



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #217

Federal Agricultural Policy Reform (DATCP -- Trade and Consumer Protection)

[LFB 2001-03 Budget Summary: Page 101, #5]

CURRENT LAW

Funding of \$50,000 each year of the biennium was authorized on a one-time basis in both the 1997-99 and 1999-01 budgets for federal dairy policy reform.

GOVERNOR

Provide \$50,000 GPR each year in a biennial appropriation to provide assistance to organizations to seek federal agricultural policy reform. Prohibit funds from being encumbered after June 30, 2005.

DISCUSSION POINTS

1. For the past four years, DATCP has been appropriated \$50,000 GPR annually for federal dairy policy reform activities. The Department claims that because funding was limited to federal dairy reform policy, it was unable to spend the full amount of the appropriation in 1999-01. Therefore, the Department is planning to use \$46,500 from the appropriation to meet 2000-01 agency lapse requirements. Under the bill, funds could be used for federal agricultural policy reform, rather than solely for federal dairy policy reform as was authorized in the past.

2. DATCP plans to use funding for travel for meetings and committee testimony to represent Wisconsin agricultural interests in pending federal legislation, such as the 2002 farm bill, and other agricultural issues. Other subjects the Department anticipates could be discussed include federal dairy pricing changes, nonpoint pollution, genetically modified organisms, world trade

issues, foot and mouth disease strategies, animal tagging and whether meat inspections at the state level are sufficient for interstate trade purposes. In addition, the Department plans to use \$12,000 annually to support the Upper Midwest Dairy Coalition.

3. In 1999-00, DATCP used \$34,600 of the allotted \$50,000 for federal dairy pricing reform as follows: (a) \$20,000 to support a Minnesota dairy producers' lawsuit against the USDA (the lawsuit was unsuccessful and the deadline for an appeal has passed); (b) \$12,000 for the Upper Midwest Dairy Coalition; (c) \$2,400 for DATCP officials travel to Coalition and other meetings; and (d) \$200 for an informational letter mailed to Wisconsin dairy producers on federal dairy policy reform issues.

4. As of April 1, 2001, DATCP has spent \$12,000 to support the Upper Midwest Dairy Coalition, \$800 for meetings travel and \$100 for a computer soundcard for an analyst to listen to federal hearings on dairy pricing. In addition, DATCP has chosen to use \$46,500 from the appropriation to meet agency lapse requirements.

5. The Upper Midwest Dairy Coalition was established in 1995 and has members that include dairy cooperatives, farm organizations, trade associations and state agencies. The Coalition estimates that 88% of its revenues come from the dairy industry. A Coalition official indicates that the state funding would be used to assist with the cost of economic and legal analyses, which could be used to educate federal officials about the inequities in the federal milk pricing system. The University of Wisconsin is currently conducting economic analyses for the Coalition.

6. The Upper Midwest Dairy Coalition generally consists of Wisconsin, Iowa, and Minnesota. DATCP and the Minnesota Department of Agriculture have provided the Coalition with funding in the past. However, according to DATCP, Wisconsin is the only state currently contributing funding to the Coalition. A Coalition official indicates that other states do not financially contribute beyond providing in-kind work such as absorbing attorney fees and contributing time because the dairy industry is not as prevalent in those states and thus, the overall economic impact of the federal pricing system is less.

7. If funding is provided for federal agricultural policy reform, other Wisconsin industries involved in interstate commerce could also argue to use state tax dollars to advance their interests in Washington. On the other hand, due to the significance of the agricultural industry in the state, the potential for improving the Wisconsin agricultural industry's competitive position does exist.

8. The state currently maintains an office in Washington, D.C. to promote federal legislation favorable to Wisconsin. Five positions are authorized for the office, including two GPR positions from the Department of Administration (a gubernatorial appointee and a federal state relations staff assistant) whose charge is to represent the state in federal legislation. While the Committee deleted salary and fringe benefits funding for three of the positions, the associated position authority was not deleted. It could be argued that the state is already promoting agricultural policy reform through the State of Wisconsin office in Washington. Further, Wisconsin's elected

Senators and Representatives in Washington perform similar functions.

9. However, DATCP officials contend that while the state-federal office has assisted the Department in its past efforts, the state-federal staff lack agricultural-specific knowledge. Providing funding for agricultural policy reform would provide the benefit of obtaining more specialized services.

10. In 1995-96, DATCP provided \$10,000 from its marketing general operations appropriation for the Upper Midwest Dairy Coalition's efforts. Arguably, since DATCP used marketing funds in the past, DATCP could give federal agricultural policy reform priority use of these funds and financially contribute to the Coalition from existing marketing funding.

11. Further, DATCP administers an agricultural development and diversification (ADD) grant program that provides grants to fund demonstration projects, feasibility analyses, and applied research toward new or alternative technologies and practices to stimulate agricultural development and economic activity. The program currently is provided \$400,000 GPR annually for grants, and the Governor recommends in the budget providing an additional \$810,000 PR from tribal gaming revenues over the biennium.

12. DATCP's rule related to the ADD program (ATCP 161) states that DATCP can award ADD grants for the purpose of improving the competitive position of the state's agriculture industry. The state's contribution to the Coalition would be an allowable purpose in that the Coalition's goal is to remove the inequities of the current federal dairy pricing system, which would improve the industry's competitive position. Further, it could be argued that the efforts put forth in shaping a federal farm bill may also improve the agricultural industry's competitive position. Therefore, DATCP could provide the \$50,000 for federal agricultural policy reform activities in each year of the biennium either from the ADD program, the marketing appropriation or a combination of the two. Further, if the Committee chose to prioritize funding for federal agricultural policy reform over general marketing promotion or ADD grant funding, it could require DATCP to allocate at least \$50,000 annually for federal agricultural policy through 2005. The Department chose not to provide funding for federal agricultural reform from either of these sources in the 1999-01 biennium.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$50,000 GPR each year in a biennial appropriation to provide assistance to organizations to seek federal agricultural policy reform and prohibit funds from being encumbered after June 30, 2005.

Alternative 1	GPR
2001-03 FUNDING (Change to Base) [Change to Bill]	\$100,000 \$0]

2. Modify the Governor's recommendation to require DATCP to provide at least \$50,000 each year from one of the following existing sources to seek federal agricultural policy reform and sunset the requirement on June 30, 2005 (no additional funding would be provided):

- a. The DATCP agricultural development and diversification GPR appropriation.
- b. The DATCP marketing program general operations GPR appropriation.

Alternative 2	GPR
2001-03 FUNDING (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>-\$100,000</i>

3. Maintain current law. (DATCP could choose to allocate resources for this purpose from existing funds.)

Alternative 3	GPR
2001-03 FUNDING (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>-\$100,000</i>

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