



STEVE TROXLER
COMMISSIONER

State of North Carolina
Department of Agriculture and Consumer Services
Raleigh

February 22, 2011

MEMORANDUM

TO: North Carolina Commodity Association Leaders and Friends

SUBJECT: Governor Perdue's Proposed Budget and Impacts on NC Agriculture

The Governor has released her recommended budget, and the impact on the Department is severe. Total Departmental reductions for FY 2011-2012 are \$17.6 million (see attached.) That is a 30% reduction in the Department's appropriated budget. A large portion of these funds are proposed to come from the consolidation of the state's research stations and farms based on the 2008 Program Evaluation Division (PED) final report to the General Assembly. This includes the closure of seven of the state's research stations and the selling of this land by the State Property Office as surplus property. Additionally, her budget eliminates 165 positions that support agricultural research across our state. It also includes transferring the Agricultural Development and Farmland Preservation Program to other agencies and implementing a management flexibility reduction totaling \$5.2 million and additional positions.

We all know that our research stations are valuable assets to North Carolina's \$74 billion agriculture and agribusiness industry. The diversity and success of our agriculture is a direct result of the research conducted in the diverse climates and soil types across our state at these research stations and farms.

In 2008, members of the General Assembly understood the limitations of the PED study and recognized the value of joint management of the research station system by NCDA&CS, NC State University and NC A&T State University. The agricultural community was also insistent that the Department and our state's two land-grant universities continue to work together to support agribusiness through research. As a result, the legislature chose not to close stations or restructure management. However, it did direct us to improve communications and develop a strategic plan for operation of research stations and to provide annual progress reports. Many of you, along with our External Advisory Committee, have been instrumental in providing input into this strategic planning process and subsequent annual report of activities. Our research stations are stronger today because of the implementation of this strategic plan, and we were happy to share the results of our first annual report in January of this year.

The Governor's proposed budget is just the first step in developing the state budget. I will be working with members of the General Assembly to communicate the importance of our Department, agriculture and agribusiness to our state. I encourage you to work with your boards, members and networks to help protect and strengthen our agricultural future.

Sincerely,

A handwritten signature in blue ink that reads "Steven W. Troxler".

Steven W. Troxler
Commissioner

Appropriation Items -- Recommended Adjustments

Reductions	2011-12	2012-13
Department-wide		
1. Employee Retirement Incentive Program		
<p>This recommendation provides a one-time \$10,000 incentive to those who are eligible to retire with unreduced benefits and a one-time \$20,000 incentive to those who are eligible to retire with reduced benefits. The incentive will not be included in calculation of retiree average final contribution. This program will be available to all State agency and UNC System employees, as well as LEA and community college employees for all of FY 2011-12 (July 1, 2011 through June 30, 2012). The savings assume a retirement date of November 1, 2011, and a 30% reduction of salaries and benefits and associated FTE. Savings reserves must be fully met by June 30, 2012. Incentive benefits shall be paid from the same source as the source of the employee salary, to the extent allowed by such funding source.</p>		
Appropriation	(\$224,913)	(\$560,801)
Positions	(5,600)	(5,600)
2. Management Flexibility Reduction		
<p>This recommendation reduces funding department-wide by 10%. The department has the flexibility to manage this adjustment to minimize the impact on programs, services, and activities that are core to the department's mission.</p>		
Appropriation	(\$5,156,071)	(\$5,156,071)
Positions	(25,000)	(25,000)
Farmland Preservation Trust Fund		
1. Transfer Farmland Preservation Trust Fund		
<p>This recommendation reduces funding for the Farmland Preservation Trust Fund and then transfers the remaining funds and responsibility for the Trust Fund to existing programs at other entities.</p>		
1. Reduce Administrative and Programmatic Funds		
<p>Reduces the recurring appropriation to the Trust Fund by 25% and eliminates all temporary and time-limited positions associated with this program.</p>		
	(500,000)	(500,000)
2. Transfer Funds to the Rural Economic Development Center (REDC)		
<p>Transfers the responsibility for Agricultural Development Projects to REDC's Agricultural Advancement Consortium. Funds are transferred to support this program in proportion to amount of grants awarded to this program as reported in the 2009 Annual Report.</p>		
	(250,000)	(250,000)

3. Transfer Funds to Division of Soil and Water Conservation

Transfers the responsibility for the Voluntary Agricultural District (VAD) programs and the conservation easement programs to the Department of Environment and Natural Resources, Division of Soil and Water Conservation (DSWC).

(1,250,000) (1,250,000)

Appropriation (\$2,000,000) (\$2,000,000)

Research Stations

1. Research Stations Consolidation

This recommendation consolidates the state's research stations and farms at NCSU and reduces state appropriations per the findings and recommendations of the 2008 Program Evaluation Committee's final report to the NC General Assembly.

1. Reduce Operating Funds

Reduces operating funds by 15% in the first year and an additional \$1.5 million in year two necessitating the closure of approximately 7 research stations.

(1,528,995) (3,057,990)

Positions - Recurring

(55,000)

2. Transfer Remaining Funds

Transfers the 12 research stations owned by NCDA&CS to NCSU as a Type I transfer less the reduction savings realized by consolidation. Research stations and farms that are determined to be least significant or cannot be properly managed within the consolidated budget shall be sold as surplus property by the Department of Administration (DOA) State Property Office. After allowable DOA service charges, NCSU may retain 25% of sale receipts for one-time expenditures associated with managing the stations, and the remaining receipts shall revert to the General Fund.

(8,664,307) (7,135,312)

Positions - Recurring

(165,750) (110,750)

3. Transfer Forest Tracts

Transfer forest management tracts owned by NCDA&CS to the Department of Environment and Natural Resource, Division of Forest Resources (DFR). If DFR determines that the additional property is not needed or cannot be properly managed within existing division resources, then DFR shall work with the DOA to sell the property as surplus. After allowable DOA service charges, DFR may retain 25% of sale receipts for one-time expenditures associated with forest management. Remaining receipts shall revert to the General Fund.

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Appropriation (\$10,193,302) (\$10,193,302)

Positions (165,750) (165,750)

Total Recommended Reductions

	<u>2011-12</u>	<u>2012-13</u>
Recurring		
Requirements	(\$17,574,286)	(\$17,910,174)
Receipts	-	-
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Appropriation	(\$17,574,286)	(\$17,910,174)
Positions	(196.350)	(196.350)
Nonrecurring		
Requirements	-	-
Receipts	-	-
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Appropriation	-	-
Positions	-	-

**Total Recommended Adjustments for
 Department of Agriculture and Consumer Services (13700)
 2011-13**

	<u>2011-12</u>	<u>2012-13</u>
Recurring		
Requirements	(\$17,574,286)	(\$17,910,174)
Receipts	-	-
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Appropriation	(\$17,574,286)	(\$17,910,174)
Positions	(196.350)	(196.350)
Nonrecurring		
Requirements	-	-
Receipts	-	-
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Appropriation	-	-
Positions	-	-
Total Appropriation Adjustments	(\$17,574,286)	(\$17,910,174)
Total Position Adjustments	(196.350)	(196.350)