areas zoned for development by awarding "development credits" to parcels in preservation zones that are so identified by municipalities.

! *Questions:* Please explain the SADC's role in managing the bank and its estimated administrative expenses. Will the bank's full-time, operational status affect the policy goals or funding priorities of the Farmland Preservation program or other related activities and, if so, how? Describe how the bank's \$20 million allocation will be utilized, particularly its planning grants.

11. In last year's OLS Budget Analysis, the department was asked to comment on negotiations then underway concerning the consolidation of its Animal Health Laboratory with the Department of Health's (DOH) laboratories. The consolidated laboratories would be under the DOH's jurisdiction. The department responded that no decisions had yet been finalized at that time.

! *Questions:* If this action is still under consideration, please provide information on the current status of the negotiations and likely outcomes. Has the enactment of P.L. 1997, c.363, which authorizes the State Board of Agriculture to raise animal lab fee rates, had any effect on negotiations and, if so, how? Are these rates expected to be raised regardless of the consolidation effort? If so, by how much, in what time frame, and how will the additional revenues be utilized?

Background Paper: Open Space/Farmland Preservation

One of the major themes addressed in the Governor's Budget Recommendation is open space preservation, which encompasses not only the preservation of land for recreation, but also for farming or agricultural utilization. In her Budget Message, the Governor announced a goal of preserving 300,000 acres of land for open space purposes over the next four years. The portion of this acreage designated for farmland preservation was not specified.

The traditional funding source for open space preservation since the State first became involved in this effort in 1961 has been general obligation, State-issued bonds. Bonds issued specifically for farmland preservation began in 1981 (see below). Since all available open space bonds are expected to be appropriated and awarded by the end of 1998, the Administration has added \$50 million to the Department of Environmental Protection's (DEP) recommended budget for matching grants to localities to acquire and develop lands for open space preservation. This initiative, called the "Open Space-Local Match Program" also has corresponding budget language in the DEP budget that authorizes an unspecified portion of this appropriation to be transferred to the Department of Agriculture (DOA) to purchase farmland (see Budget Page F-8).

State Agriculture Development Committee

The department's farmland preservation responsibilities are managed by an independent State agency, the State Agriculture Development Committee (SADC), which is "in, but not of," the department. Its operating budget, currently \$894,000, is supported entirely by a statutorily-set portion of the farmland preservation bond funds that it distributes.

The SADC, created under the Right-To-Farm Act (P.L. 1983, c.31), is comprised of an 11-member board chaired by the Secretary of Agriculture and has a full-time staff of 10 employees. In addition to administering the FPP, the SADC is also involved with other duties such as Right-To-Farm Act responsibilities, overseeing the recently organized Transfer of Development Rights Bank, and managing the Farm Link program.

Farmland Preservation Program: Acquisition and Protection

As stated, the FPP has been mostly funded from bond acts approved by the State's voters. Each of these acts, as listed below, authorized \$50 million for farmland preservation:

- ! The Farmland Preservation Bond Act of 1981 (P.L. 1981, c.276)
- ! The Open Space Preservation Bond Act of 1989 (P.L. 1989, c.183)
- ! The Green Acres, Clean Water, Farmland and Historic Preservation Bond Act of 1992 (P.L. 1992, c.88)
- ! The Green Acres, Farmland and Historic Preservation and Blue Acres Bond Act of 1995 (P.L. 1995, c.204)

Of the \$50 million authorized for farmland preservation in the 1989 bond act, \$20 million was designated for the establishment of a State Transfer of Development Rights Bank. Hence, the total amount of bonds from these acts allotted strictly for the FPP is \$180 million.

Pursuant to these bond acts, the FPP was established to provide grants to counties for up to 80 percent of the cost of acquisition of development easements on farmland; to acquire fee simple titles to farms which are sold to private ownership with agricultural deed restrictions; and to provide grants to landowners for up to 50 percent of the cost of certain long-range soil and water conservation projects. Although the specifics of these funding categories vary, each protects

Background Paper: Open Space/Farmland Preservation

farmland by imposing deed restrictions which prohibit non-agricultural development. The terms of those restrictions can be either permanent or for eight years.

Under the eight-year program, landowners voluntarily place development restrictions on their farmland for a period of eight years. In exchange, participating landowners, while not directly compensated for the temporary restriction, become eligible for cost-sharing grants for soil and water conservation projects. In addition, their farming operations are protected from nuisance complaints under the right-to-farm law, from fuel and water rationing in times of emergency and are less susceptible to eminent domain takings. By the end of FY 1997, the eight-year farmland program included over 19,500 acres on 251 farms.

Landowners who permanently deed-restrict their farms against future non-agricultural development are compensated for the development value of the farmland and enjoy the same benefits that accrue to participants in the eight-year program. Future owners of those permanently preserved farms must comply with all deed restrictions.

With respect to development easements, most are acquired directly by the counties using SADC cost-sharing grants that cover from 60 to 80 percent of the purchase price. The balance of such funding is contributed by the counties and, in some cases, municipalities. The SADC may also purchase farms directly -- "in fee simple" -- for resale at public auction with permanent deed restrictions. During FY 1997, the SADC purchased three farms totaling 702 acres in this fashion and auctioned them to new owners.

Recently, the SADC received its first donation of development easements on unrestricted farmland. Development easements on the 47-acre horse farm in Hunterdon county were valued at approximately \$340,000. Another easement donation on 588 acres came to Mercer county from the Institute for Advanced Study in Princeton Township.

In sum, the cumulative amount of protected farmland that has been or is expected to be financed by existing farmland preservation bond funds, local contributions, and private easement donations is estimated at approximately 53,000 acres on about 350 farms.

Farmland Preservation Program: Soil and Conservation Grants

Under the bond acts, all FPP participants are eligible for cost-sharing grants to offset half of the cost of a wide array of soil and water conservation projects. In the last decade, the SADC has awarded just over \$3.3 million for these soil and water conservation efforts.

It should also be noted that farmers have been eligible since 1994 to receive State-funded matching grants for soil and water conservation projects through the Production Efficiency Grants program. This program, however, is ending in 1998 but is being replaced by a new \$2.0 million grant program in the DOA's recommended budget called the "Conservation Cost Share Program." These grants are for projects aimed at controlling nonpoint source pollution on farm properties.

Other Farmland Preservation Activities

Other programs that foster farmland preservation include the SADC's involvement with the Right to Farm Act, which was enacted to protect commercial farm operations from nuisance actions. This involvement is manifested by the creation a fully operational right-to-farm program within the SADC that is primarily supported by \$100,000 in State funds earmarked for this purpose.

Background Paper: Open Space/Farmland Preservation

Another recent initiative of the SADC is the Farm Link program, which matches potential buyers with potential sellers of farmland. Such buyers could be established farmers looking for more land or people who want to start farming. For the latter group, they will be referred to a data base that contains descriptions of available farmland protected under the Farmland Preservation Program. As the development rights of such farms have been protected, it is expected that this land can be sold at more affordable prices when used for agricultural purposes.

Last, the SADC has undertaken the responsibility of providing staff support to the State's Transfer of Development Rights (TDR) Bank, which was recently organized under a newly-appointed Board of Directors. As mentioned above, \$20 million was authorized by the 1989 bond act to capitalize this bank, which was created under P.L. 1993, c.339. These funds will be mostly used by municipalities to purchase, or to provide matching funds for the purchase of 80 percent of, the value of development potential rights. Of the capitalization amount, \$400,000 was allocated for planning grants to municipalities that have adopted viable development transfer ordinances. The bank awarded its first \$10,000 planning grant to the Township of Lumberton in Burlington county as partial reimbursement for costs associated with the implementation of its TDR ordinance.

Conclusions

As previously stated, all remaining funds from the most recent bond act are projected to be appropriated and awarded during 1998. It is estimated that pending funding requests for farmland preservation assistance total over \$300 million. While the amount of money to be transferred to the DOA from the DEP's proposed Open Space-Local Match program has not yet been determined, this program appears to provide only interim funding until other sources of funding are established. The Governor has stated that a stable source of funding would be preferable to another bond issue for all future open space funding needs. To this end, she appointed a Governor's Council on New Jersey Outdoors in 1996 to explore this issue.

The Council reported its findings in February, 1998 and established a goal of preserving 500,000 acres of farmland over the next ten years at a cost of \$50 million per year. It recommended a number of possible mechanisms to raise these funds, most of which would require the dedication of existing taxes or user fees or the establishment of new taxes or fees. As of this writing, these findings are under consideration by the Administration and the Legislature.

Sources: Office of Legislative Services
N.J. Department of Agriculture

Background Paper: Management and Funding of Nonpoint Source Pollution Control Programs

The department's FY 1999 budget recommendation includes \$2.0 million for a new Grants-In-Aid initiative called the "Conservation Cost Share Program." As described in other sections of this report, these funds would provide 75/25 (State/recipient) matching grants to farmers who need technical and financial assistance to develop plans to control nonpoint source pollution, also called surface runoff. This program will be operated through the State's 16 local Soil Conservation Districts.

Common examples of nonpoint source pollutants include excess fertilizers, herbicides, and insecticides from agricultural lands and residential areas; oil, grease, and chemicals from urban runoff and energy production; sediment from improperly managed construction sites, crop and forest lands, and eroding streambanks; salt from irrigation practices and acid drainage from abandoned mines; and bacteria and nutrients from livestock, pet wastes, and faulty septic systems.

The following is an overview of the programs, funding, and intergovernmental coordination associated with controlling nonpoint source pollution in the agricultural community.

Soil Conservation Districts

The State's nonpoint source pollution activities are largely implemented through the State's 16 local Soil Conservation Districts. These are special-purpose political subdivisions of the State (N.J.S.A. 4:24-1 et seq) that are under the jurisdiction of the State Soil Conservation Committee and are charged with implementing natural resource conservation and assistance programs. District staff and operations are primarily supported by federal and county funds, with a small amount of State funding and technical assistance provided by the department.

The districts are empowered to enter into agreements with other natural resource management and service agencies to carry out various governmental programs. Some of these programs include the review and enforcement of soil and water management practices on construction, mining, and other land disturbance activities associated with development. These practices are generally instituted under federal or state laws to protect water quality and avoid damage from stormwater runoff.

Some of the conservation services and assistance offered by the districts that target nonpoint source pollution include agricultural conservation planning assistance; agricultural conservation cost-sharing programs; application of organic materials on agricultural land; agricultural water supply and management; soil erosion and sediment control; stormwater discharge authorization; and soil surveys.

The districts will use the new State grant program, if adopted, to assist farmers in developing plans to combat nonpoint source pollution. The districts will administer these funds in conjunction with at least \$650,000 in federal funds that are allocated under the Environmental Quality Improvement Program for similar activities.

Conservation Management Plans

Agricultural conservation planning assistance involves the development of conservation management plans for farmers and landowners using best management practices (BMPs) for soil erosion and sediment control, animal waste nutrient management, water quality improvement, nonpoint source pollution control and other related concerns. The development of BMPs is the area

Background Paper: Management and Funding of Nonpoint Source Pollution Control Programs

of assistance where funding from the proposed State grant program will be targeted. Since 1993, several nonpoint source pollution control projects using conservation management plans have been implemented. For example, in the Musconetcong Watershed area (in northwest New Jersey), a nonpoint source pollution control program funded by the U.S. Environmental Protection Agency (EPA) developed and implemented integrated crop management and nutrient management plans on 28 farms covering more than 7,000 acres of cropland. As a result, fertilizer usage was reduced by nearly 50 percent on field crops while tree fruit growers cut the use of agricultural chemicals by nearly one-third.

To comply with requirements of the 1992 amendments to the federal Coastal Zone Management Act, the department works closely with the Department of Environmental Protection (DEP) to incorporate nonpoint source pollution control measures for agricultural and construction-related land disturbances into the proposed State Pollution Control Plan. The key to these proposed measures is voluntary use by farmers of district-approved conservation management plans. In such cases, the districts work with landowners to establish these plans to maintain water quality standards under the State Pollution Control Plan.

Funding Support

The Conservation Cost Share Program is being recommended in response to several factors. First, the issue of controlling nonpoint source pollution emanating from agricultural properties has been gaining more attention in recent years. According to a recent report by the EPA, polluted runoff is a significant factor in preventing nearly 40 percent of the nation's waters from meeting federal water quality standards. A portion of this runoff comes from agricultural properties. Second, the State must comply with federal measures under the federal Coastal Zone Management Act in controlling nonpoint source pollution originating from farms. Last, an increase in State funding for nonpoint source pollution projects on agricultural lands may attract more federal funding from existing or future federal sources.

In addition to the proposed grant program, the department's current and recommended budget contains language that authorizes the transfer of "such sums as may be necessary" to the department from the DEP's "Water Resources Monitoring and Planning-Constitutional Dedication" account to support nonpoint source pollution control programs. This account, funded from Corporation Business Tax (CBT) monies dedicated for environmental purposes, has thus far received \$9.9 million in FY 1998 and is recommended to receive \$5.0 million in FY 1999.

At the time of this writing, no transfer has been processed, although the two departments have recently agreed that \$1.3 million would be the amount transferred to the DOA for these programs. According to the DEP, these funds are to be used for projects in southwestern New Jersey that will help farmers reduce the potential for agricultural nutrients and pesticides to contaminate groundwater, streams and the Delaware Bay.

Conclusion

In sum, new State funding to combat nonsource point pollution from agricultural lands will total at least \$2.0 million from the proposed Conservation Cost Share Program and \$1.3 million from CBT revenues. Based on the continuation of the aforementioned budget language in FY 1999, additional funds from the cited CBT account should be available for this purpose in FY 1999. It should also be noted that funding from farmland preservation bonds for soil and water conservation

Background Paper: Management and Funding of Nonpoint Source Pollution Control Programs

grants, which are awarded to farmers who participate in this program, is expected to be exhausted by the end of calendar 1998 but may be renewed if another bond issue or a stable source of funding is established.

Sources: Office of Legislative Services
N.J. Department of Agriculture

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Individuals wishing information and committee schedules on the FY 1999 budget are encouraged to contact:

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