



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 5, 2005

Joint Committee on Finance

Paper #145

Sector Specialist Positions (Agriculture, Trade and Consumer Protection)

[LFB 2005-07 Budget Summary: Page 63, #12]

CURRENT LAW

The Department of Agriculture, Trade and Consumer Protection's (DATCP) Division of Agricultural Development works to ensure the vitality of Wisconsin's agricultural industry. Division efforts include facilitating the sale of Wisconsin agricultural products throughout the United States and internationally, adopting agricultural marketing orders, facilitating value-added agricultural development and diversification, aiding farmers and businesses with farm business problems, collecting and reporting commodity prices and market information, and assisting various agricultural organizations.

GOVERNOR

Provide \$117,500 GPR in 2005-06 and \$156,600 GPR in 2006-07 with 2.0 GPR positions for a livestock specialist and a grazing/organics sector specialist. These staff would provide business and market planning assistance to entrepreneurs, work with industry and government leaders, and administer the Department's primarily federally-funded livestock and grazing/organics grant programs.

DISCUSSION POINTS

1. The two sector specialist positions would be located in DATCP's Division of Agricultural Development. Division activities include aiding agricultural business development and the Farm Center. Agricultural business development activities of the Division include providing consulting aid to agricultural enterprises, aiding the development of the state's value-added dairy industry, and administering grant programs that encourage economic growth and innovation in the

agricultural sector. The Farm Center is an information, resource and referral service for farmers. Its activities include providing mediation to farmers related to financial, regulatory and other issues, assisting new farmers or farmers who want to relocate their operations, and administering programs that allow farmers direct-marketing opportunities while providing nutritional benefits for low-income senior citizens.

2. DATCP officials indicate the livestock specialist position would be classified as an agricultural economic development consultant, and the grazing and organics specialist position would be classified as an agricultural marketing consultant. The Governor recommends providing \$117,500 in 2005-06 and \$156,600 in 2006-07 for salary and fringe benefit costs of the two sector specialist positions. However, after taking into account the starting salaries of these classifications, and providing annual travel and supply amounts of \$10,000 per position, the cost can be reestimated at \$99,000 in 2005-06 and \$132,000 in 2006-07, a reduction of \$43,100 over the biennium from the bill.

3. DATCP officials state that the livestock specialist would serve as a livestock development coordinator for the state. The position's primary objective would be to enhance the growth of the Wisconsin livestock sector by working with producers, processors, marketers and government agencies. Additional responsibilities of the position would include: (a) helping to coordinate the activities of the grow Wisconsin livestock initiative panel; (b) working with processors and marketers to expand domestic and international marketing opportunities for Wisconsin livestock products; (c) assisting in the development of programs to ensure Wisconsin meat processors have a sufficient supply of livestock; (d) serving as the coordinator of the government agencies that develop and regulate the livestock industry (DATCP, the United States Department of Agriculture, the University of Wisconsin, the Department of Commerce, and local governmental units); (e) securing government and other funds for programs to benefit the livestock industry; (f) representing DATCP to livestock trade associations; and (g) helping to implement the livestock facility siting regulations.

4. DATCP officials indicate that they envision the grazing/organics sector position as an agricultural marketing position for organic products from Wisconsin. The position would work with the organics sector to identify strategies and opportunities for organic products and producers, and would administer the primarily federally-funded organic cost-share grants and grazing grants. With the assumption of supervision of organic issues by the sector specialist, DATCP staff members currently contributing a portion of their time to these programs would be able to focus on other Department agricultural development issues. Further, the position would provide information and outreach on grazing to farmers throughout the state, and aid farmers to access state and federal funds for grazing purposes.

5. DATCP argues that interest in grazing as a value-added strategy for Wisconsin's dairy and livestock producers is growing. The Department argues that Wisconsin is a leading forage producer and that with the aid of the Natural Resource Conservation Service (NRCS) and research performed by the University of Wisconsin System, a sector specialist position would provide the state with guidance in better use of forage.

6. Specific areas of focus for this position would include new entrants and businesses transitioning from conventional production and processing into grazing production and processing, providing business and market planning assistance, and providing industry specific assistance needed in order for the producer to meet the forage requirements to generate a viable grazing plan. The position would also administer the state's primarily federally-funded grazing grants, while working with the industry to develop strategies and opportunities for livestock grazing.

7. DATCP argues that Wisconsin is emerging as a national leader in organic food products. They say that Wisconsin has more organic producers than any other Midwestern state and has the third most organic farms in the country (after only California and Washington), and argue that a state organic sector specialist would help further expand this industry within the state, while allowing state organic products to be more aggressively marketed.

8. In March, 2004, the Governor convened an organics forum that identified sector needs and strategies for state leadership and growth in organic food production and processing. From recommendations of the forum, an organics task force was ultimately convened to examine issues facing the organic sector. Among the recommendations made by the task force in February, 2005, was the creation of an organics specialist position at DATCP.

9. DATCP argues there has been an increased interest in managed grazing in the state over the last few years. One of the primary sources of these efforts has been the grazing lands conservation initiative (GLCI), which is a voluntary initiative that partners with the Natural Resources Conservation Service to provide technical assistance and grants to grazers.

10. DATCP has a contract with the Natural Resources Conservation Service (NRCS) to administer the grazing lands conservation initiative grant program, which offers grants to organizations to help formulate grazing plans for landowners. These grants can be used for technical service projects (a project that involves the services of a certified prescribed grazing planner to provide grazing land management assistance to producers and landowners), educational and on-farm demonstrations of grazing practices and systems, and applied on-farm research on grazing management practices. In federal fiscal year 2003-04, the state received total grazing grants of \$950,000. However, of this funding, \$95,000 (10%) was for federal indirect cost reimbursement (FICR) payments to compensate the state for staff time spent implementing these grants, \$40,000 went to Grassworks (an organization that does field work and reviews of grazing practice implementation for grant recipients), and \$30,000 was given to the University of Wisconsin's College of Agricultural and Life Sciences to fund a report on the use of the federal funds, leaving \$795,000 for grazing grants. While these funds are distributed through the NRCS, DATCP's Division of Agricultural Development coordinates the application and award process for these grants. Eligible applicants include: county, state and federal agricultural and natural resource agencies; colleges and universities; nonprofit organizations; and grazing networks. For federal 2003-04 grants, technical service provider grants may be up to \$40,000 per year for two years, and had \$452,000 of funding earmarked for these grants. Education and demonstration grants may be up to \$20,000 per year for two years, with earmarked funding of \$200,000. On-farm research grants may be up to \$40,000 per year for three years, with earmarked funding of \$143,000. Grants were

awarded on September 1, 2004, and projects must be completed within three years (September 30, 2007). In federal fiscal year 2004-05, the state is expected to receive \$942,400 for grazing grants from the NRCS, of which \$94,200 will be deposited to DATCP's FICR appropriation. However, beyond the FICR amount, it is yet uncertain how the remaining funding will be divided.

11. In addition, DATCP has received one federal grant related to organic cost sharing. The organic grant is for federal fiscal years 2002-03 through 2006-07, and is worth \$418,300, with an additional FICR payment of 4% (\$16,700), meaning a total grant of \$435,000. This grant is used by DATCP to provide cost-share reimbursements to farmers and processors who wish to become federally certified as an organic farmer/processor. In order to become federally certified, the applicant needs to be certified by a third party, which involves an inspection that typically costs \$300 to \$700 for farmers and \$3,000 to \$7,000 for processors. DATCP provides reimbursement grants of 75% of the cost of certification, up to \$500. Funding for these reimbursements is awarded on a first-come first-served basis.

12. Federal indirect cost reimbursement payments are payments negotiated by DATCP with the United States Department of Agriculture (USDA), and are intended to help cover the costs of implementing federal programs. After arriving at a FICR rate through negotiations with USDA, the rate is applied to federal grants received by DATCP, with FICR payments being deposited into a federal appropriation account in DATCP. One could argue that since a portion of these positions' duties would be related to federal grants they could be partially funded from DATCP's federal indirect cost reimbursement appropriation.

13. DATCP's FICR appropriation had base funding of \$854,800 FED in 2004-05 with 6.67 positions. However, since the appropriation is continuing, with Department of Administration approval, DATCP may expend all available funds in the appropriation account. In 2003-04, revenues deposited to this appropriation were \$944,500, while expenditures totaled \$893,300. Aside from funding related to the 6.67 positions, FICR expenditures in 2004-05 also include internet website development, funding of an organics conference and software upgrades related to DATCP's nutrient management program. Further, DATCP is currently in discussions with DOA seeking authorization to expend approximately \$280,000 for research and grants that would examine Wisconsin's competitive agricultural advantages. This funding would be awarded to applicants who submitted a proposal to DATCP that the Department believes will aid the state's bio-based, bio-energy, biomass, bio-refining, feedstock, and forest residue industries. Were these expenditures approved, the agency could expend \$1.8 million from the FICR appropriation (prior expenditures have not exceeded \$800,000 annually) and the account could be expected to have a July 1, 2005, balance of approximately \$315,600.

14. Under the bill, DATCP's FICR appropriation would be authorized expenditure authority of \$1,391,000 FED and 8.40 FED positions in 2005-06 and \$1,383,300 FED and 8.23 FED positions in 2006-07, with revenues estimated to be at least \$1 million in 2005-06 and \$1.1 million in 2006-07. Due to the projected structural imbalance (expenditures exceed revenues) in this appropriation, it could be argued that no additional expenditures should be added. On the other hand, DATCP has considerable discretion in the use of these funds. If a sector specialist is a high

priority, DATCP could be provided one or two FED positions and could reallocate existing expenditures authority to this purpose.

15. DATCP's agrichemical management (ACM) fund receives revenues from several feed, fertilizer and pesticide license and tonnage fees. These funds are used for DATCP administration of feed, fertilizer and pesticide regulation programs. Under the bill, the fund is expected to have a July 1, 2007, balance of approximately \$2 million. As a result, funding for one or both sector specialist positions could be provided from DATCP's ACM fund. However, it should be noted that, under the bill in 2006-07, ACM authorized expenditures of \$5.8 million would be expected to somewhat exceed revenues of \$5.7 million.

16. Were the recommended additional resources for the livestock sector and the grazing and organics sectors denied, DATCP argues that the state will continue to be unable to provide full focus and dedication for business development in these two sectors. Currently, the Department uses its agricultural marketing business development group supervisor to provide some support for the organic industry and administer organic cost-share and federal grazing grant programs with the help of limited-term employees (LTEs). However, these staff also have other responsibilities and are unable to focus their efforts on either of these sectors. As a result, DATCP argues that absent additional resources, current staff will continue to provide some level of basic support to the livestock, grazing and organics sectors, but will be unable to provide specialized industry-specific assistance.

17. In its 2005-07 biennial budget request, DATCP requested 1.0 position to lead economic development activities in the organic and grazing sectors. The Department envisioned the staff person as DATCP's lead staff person in providing consulting, networking and outreach to these two sectors, which currently have no DATCP staff dedicated exclusively to their supervision. Therefore, the Committee could consider providing DATCP one position to serve as a coordinator in these two areas.

ALTERNATIVES

1. Adopt the Governor's recommendation to provide \$117,500 GPR in 2005-06 and \$156,600 GPR in 2006-07 with 2.0 GPR positions for a livestock sector and grazing and organics sector specialist.

2. Adopt the Governor's recommendation to provide 2.0 sector specialist positions, but provide \$99,000 GPR in 2005-06 and \$132,000 GPR in 2006-07.

Alternative 2	GPR
2005-07 FUNDING (Change to Bill)	- \$43,100

3. Provide DATCP with \$49,600 GPR in 2005-06 and \$66,000 GPR in 2006-07 with

1.0 GPR sector specialist.

<u>Alternative 3</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	- \$158,500
2006-07 POSITIONS (Change to Bill)	- 1.00

4. Provide DATCP one of the following:

a. \$99,000 ACM fund SEG in 2005-06 and \$132,000 ACM fund SEG in 2006-07 with 2.0 SEG positions for a livestock and a grazing/organics sector specialist.

<u>Alternative 4a</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	- \$274,100	\$231,000	- \$43,100
2006-07 POSITIONS (Change to Bill)	- 2.00	2.00	0.00

b. 2.0 FED positions funded from DATCP's federal indirect cost reimbursement appropriation for a livestock sector and a grazing/organics sector specialist.

<u>Alternative 4b</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	- \$274,100	\$0	- \$274,100
2006-07 POSITIONS (Change to Bill)	- 2.00	2.00	0.00

c. 1.0 FED sector specialist position funded from DATP's federal indirect cost reimbursement appropriation and \$49,600 ACM fund SEG in 2005-06 and \$66,000 ACM fund SEG in 2006-07 with 1.0 SEG sector specialist position.

<u>Alternative 4c</u>	<u>GPR</u>	<u>FED</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	- \$274,100	\$0	\$115,600	- \$158,500
2006-07 POSITIONS (Change to Bill)	- 2.00	1.00	1.00	0.00

d. \$49,600 ACM fund SEG in 2005-06 and \$66,000 ACM fund SEG in 2006-07 with 1.0 SEG sector specialist.

<u>Alternative 4d</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	- \$274,100	\$115,600	- \$158,500
2006-07 POSITIONS (Change to Bill)	- 2.00	1.00	- 1.00

e. 1.0 FED sector specialist position funded from DATCP's federal indirect cost reimbursement appropriation.

<u>Alternative 4e</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	- \$274,100	\$0	- \$274,100
2006-07 POSITIONS (Change to Bill)	- 2.00	1.00	- 1.00

5. Maintain current law.

<u>Alternative 5</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	- \$274,100
2006-07 POSITIONS (Change to Bill)	- 2.00

Prepared by: Christopher Pollek