



Arizona Department of Agriculture

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March 5, 2009

Dear Senator Garcia and Representative Lujan:

The following is in response to your February 11, 2009 letter to Governor Brewer requesting detailed information on the impact of the lump sum agency reductions and cuts in personnel expenses.

- **What program funding will be cut and what is the specific amount per program that will be cut?**

SB 1001 contained an additional \$1,472,600 reduction in the Arizona Department of Agriculture's FY 2009 General Fund appropriation, which was comprised of a lump sum reduction of \$1,164,000 and a \$308,600 reduction in personnel expenses. This reduction is in addition to the earlier \$1,100,000 reduction in the Department's FY 2009 General Fund appropriation. As a result of this earlier reduction, the Department closed its agricultural inspection operations at the ports of entry in August 2008. Additionally, the Arizona Department of Agriculture already was in a financial crisis resulting from the sharp budgetary reductions from FY 2002 to FY 2004, which represented a 25% decline in the Department's General Fund appropriation. While the budget reductions from FY 2002 to FY 2004 of many other state agencies were restored or increased in subsequent years, the Arizona Department of Agriculture's reductions were not.

The additional reduction in the Department's FY 2009 General Fund appropriation contained in SB 1001 has further eroded the Department's ability to provide services essential to the Department's responsibility to facilitate commerce and safeguard the food supply, the public, the environment and the State's \$9.2 billion agricultural economy. The reduction is allocated among the Department's programs as follows:

Program	FY 09 Budget	Reduction (SB1001)	FY 09 Adjusted Budget
Food Safety	1,470,141	-148,395	1,321,746
Animal Health & Welfare	2,115,420	-249,502	1,865,918
Pest Exclusion & Management	3,407,502	-401,896	3,005,606
Environmental Services	717,593	-84,636	632,957
Agricultural Consultation & Training	163,212	-19,250	143,962
State Agricultural Laboratory	2,010,872	-375,000	1,635,872
Administrative Services	1,644,160	-193,921	1,450,239
Total - General Fund (excludes SLIs)	11,528,900	-1,472,600	10,056,300

- **What services provided to Arizonans will be reduced and/or eliminated by program and how many customers of those services do you anticipated being impacted?**

Food Safety. Four positions in the Meat and Poultry Inspection Program are forced to remain vacant. The Program can not consider any new applications for licensure and may ask current licensees to reduce official hours of operation for both slaughter and processing. Investigation of alleged illegal slaughter and/or processing may be delayed.

Animal Health and Welfare. Six positions are forced to remain vacant. Livestock health inspections that enable the sale and transport of livestock (brand law) will be delayed and response time to stray and abandoned livestock calls will be increased. Reduced surveillance for and delayed responses to zoonotic diseases (Rabies, Tuberculosis, and Brucellosis) exposes livestock and ultimately the general public to more risk of disease.

Pest Exclusion and Management Program. Ten inspector positions have been eliminated in areas of southeastern, eastern and northern Arizona as well as in the metro areas of Phoenix, Tucson and Yuma. As a result, the Program has eliminated or reduced a number of early pest detection trapping programs that support our stakeholders export potential or present a threat to agriculture or the environment. In addition, the Program will not be able to issue export certificates for the movement of commodities domestically or internationally either outright or on an extended time basis. Stakeholders are statewide and numerous. With this recent reduction, the Program's staffing has been reduced 56% since FY 2008.

Environmental Services (Non-Food Quality Assurance and Pesticide Compliance and Worker Safety). The Licensing Office, which does a majority of the agency licensing, is now closed from 12:30 p.m. to 1:30 p.m. Three positions (1 licensing, 2 inspectors) have been maintained vacant this year alone to stay within budgetary constraints.

State Agricultural Laboratory. The laboratory has eliminated funding for six positions representing a 21% reduction in staffing. The amount of time required to process samples will increase, directly impacting the ability of the laboratory to provide the Department with the information it requires to make decisions and enforce its regulations. Further, the laboratory plays a key role in protecting Arizona by providing homeland security testing for food safety, chemical contamination, plant disease and animal disease. The staff reduction severely limits the ability of the laboratory to continue its role in protecting Arizona.

The laboratory also eliminated the funding for its capital replacement equipment. Without the ability to replace outdated, inoperative instrumentation, the laboratory will not be able to process certain types of samples, reducing its effectiveness and affecting the ability of the Department to achieve its mission of regulating and protecting Arizona agriculture.

Administrative Services. The Department does not have a Deputy Director. The Legislative Liaison/Public Information Officer and a position in Fiscal Services are being held vacant. The Human Resources Director for the Department is vacant and is currently staffed by an Associate Director. The loss of these positions has impacted services provided to stakeholders as well as the Department Director and employees.

- **If program funding is being reduced or eliminated, do those programs receive federal matching funds? If so, what is the match and how much federal money is the state foregoing?**

The Pest Exclusion and Management program receives nearly \$1 million in federal funds to support various early detection programs and surveys conducted in the state. While no specific percentage match is codified, the Program's match offered for the federal funds received exceeds a 50-50 percentage split in most cases. The Program reverted \$12,000 in federal funds in FY 2009 due to an inability to accomplish the work plan for the grant with the Program's staffing. The federal grants for the Program are being considered by the USDA at this time, and may be at risk given the recent budget reduction and subsequent staff reductions in the Program in FY 2009.

The Agricultural Consultation and Training Program receives approximately \$295,000 in federal funds to provide various conservation education, air quality compliance assistance, pesticide safety Train-the-Trainer programs and on-the-ground conservation project grants, with the majority of these benefiting rural areas of the state. Three of the four programs have a codified match requirement of 60 to 100 percent. Any further reductions in the ACT Program's ability to provide non-federal matching dollars will result in the loss of one or more of these programs.

The current reductions will not directly affect the ability of the State Agricultural Laboratory to match its federal funding. However, the laboratory has received homeland security grant funding in the past. With the staff reductions, the laboratory may not be able to continue its role in homeland security testing preparedness and would no longer be eligible for such grants. The resulting loss in funding could range from 200,000 to 650,000 per year.

- **Will there be a reduction in force or layoff of state employees, and, if so, of how many employees and from what programs?**

During FY 2009, the Department has been holding open vacant positions to meet budget constraints and in anticipation of an additional reduction. In response to the severe reduction contained in SB 1001, the Department has already conducted layoffs and has plans for a reduction in force. The layoffs to date have included the Pest Exclusion and Management Program (10 Inspectors and one Customer Service Representative). Additional reductions in force are planned in the Department in FY 2009 for FY 2010. At this time, approximately 35% of the Department's 249.2 authorized appropriated FTE positions are vacant.

- **What furloughs, if any, will be implemented? If agencies are implementing furloughs, how will they be structured and how many employees will be impacted?**

The Arizona Department of Agriculture is not considering furloughs for state employees at this time.

- **What salary reductions, if any, will be implemented and if salary reductions are being made, how many state employees will be impacted and what will the average salary reduction percentage amount be for these employees?**

The Arizona Department of Agriculture is not considering salary reductions for state employees at this time.

In addition, to responding to your questions, I wanted to point out an issue with implementation of the transfers from two of the Department's funds to the General Fund contained in Sections 4, 5 and 7 of SB 1001. All of the funds in the Arizona Federal-State Inspection Fund and approximately 60% of the funds in the Egg Inspection Fund are being held in trust by the State under contract with the United States Department of Agriculture (USDA) Agricultural Marketing Service and federal law. The transfers of funds from the Federal-State Inspection Fund and the Egg Inspection Fund to the General Fund conflict with the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627) and with the cooperative agreements signed under authority of that Act. The Agricultural Marketing Act and cooperative agreements require that fees collected for the respective grading programs are to be used only to pay expenses incurred by these services.

Respectfully,

Donald Butler
Director

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