

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1018

2001 HOUSE APPROPRIATIONS

HB 1018

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1018

House Appropriations Committee
Education and Environment Division

Conference Committee

Hearing Date January 12, 2001

Tape Number	Side A	Side B	Meter #
1	x		3,260

Committee Clerk Signature *Judith Bertsch*

Minutes:

Representatives Aarsvold, Boehm, Guleson, Martinson, Monson, Wald, Wentz.

Representative Wentz: We will open the hearing on HB1018, Seed Department.

Ken Bertsch: State Seed Commissioner. See attached.

Representative Aarsvold: (2388) PVP laws are essentially Federal. Correct? Isn't it unique than that State agencies would be responsible to in-force those Federal laws.

Ken Bertsch: Yes, they are Federal and it is not unusual. Most if not all other states are the same.

Representative Wald: (22605) You are housed on NDSU campus, what kind of interaction do you have with them as far as snow removal, utilities etc.? Do you share information with one another?

Ken Bertsch: We contract for services from them and yes, we do share information.

Page 2
Education and Environment Division
Bill/Resolution Number HB1018
Hearing Date January 12, 2001

Representative Guleson: In regards to new commodities that may become legalized in ND, could you go forward with production? How do your roll? Obviously you would have to go out and certify and how do you ready yourself for new crops?

Ken Bertsch: (3025) Unless it involves seed production, we are certified for seed purposes We legally would probably have nothing to do with that however, the chapter of Century Code that we operate under, talk in fairly broad terms of commodities as well. I think in a situation like that, if it was beyond the bounds of certified seed production, than we are off in an area that would be if someone needed a particular service that we could offer because, we have the pathology assets that could determine what they needed to have done with their crop. Than we could enter into that service bases.

Representative Wentz: Does anyone else wish to appear in opposition of HB1018.

Seeing none we will close the hearing on HB1018.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1018

House Appropriations Committee
Education and Environment Division

Conference Committee

Hearing Date January 19, 2001

Tape Number	Side A	Side B	Meter #
1 of 1	X		341
Committee Clerk Signature			

Minutes:

Representatives Boehm, Gulleon, Martinson, Monson, Wald, Wentz

Representative Boehm: We made no changes on the bill. The salaries 8.3 reduction to reduce one staff member. Operating, a minor increase due to primary to supplies and services. Capital improvement increased due to laboratory, green houses, faculty, and upgrading. Grants research reduces due to change in contract agreement. The contingency, a major improvement. Originally was at 200,000 and was transferred to the operating line. The total was a modest 2.6 increase

in the over all budget. I make a motion to approve the budget as was presented by the Department of Seed as a due pass.

Representative Martinson: I seconded the motion.

The roll vote 6 yes and one absent. Representatives Boehm, Gulleon, Martinson, Monson, Wald, Wentz. Representative Aarsvold being absent on the vote call.

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Education and Environment Division

Bill/Resolution Number HB1018

Hearing Date January 19, 2001

Representative Wentz: That motion is carried and that will be our recommendation to the full committee. Representative Boehm will carry it to the full committee and backed up by Representative Aarsvold.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1018

House Appropriations Committee

Conference Committee

Hearing Date January 26, 2001

Tape Number	Side A	Side B	Meter #
HB1018 - 1	X		1640 - 1916
Committee Clerk Signature			<i>JW</i>

Minutes:

ACTION ON HB 1018.

Rep. James Boehm: HB1018 is the Seed Department budget, which is a self funding agency and requires no general fund dollars and in the budget analysis the salaries were reduced due to the closure of the Grand Forks office and replacement of a temporary lower salaried staff, and the operating line was a minor increase due to increase in supplies and services, and the equipment line item increased due primarily to the expansion of need for laboratory equipment and office technology, capital improvements was a minor increase because of the greenhouse and faculty updates to accommodate potential increase in testing. The grant was reduced, primarily due to the change when you do testing from Minnesota. The contingency line item is increased by \$100,000 for the purpose of software/ hardware upgrades. A modest 2.6% increase in the overall budget, and even if we cut that budget we won't have anymore money for any other departments because there's no general fund dollars. We recommend the governor's budget on this one.

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House Appropriations Committee

Bill/Resolution Number HB1018

Hearing Date January 26, 2001

Rep. Mike Timm: Any Questions for Rep. Boehm?

Rep. Jeff Delzer: What is the capital project there?

Rep. James Boehm: Capital improvements is a laboratory greenhouse and faculty update.

Rep. Mike Timm: Rep Boehm do you wish to make a motion?

Rep. James Boehm: I move that we pass HB1018 as presented. Seconded by Rep. Aarsvold.

Rep. Mike Timm: Any discussion? Clerk will take the roll for a DO PASS.

YES (20) NO (0) ABSENT (1)

Motion passes.

Rep. Boehm will carry to the House Floor.

END OF ACTION ON HB 1018.

Date: January 19, 1981
 Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. Appropriations Education and Environment Division

House Appropriations Education & Environment Committee

Subcommittee on Sec. 2 Dept. of Education
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken As Pass

Motion Made By Rep Boehm Seconded By Rep Martinson

Representatives	Yes	No	Representatives	Yes	No
Rep. Janet Wentz -Chairman	✓				
Rep. James Boehm - Vice Chairman	✓				
Rep. Ole Aarsvold					
Rep. Pam Gulleson	✓				
Rep. Bob Martinson	✓				
Rep. David Monson	✓				
Rep. Francis J. Wald	✓				

Total (Yes) 6 No _____

Absent 1

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1-26-01
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1018

House APPROPRIATIONS Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By

BOEHM

Seconded

By

AARSVOLD

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman	✓				
Rep - Aarsvold	✓		Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer	✓		Rep - Svedjan	✓	
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleson	✓		Rep - Warner	✓	
Rep - Huether			Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Kerzman	✓				
Rep - Kliniske	✓				

Total (Yes) 20 No _____

Absent 1

Floor Assignment BOEHM

If the vote is on an amendment, briefly indicate intent:

2001 SENATE APPROPRIATIONS

HB 1018

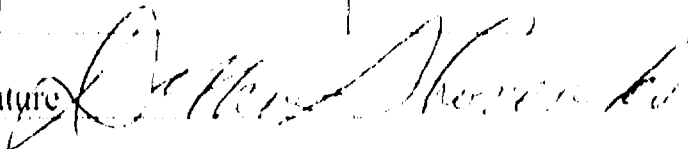
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1018

Senate Appropriations Committee

Conference Committee

Hearing Date February 15, 2001

Tape Number	Side A	Side B	Meter #
1		X	21.4-36.7
Committee Clerk Signature 			

Minutes:

Senator Nething opened the hearing on HB 1018.

Ken Bertsch, ND State Seed Commissioner and Administrator of the North Dakota State Seed Department (NDSSD), testified on the bill (testimony and charts attached).

Senator Tallackson: You developed a greenhouse a couple biennium's ago, is this behind now?

Ken Bertsch: Adequate for the time being; the greenhouse was built with an expansion in mind. This building may have to do bioacid testing and small grain herbicide.

Senator Tallackson: How deeply involved is seed?

Ken Bertsch: Deeper than we care to be, seed issue is a problem with the industry. There is a good share of seed variety developed in the private industry and requests.

With no opposition, hearing was closed. Tape #1, Side B, meter 21.4.

Page 2

Senate Appropriations Committee

Bill/Resolution Number HB1018

Hearing Date February 15, 2001

3-28-01 Full Committee Action (Tape #1, Side A, Meter # 23.3-26.0)

Senator Nething reopened the hearing on HB1018 - State Sed Department.

Review and discussion on the bill.

Senator Solberg moved a DO PASS; seconded by Senator Robinson. Discussion; call for the vote. Roll Call Vote: 14 yes; 0 no; 0 absent and not voting.

Senator Heitkamp accepted the floor assignment.

Date: 3-28-01

Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 1018

Senate Appropriations Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Roll Call

Motion Made By Senator Holtkamp Seconded By Senator Holtkamp

Senators	Yes	No	Senators	Yes	No
Dave Nothing, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaas	✓				
Harvey Tallackson	✓				
Larry J. Robinson	✓				
Steven W. Tomac	✓				
Joel C. Heitkamp	✓				
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman	✓				
John M. Andrist	✓				

Total Yes 14 No 0

Absent 0

Floor Assignment Senator Holtkamp

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 28, 2001 11:57 a.m.

Module No: SR-54-6958
Carrier: Heltkamp
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1018: Appropriations Committee (Sen. Nething, Chairman) recommends DO PASS
(14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1018 was placed on the
Fourteenth order on the calendar.

2001 TESTIMONY

HB 1018

**Department 616 - Seed Department
 House Bill No. 1018**

	FTE Positions	General Fund	Other Funds	Total
2001-03 Executive Budget	32.00	\$0	\$5,454,447	\$5,454,447
1999-2001 Legislative Appropriations	33.00	0	5,317,244	5,317,244
Increase (Decrease)	(1.00)	\$0	\$137,203	\$137,203

The 1999-2001 appropriation amounts include \$ 2,411 of special funds for the agency's share of the \$1.4 million funding pool appropriated to the Office of Management and Budget (OMB) for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000.

Major Items Affecting Seed Department 2001-03 Budget

	General Fund	Other Funds	Total
1. Expansion of laboratory services to meet demands for advanced genetic, trait, and quality analysis of all crops.		\$339,399	\$339,399
2. Reduction due to loss of potato grade inspection work formerly done by department staff as well as a reduction in the acreage of seed production and closing of the Grand Forks office.		(\$1,039,493)	(\$1,039,493)
3. Removes funding for one unclassified FTE.		(\$53,543)	(\$53,543)
4. Expansion or remodeling of facilities in laboratories and greenhouses.		\$30,000	\$30,000
5. Authorization for funding from the contingency fund to balance revenues against overhead and unexpected costs due to unpredictable demand for service in most areas of the department.		\$300,000	\$300,000
6. Provides funding for Information Technology Department planning costs for the Seed Department to track all equipment, communication, information, and program support-related technology.		\$185,000	\$185,000
7. A separate line item is created for laboratory services due to expansion of the program.			

Major Legislation Affecting the Seed Department

Section 2 of House Bill No. 1018 authorizes the Seed Department upon approval from the Seed Commission to transfer from the contingency line item in its appropriation to all other line items except the capital improvements line item. The Seed Commission shall notify OMB of each transfer.

Senate Bill No. 2103 authorizes the Seed Commissioner, with the approval of the Seed Commission, to establish and charge fees for making commodity grade inspections.

Senate Bill No. 2104 removes the fee schedule for seed sales from the code and authorizes the Seed Commissioner, with the approval of the Seed Commission, to establish and charge fees; changes the Seed Commission membership; and changes seed labeling to allow the commissioner to establish seed labeling tolerances that meet or exceed Federal Seed Act tolerances as of July 1, 2001.

**Department 616 - Seed Department
 House Bill No. 1018**

	FTE Positions	General Fund	Other Funds	Total
2001-03 Schafer Executive Budget	32.00	\$0	\$5,454,447	\$5,454,447
1999-2001 Legislative Appropriations	33.00	0	5,317,244	5,317,244
Increase (Decrease)	(1.00)	\$0	\$137,203	\$137,203

2001-03 Hoeven Executive Budget	32.00	\$0	\$5,454,447	\$5,454,447
Hoeven Increase (Decrease) to Schafer	0.00	\$0	\$0	\$0

The 1999-2001 appropriation amounts include \$ 2,411 of special funds for the agency's share of the \$1.4 million funding pool appropriated to the Office of Management and Budget (OMB) for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000.

Major Schafer Recommendations Affecting Seed Department 2001-03 Budget

	General Fund	Other Funds	Total
1. Expansion of laboratory services to meet demands for advanced genetic, trait, and quality analysis of all crops.		\$339,399	\$339,399
2. Reduction due to loss of potato grade inspection work formerly done by department staff as well as a reduction in the acreage of seed production and closing of the Grand Forks office.		(\$1,039,493)	(\$1,039,493)
3. Removes funding for one unclassified FTE.		(\$53,543)	(\$53,543)
4. Expansion or remodeling of facilities in laboratories and greenhouses.		\$30,000	\$30,000
5. Authorization for funding from the contingency fund to balance revenues against overhead and unexpected costs due to unpredictable demand for service in most areas of the department.		\$300,000	\$300,000
6. Provides funding for Information Technology Department planning costs for the Seed Department to track all equipment, communication, information, and program support-related technology.		\$185,000	\$185,000
7. A separate line item is created for laboratory services due to expansion of the program.			

**Major Hoeven Recommendations Affecting Seed Department 2001-03 Budget
 Compared to the Bill as Introduced (Schafer Budget)**

The Hoeven recommendation does not change the Schafer recommendation.

Major Legislation Affecting the Seed Department

Section 2 of House Bill No. 1018 authorizes the Seed Department upon approval from the Seed Commission to transfer from the contingency line item in its appropriation to all other line items except the capital improvements line item. The Seed Commission shall notify the Office of Management and Budget of each transfer. (This bill has passed the House.)

Senate Bill No. 2103 authorizes the Seed Commissioner, with the approval of the Seed Commission, to establish and charge fees for making commodity grade inspections. (This bill has passed the Senate.)

Senate Bill No. 2104 removes the fee schedule for seed sales from the code and authorizes the Seed Commissioner, with the approval of the Seed Commission, to establish and charge fees; changes the Seed Commission membership; and changes seed labeling to allow the commissioner to establish seed labeling tolerances that meet or exceed Federal Seed Act tolerances as of July 1, 2001. (This bill has passed the Senate.)

Summary of Legislative Changes Resulting From First House Action

See Statement of Purpose of Amendment (attached).

STATEMENT OF PURPOSE OF AMENDMENT:**House Bill No. 1018 - Funding Summary**

	Executive Budget	House Changes	House Version
Seed Department			
Salaries and wages	\$3,232,447		\$3,232,447
Operating expenses	1,472,000		1,472,000
Equipment	200,000		200,000
Capital improvements	50,000		50,000
Grants	200,000		200,000
Contingency	300,000		300,000
Total all funds	<u>\$5,454,447</u>	<u>\$0</u>	<u>\$5,454,447</u>
Less estimated income	<u>5,454,447</u>	<u>0</u>	<u>5,454,447</u>
General fund	\$0	\$0	\$0
FTE	32.00	0.00	32.00
Bill total			
Total all funds	\$5,454,447	\$0	\$5,454,447
Less estimated income	<u>5,454,447</u>	<u>0</u>	<u>5,454,447</u>
General fund	\$0	\$0	\$0
FTE	32.00	0.00	32.00

House Bill No. 1018 - Seed Department - House Action

The House did not change the Schafer executive budget recommendation for the Seed Department. Governor Hoeven did not propose any changes to the Schafer recommendation for this agency.


North Dakota State
NDSSD
Seed Department

Testimony on HB 1018
ND State Seed Department Budget

House Appropriations Committee
Education and Environment Sub-Committee

January 12, 2001

Ken Bertsch
ND State Seed Commissioner

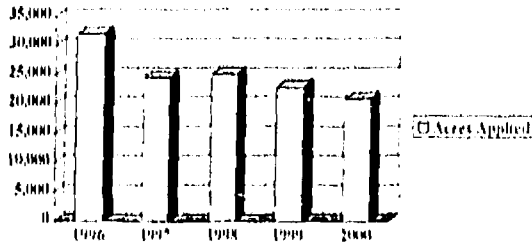
 **NDSSD Overview**

- State Designated Authority (NDCC 4-29)
- Seed Certification
- Regulation of Seed Industry
- State Seed Laboratory
 - Self Funded Agency
 - Revenue derived from service fees
- Governed by State Seed Commission
 - Serves as agency Board of Directors
 - Represents wheat and most commodities grown in ND
 - Sets policy, approves budgets and program changes, appoints Seed Commissioner

Potato Program

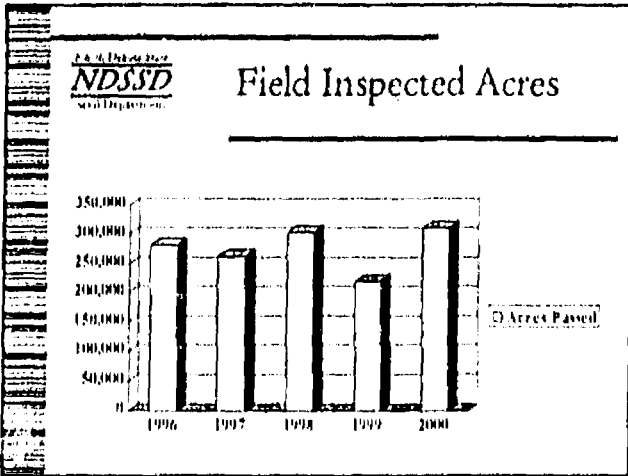
- Agencies Largest Program Area
 - Decreasing acreage of seed production Increasing need for technical resources
- Program Components:
 - Field Inspection and Certification
 - Grade Inspection - Seed, commercial and processing
 - Wholesale dealers licensing
 - Winter testing
 - Technical support - ND Certified Seed Growers Assn
 - Promotion of ND produced seed
 - Technical advice - Production of foundation seedstocks in NDSSD tissue culture greenhouse operation

Certified Seed Potato Acres



Field Seed Program

- Highest Profile Dept. Program - Broad Responsibilities
- Traditional Services - Evolving to Focus on Custom Programming
- Program Components:
 - Field inspection and certification
 - Seed certification (grading, seed standards)
 - Approval of seed cert. testing, bulk retail facilities
 - Custom program development - Identity Preservation, Quality Assurance
 - Technical support - ND Ctop Improvement Assn., NDSC Foundation Seedstock, NDSC Research Foundation, others
 - Promotion of ND produced certified seed - All types



NDSSD
Seed Department

Laboratory Services Program

- Fastest Growing Department Enterprise - Biotechnology
- From Germinations and Purities - Advanced Genetic Analysis
- New for 2001-2003
 - Separation from Field Seed Program (budget request)
 - Management and operation of Potato Seed stocks program
 - Focus on determination and verification of genetic traits

<ul style="list-style-type: none"> • Diagnostic Laboratory • Varietal Identification • Disease Testing • Seed Trait Analysis • GMP Testing 	<ul style="list-style-type: none"> • Seed Quality Laboratory • Germination Testing • Seed Purities Analysis • Trait Bioassay Grow-outs • Import/Export Quality Testing
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- Significant number of other tests offered

NDSSD
Seed Department

Regulatory Program

- Responsibilities include
 - Enforcement of State and Federal seed laws
 - Regulation of seed labeling and sales
 - Consumer protection issues
- Seed sampling, notifying suspected violators, investigating complaints
- Increasing demands on program area
- Impacted by development of new varieties with protection under the *Plant Variety Protection Act (PVP)*

Administrative Program

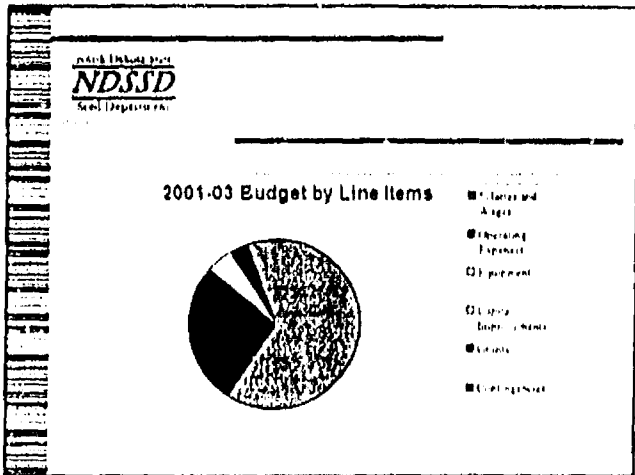
- Provides for Facility, equipment, technology and support service needs of NDSSD programs.
- Program budget includes
 - Capital Improvements
 - Information Technology
 - Equipment
 - Contingency
- Cooperation and Collaboration: NDSSD and NDSU
 - Benefits to North Dakota Producers

Key Issues in Budget Process

- Identification of Critical Issues ... Development of Budget
- Impact of Biotechnology: Research, development, commercialization and utilization of seed sources
- Shifts in cropping patterns: seed production: Increase in soybean, corn, canola, irrigated crops. Shifts in seed potato areas, durum production
- Advancements in technology: means
 - Demand for high-tech testing and programs
 - High expectations for information transfer
- Protection of intellectual property: Impact on NDSSD

Budget Request by Line Item

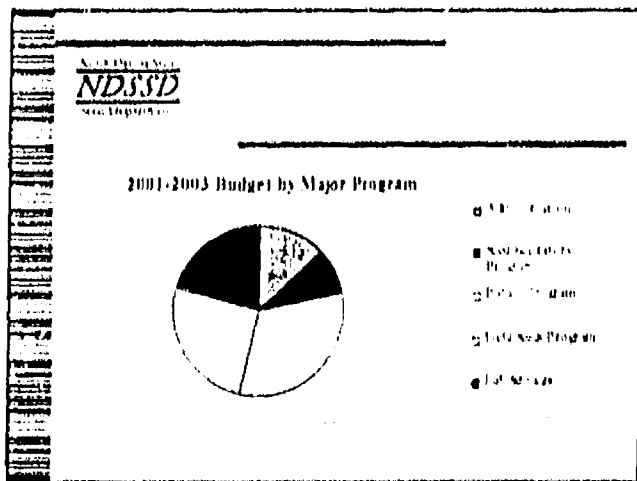
Line Item	99-01	01-03	Change
Salaries and Wages	3,125,774	3,232,447	3.3%
Operating Expenses	1,431,471	1,472,700	3.5%
Equipment	5,000	290,000	180.0%
Capital Improvements	2,000	50,000	12,500%
Grants	3,000,000	200,000	-33.3%
Contingencies (*)	0	300,000	100.0%
Totals	5,317,244	5,454,447	2.6%



North Dakota State
NDSSD
Soil Department

Program Breakdown

Program	99-01	01-03	Change
Administration	290,000	705,000	143.1%
Regulators	407,976	498,181	12.1%
Potato	70,000	28,000	39.9%
Field Seeds	20,000	30,000	150.0%
Lab Services	190,000	200,000	105.3%
Totals	5,317,244	5,454,447	2.6%



North Dakota State
NDSSD
Seed Department

Summary

- Budget Request Represents:
 - Realistic, efficient re-distribution of resources
 - Maintenance of strong base programming
 - Proactive effort to upgrade programs (biotechnology)
 - Conservative . . . but allowing for effective delivery of services
- *The Seed Commission and State Seed Department thank you for your consideration*

North Dakota State
NDSSD
Seed Department

North Dakota State
NDSSD
Seed Department

**Testimony on HB 1018
ND State Seed Department Budget**

**House Appropriations Committee
Education and Environment Sub-Committee**

January 12, 2001

**Ken Bertsch
ND State Seed Commissioner**

*Ken Bertsch testimony
was identical to
his House
testimony -*

Good morning Chairman Wentz and members of the committee. My name is Ken Bertsch, and I serve as the North Dakota State Seed Commissioner and Administrator of the North Dakota State Seed Department (NDSSD). I appreciate the opportunity to speak to you today on behalf of the State Seed Commission, and in support of the Department budget which was developed under the guidance of, and with the approval of the Commission.

With the consent of the committee, I will provide a broad overview of our department, a line item review of the budget and a breakdown of funding by program area within House Bill 1018. I will review some of the key issues and future concerns that we have taken into account in the process of developing this budget. I hope to point out for the committee how our vision for this department, and for the seed industry in North Dakota, is shaping department programs and influencing budget shifts.

NDSSD Overview

The North Dakota State Seed Department is the state-designated authority for seed certification, seed regulatory and laboratory testing services to North Dakota producers and the agriculture industry. As a self-funded agency of government, the NDSSD derives its revenues from fees for services provided. An eight-member commission, who serves as a board of directors by setting policy guidelines, approving budgets, approving major program changes, and appointing the Seed Commissioner, governs the Department. The Seed Commission is comprised of members from various industries the Department serves, and represents a broad cross-section of agricultural commodities grown in this state and region.

(Refer to attachment #1 and #2)

Program Overview

The NDSSD operation consists of five primary Program areas: **Potato, Field Seed, Laboratory Services, Regulatory and Administration.**

The **Potato Program** remains the largest component of the agencies' budget despite major cutbacks over the past two years. While increasing disease problems and market pressures have lowered certified seed production acreage in North Dakota, these difficulties also expand the need for technical resources of the program. The Potato Program provides these services to the potato industry in North Dakota:

- Field inspection and certification of seed potatoes
- Grade inspections for seed and commercial growers, and processors
- Licensing and bonding of wholesale potato dealers
- Approval of seed quality for imported product
- Winter disease testing process carried out in Homestead, Florida
- Support and technical resource for ND Certified Seed Potato Growers Assn.
- Promotion of the production and usage of ND certified potato seed
- Production and distribution of foundation seedstocks

(Refer to attachment #3)

The **Field Seed Program** is the second largest segment of the NDSSD budget, and performs an expanding role in the Department, and seed industry. A key concern for this program is maintaining the high quality of seed grown and utilized in North Dakota. Traditional seed certification duties such as field inspections and final certification are the primary functions of the Field Seed Program, which is the largest of its kind in the U.S. However, custom services such as quality assurance and identity preservation programs are fast becoming high profile issues for the Field Seed Program. Program services include:

- Field inspection and certification of virtually all northern grown crops
- Final certification (grading) of seed based on lab analysis and field inspection results according to ND seed certification standards
- Inspection and approval of certified seed conditioning plants and bulk retail facilities
- Development of custom programs designed to provide service to seed industry (ex. food grade soybean quality assurance, identity preservation/segregation)
- Acceptance of imported seed based upon quality standards equal to ND
- Providing technical resources to ND Crop Improvement and Seed Assn., NDSU Foundation Seedstocks Program, NDSU Research Foundation and various commodity group seed committees
- Promotion of production and usage of ND certified seed

(Refer to attachment #4)

The NDSSD **Laboratory Services Program** is the fastest growing enterprise in the Department. The development of genetically enhanced materials, and trait specific conventionally bred seed, is creating a demand for advanced quality analysis services for a growing number of types and varieties of crops. Our laboratories also perform internal (non-revenue producing) functions by analyzing seed for regulatory and other purposes. As Field Seed and Regulatory programs evolve, and genetic transfer processes expand, the Laboratory Services division will be pressed to deliver technical services.

The committee may recognize that Laboratory Services is a new budget area for the department in this appropriations process. I believe that the expanding role of this department service requires separation from other programs for the purpose of accurate enterprise analysis.

We have done some additional re-structuring by shifting our potato tissue culture and seedstocks operation to our Diagnostic Lab area, consolidating most plant pathology functions in one department operation.

The Laboratory Services Program is comprised of the Seed Quality and Diagnostic laboratories. Program services include (among others):

Diagnostic

- Varietal ID (electrophoresis)
- Disease testing
- Seed trait analysis
- GMO testing

Seed Lab

- Germination testing
- Seed purity testing
- Trait bioassay (growouts)
- Import/export quality tests

The **Regulatory Program** is responsible for the enforcement of state and federal seed laws, regulation of seed labeling and sales, and consumer protection issues for the seed industry. Sampling, testing, auditing and investigating complaints on seed related issues are all functions of the Regulatory Program.

The proliferation of protected varieties, via the Plant Variety Protection Act (PVP), being developed by private industry and public universities will increase the workload of our regulatory staff. Field Seed and Regulatory programs work cooperatively to determine potential problems and violations adversely affecting seed growers, private companies, NDSU and their proprietary interests in seed varieties. The budget request reflects the increasing demand in this program area.

The **Administration Program** provides facility, equipment, technology and support service resources to the Department in its budget line. Administration budgets include capital improvements, information technology and equipment funding necessary to provide internal operating support to all program areas. In addition, it maintains a contingency fund line, which is critical in operating in a highly variable cost/revenue environment, and solely under special funds.

The administration of State Seed coordinates collaboration of the departments' work with the seed industry, national associations and public entities such as land grant universities. NDSSD has developed and maintains a close working relationship with NDSU in particular, in each program area of the agency operation, in particular, decision-making at the administrative level. The parallel work done in seed research and quality assurance between NDSU and NDSSD, combined with the obvious logistical advantages, make the alliance between the two entities a unique benefit to North Dakota producers.

(Refer to attachment #5)

The seed industry is one of the many areas in agriculture that is changing rapidly. The NDSSD is being tested, as are most other agriculture related businesses, in our ability to respond to change and predict future needs; while continuing to operate effectively and efficiently as the state certification agency. The Commission and the Department are focusing on responding to rapid change in the seed industry, evident by the following statements:

Our Mission;

To provide a full range of certification, quality assurance and regulatory programming that accommodates changes in the agriculture industry, protects growers, and enhances development of improved seed sources and creates a profitable business environment for the seed industry in North Dakota.

Our Vision;

We envision the North Dakota State Seed Department as a regional and national leader in providing traditional certification, quality assurance, trait verification, advanced laboratory analysis and identity preservation services to the agriculture industry. An integrated and systematic approach to programming, coupled with the public credibility of the Department, will contribute to North Dakota agriculture's status as a reputable source for the highest quality food and fiber.

Our Philosophy;

Working cooperatively with producers, associations, private business and public institutions, the Department will provide advanced and exceptional inspection, analysis and regulatory services to the agriculture industry. We believe that recognizing and preparing for change in the seed industry, updating programs and technology appropriately, and expanding our focus toward the broader seed-production-processing complex will allow the NDSSD to provide greater benefit to agriculture and agricultural producers.

Key Issues in Budget Process

The NDSSD recognizes a number of critical issues, which have shaped adjustments in Department programs and our budget development process.

1. The impact of biotechnology on seed research, development, commercialization and utilization.
2. Shifts in cropping patterns and utilization of certified seed sources by North Dakota producers (oilseeds, potatoes).
3. Advancements in technology: Increased demands for high tech services on Seed Department programs; expectations of producers and seed industry.
4. Protection of intellectual property by private and public entities; utilization of Plant Variety Protection (PVP) and research fees/royalties as standard operating procedure by the industry.

Identification of these important factors in the agriculture industry, coupled with the operating philosophies outlined in the Departments' vision, mission and philosophy statements, lead to a budget that we believe establishes a solid foundation for the Department through the next biennium.

Budget Overview

The Seed Department budget request for the 2001-2003 biennium, with comparisons to the 1999-2001 budget is as follows:

Line Item	99-01	01-03	Change
Salaries and Wages	3,525,774	3,232,447	-8.3%
Operating Expenses	1,401,470	1,472,000	5.0%
Equipment	70,000	200,000	185.7%
Capital Improvements	20,000	50,000	150.0%
Grants	300,000	200,000	-33.3%
Contingencies (*)	0	300,000	100.0%
Totals	5,317,244	5,454,447	2.6%

Line Item Analysis

Salaries- Majority of reductions has occurred due to closure of Grand Forks office, attrition of staff, and replacement with lower salaried temporary staff. There has also been a reduction of temporary staff due to discontinuation of Simplot/Avlko potato grading contracts. Reduction of 1 FTE is reflected in this budget area as well.

Operating- Minor increase, due primarily to demand for supplies and services associated with laboratory operations.

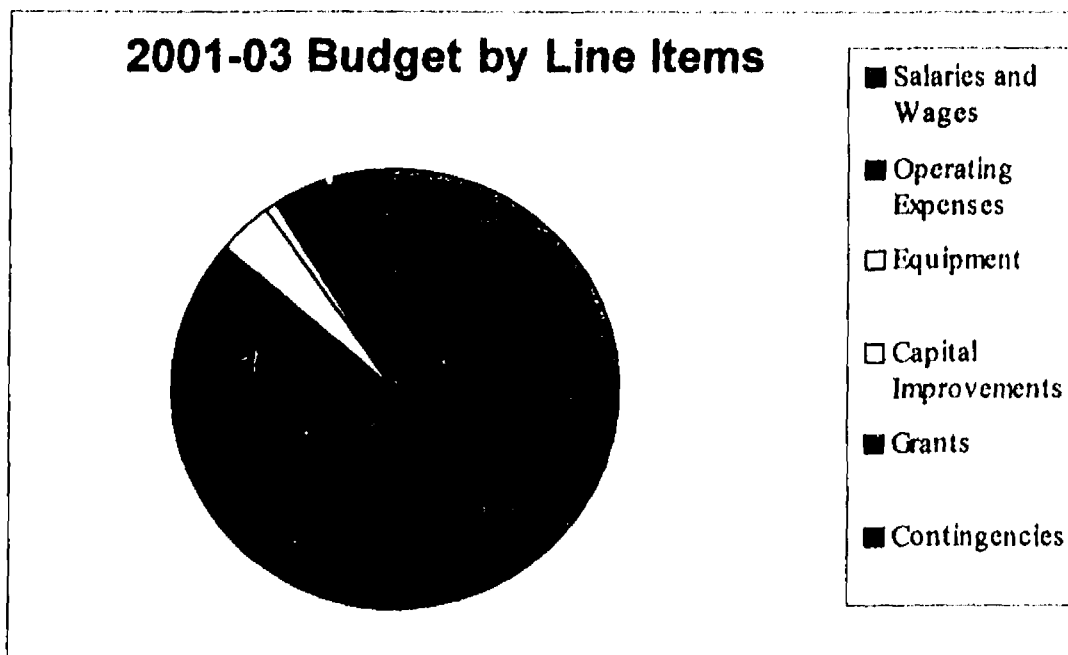
Equipment- Increase is due primarily to expansion of need related to laboratory equipment and office technology.

Capital Improvements- Laboratory, greenhouse and facility upgrades to accommodate potential increased testing.

Grants- Reduced due to changes in contracts/agreements for the collection of research fees/royalties.

Contingencies- 99-01 line (originally set at \$200,000) transferred to operating for the purpose of completing software/hardware upgrades. Expansion in 01-03 budget reflects the increasingly uncertain nature of department revenue picture vs. expenditure obligations in the process of fulfilling changing needs of industry.

Totals- Modest 2.6% increase in overall budget. Given the nature of potential expansion in specialized services anticipated over the course of the next biennium, extremely conservative.



Program Breakdown

As mentioned, the most significant change in comparison of 99-01 and 01-03 budgets is the separation of Lab Services from its former place in Field Seed Program. The two budgets were split in May of 2000 during budget projection and preparation. The seasonal fluctuations the Seed Department fiscal outlook will inevitably alter the accuracy of any conversion, including the split of Laboratory Services from Field Seed programs. Since the highest revenue and expenditures for most programs occur in the June-August periods, a May conversion has caused some problems with accurate comparison between 99-01 and 01-03 budgets for program comparison purposes.

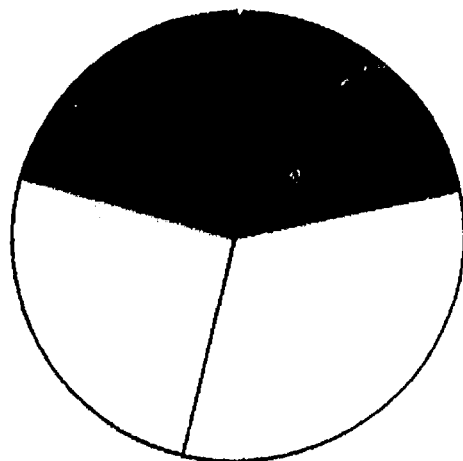
The most noticeable change (percentage-wise) in the budget is in the Administration category. The 01-03 version includes the entire Information Technology budget, which was previously included in operating expenses. The budget request also increased technology spending. In addition, increased funding has been allocated for capital improvement, equipment and contingency lines, anticipating potentially large expenditure needs for expansion of genetic trait testing services.

The other, most notable change in budgets is a reduction in Potato Program expenditures. The Department closed its Grand Forks facility and released 3 staff persons responsible for the regional operation, accounting for a major program reduction due to shifting of seed production regions. The loss of potato grading contracts, to private sector, at both Simplot and AVIKO had a drastic impact on both revenues and expenditures in the potato program, primarily salaries. The removal of one FTE is reflected in the Potato Program budget.

The program budgets below reflect this internal reallocation of staff and operating costs. In addition, the \$100,000 reduction in the grants line item is reflected in the Field Seed program budget, creating a slightly altered representation of the actual spending anticipated in that program area.

Program	99-01	01-03	Change
Administration	290,000	705,000	143.1%
Regulatory	407,976	498,183	22.1%
Potato	2,664,887	1,702,997	-35.6%
Field Seeds	1,402,551	1,417,745	1.1%
Lab Services	571,830	1,130,522	97.7%
Totals	5,317,244	5,454,447	2.6%

2001-2003 Budget by Major Program



- Administration
- Seed Regulatory Program
- Potato Program
- Field Seeds Program
- Lab Services

Summary

We believe that this budget represents a realistic and efficient re-distribution of resources between department programs. It is also reflective of our efforts to maintain a strong foundation of programs that provide the services, which will be demanded by the agriculture industry throughout the next budget cycle. This budget has been developed with the recognition of key issues affecting producers and the seed industry in mind, including the expansion of our obligations to the industry due to the impact of biotechnology. We believe that this budget request is conservative by nature, but will allow the Department to provide effective and needed services to North Dakota agriculture during the next biennium.

North Dakota State Seed Commission

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Jeff Weispfennig, Deputy Commissioner*
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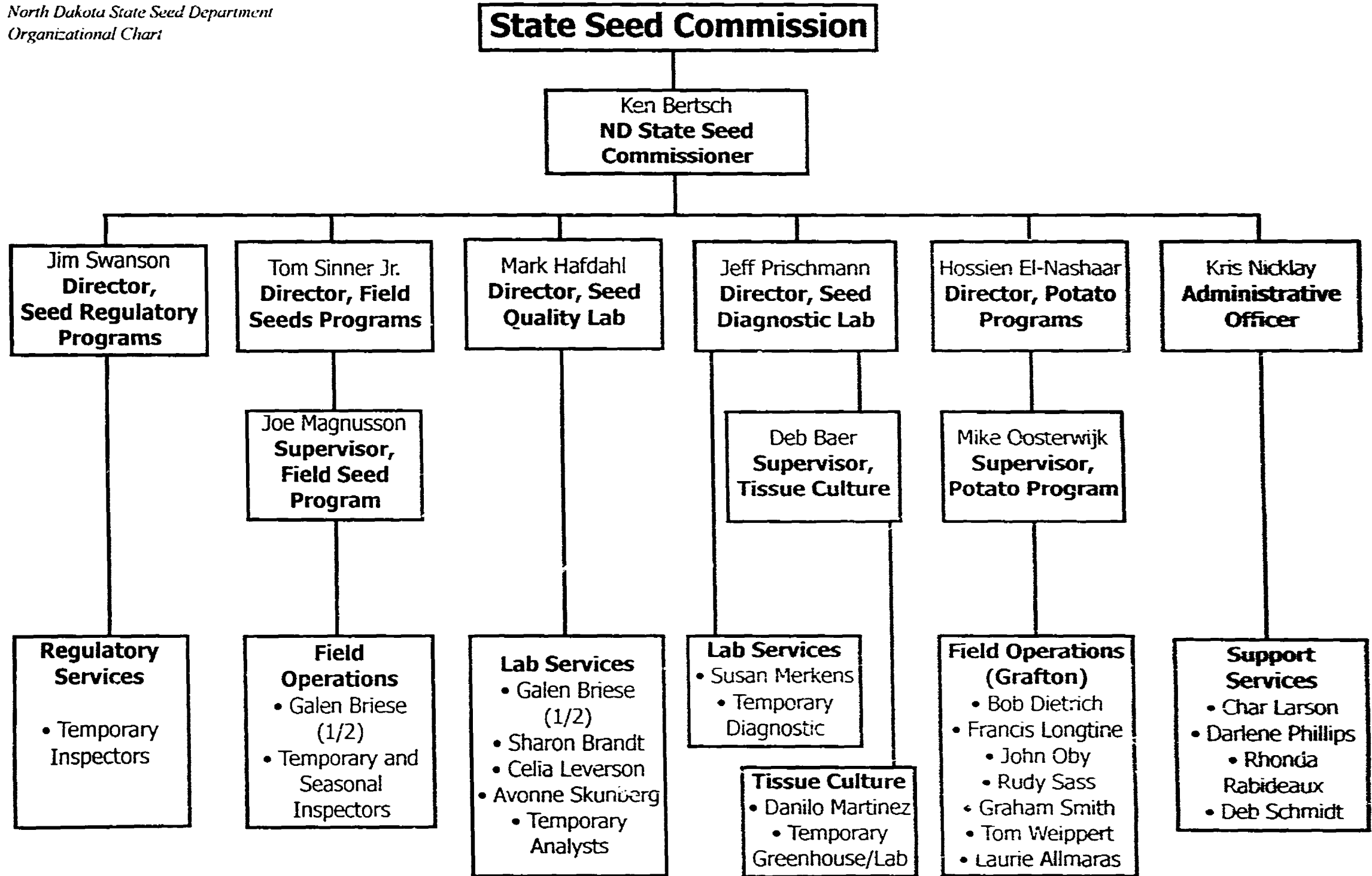
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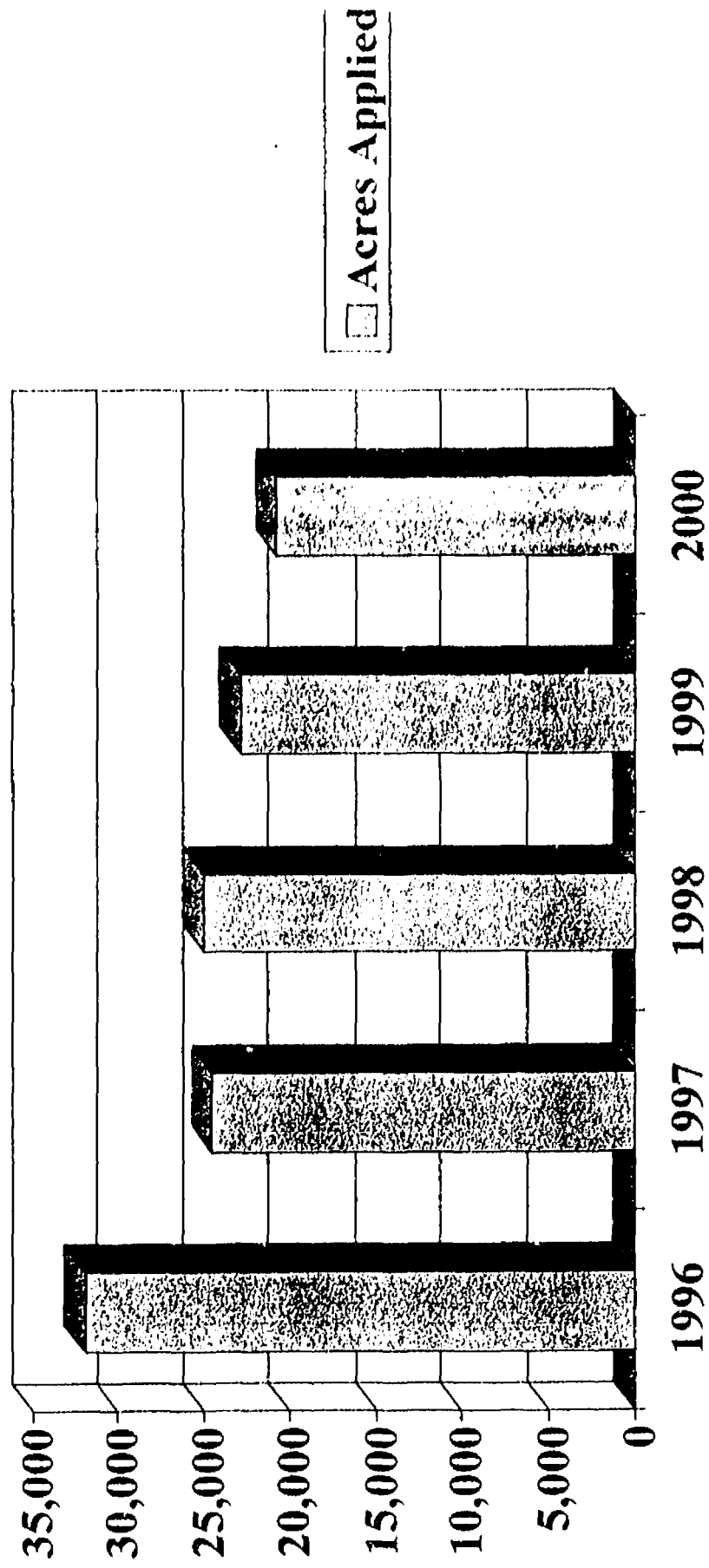
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Richard Fugleberg
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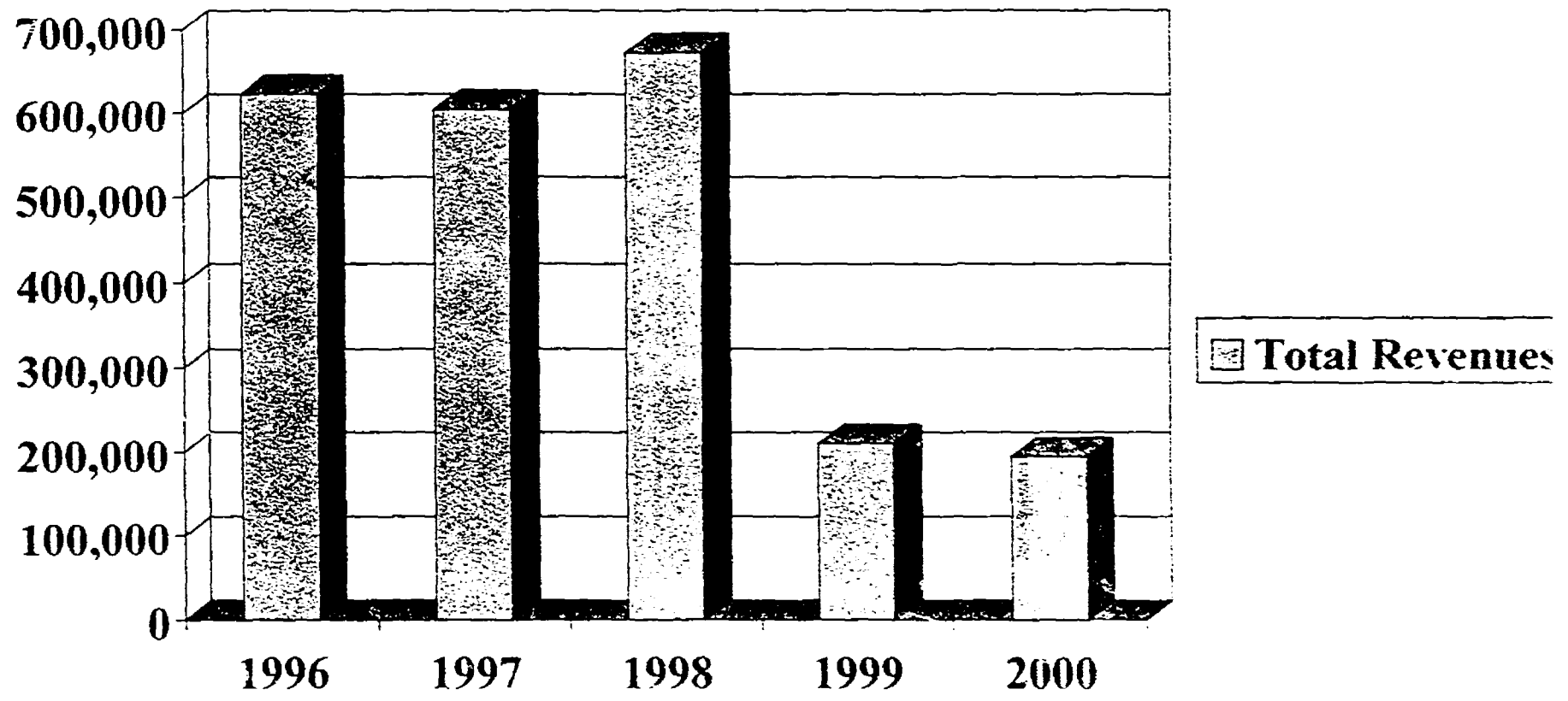
Ex Officio:
Dr. Cole Gustafson, Director
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Morrill Hall 315
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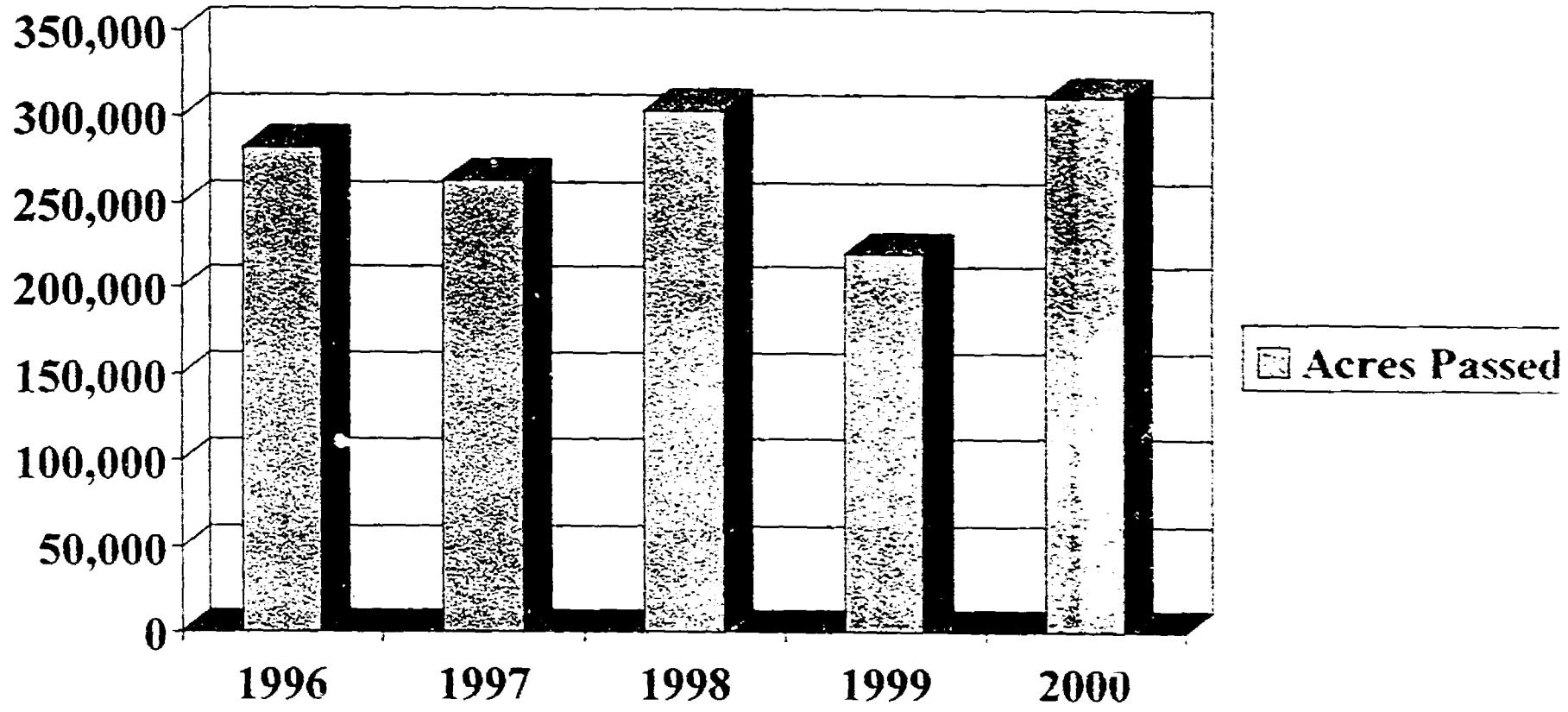
Certified Seed Potato Acres



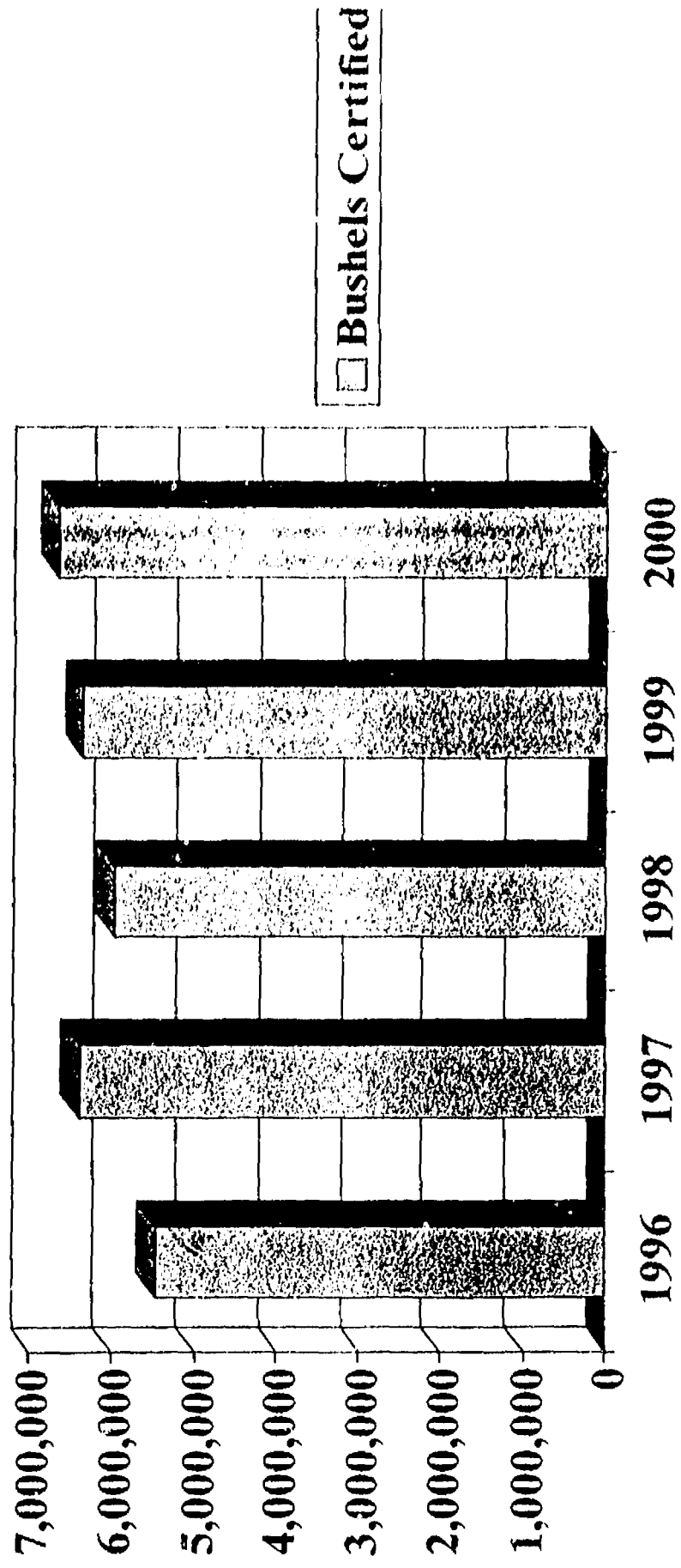
Potato Grade

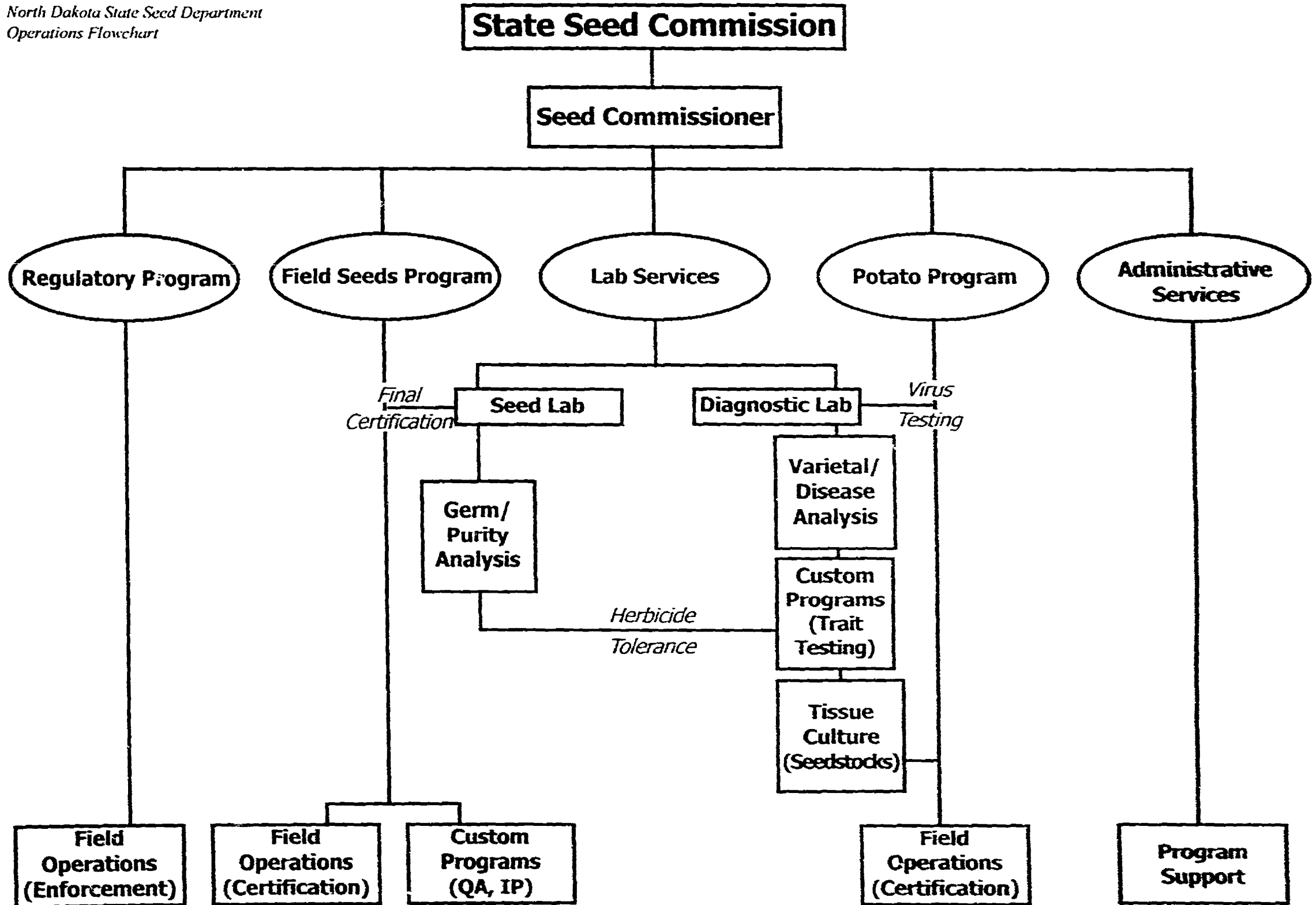


Field Inspected Acres



Bushels Certified





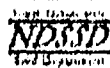
North Dakota State
NDSSD
 Seed Department

Testimony on H.B. 1018
 ND State Seed Department Budget

Senate Appropriations Committee

February 15, 2001

Ken Bensch
 ND State Seed Commissioner



NDSSD Overview

State Designated Authority (D.R.S. 4102)

- Seed Certification
- Regulation of Seed Industry
- State Seed Laboratory

Self-Funded Agency

- Revenue derived from service fees

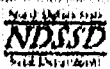
Governed by State Seed Commission

- Serves as agency Board of Directors
- Represents industry, and most commodities grown in ND
- Sets policy, approves budgets, fee schedules and program changes, appoints Seed Commissioner

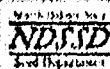
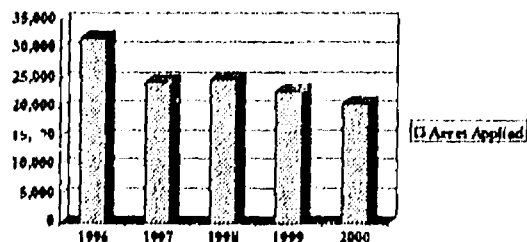


Potato Program

- Agencies Largest Program Area:
 - Decreasing acreage of seed production ... Increasing need for technical resources
- Program Components:
 - Field Inspection and Certification
 - Grade Inspection: Seed, commercial and processing
 - Wholesale dealers licensing
 - Winter testing
 - Technical support: ND Certified Seed Growers Assn.
 - Promotion of ND produced seed
 - Technical advice: Production of foundation seedstocks in NDSSD tissue culture/greenhouse operation

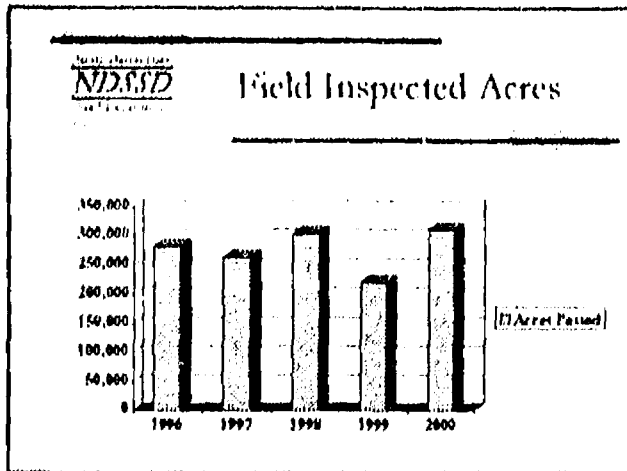


Certified Seed Potato
 Acres



Field Seed Program

- Highest Profile Dept. Program: Broad Responsibilities
- Traditional Services ... Evolving to Focus on Custom Programming
- Program Components:
 - Field inspection and certification
 - Final certification (grading, seed standards)
 - Approval of seed conditioning, bulk retail facilities
 - Custom program development: Identity Preservation, Quality Assurance
 - Technical support: ND Crop Improvement Assn., NDSU Foundation Seedstocks, NDSU Research Foundation, others
 - Promotion of ND produced certified seed - all types



Laboratory Services Program

- Fastest Growing Department Enterprise... Biotechnology
- From Determination and Purities.....Advanced Genetic Analysis
- New for 2001-2003:
 - Separation from Field Seed Program (budget require)
 - Management and operation of Potato Seedlocks program
 - Focus on determination and verification of genetic traits

<ul style="list-style-type: none"> • Diagnostic Laboratory <ul style="list-style-type: none"> • Varietal Identification • Disease Testing • Seed Trait Analysis • GMO Testing 	<ul style="list-style-type: none"> Seed Quality Laboratory <ul style="list-style-type: none"> • Germination Testing • Seed Purity Analysis • Trait Bioassay Grow-outs • Import/Export Quality Testing
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Regulatory Program

- Responsibilities include:
 - Enforcement of state and Federal seed laws
 - Regulation of seed labeling and sales
 - Consumer protection issues
 - Seed sampling, auditing suspected violations, investigating complaints
- Increasing demands on program area:
 - Impacted by development of new varieties with protection under the *Plant Variety Protection Act (PVP)*

Administrative Program

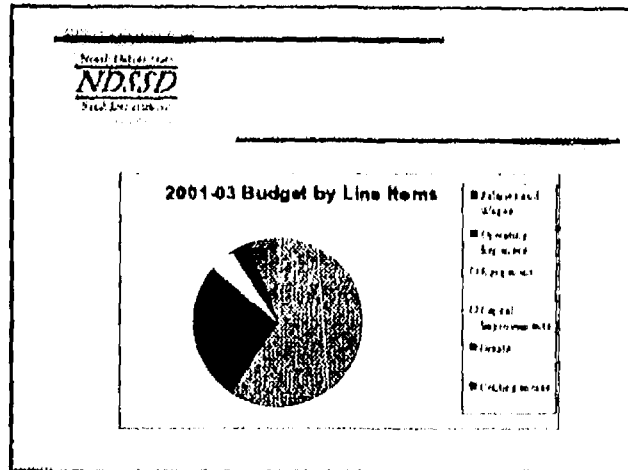
- Provides for: Facility, equipment, technology and support service needs of NIDSSD programs.
- Program budget includes:
 - Capital Improvements
 - Information Technology
 - Equipment
 - Contingency

Key Issues in Budget Process

- Identification of Critical Issues.....Development of Budget
- Impact of Biotechnology: Research, development, commercialization and utilization of seed sources.
- Shifts in cropping patterns, seed production: Increase in soybean, corn, canola, irrigated crops.....Shifts in seed potato areas, durum production
- Advancements in technology, means:
 - Demand for high-tech testing and programs
 - High expectations for information transfer
- Protection of intellectual property: Impact on NIDSSD

Budget Request by Line Item

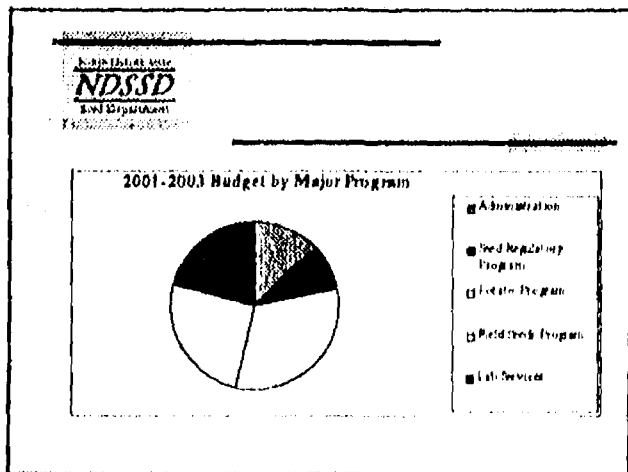
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Grants	100,000	200,000	100.0%
Contingencies	(*) 0	300,000	100.0%
Totals	5,317,244	5,454,447	2.6%



North Dakota State
NDSSD
Seed Department

Program Breakdown

Program	99-01	01-03	Change
Administration	290,000	705,090	141.1%
Regulatory	407,976	498,185	22.1%
Potato	2,644,887	1,702,997	-35.6%
Field Seeds	1,402,551	1,417,745	1.0%
Lab Services	171,830	1,130,522	97.7%
Totals	5,317,244	5,454,447	2.6%



North Dakota State
NDSSD
Seed Department

Summary

- Budget Request Represents:
 - Realistic, efficient re-distribution of resources
 - Maintenance of strong base programming
 - Proactive effort to upgrade programs (biotechnology)
 - Conservative...but allowing for effective delivery of services
- *The Seed Commission and State Seed Department thank you for your consideration*

North Dakota State
NDSSD
Seed Department