

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2012-13 STAFF BUDGET BRIEFING

DEPARTMENT OF AGRICULTURE

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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**FY 2012-13 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF AGRICULTURE

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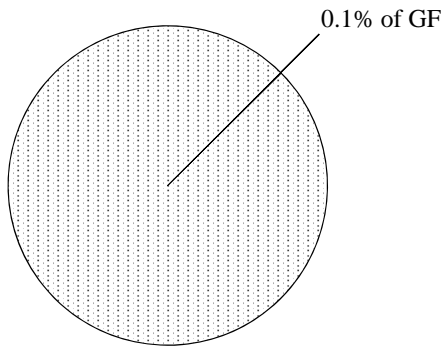
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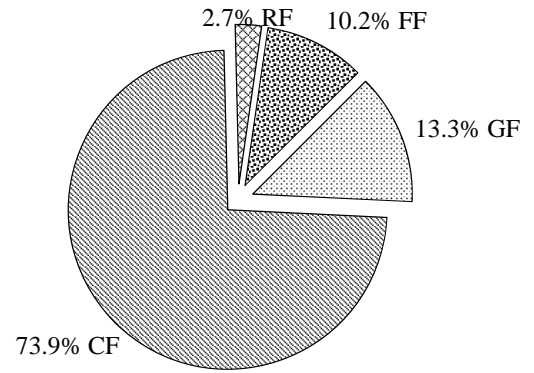
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Department of Agriculture
GRAPHIC OVERVIEW**

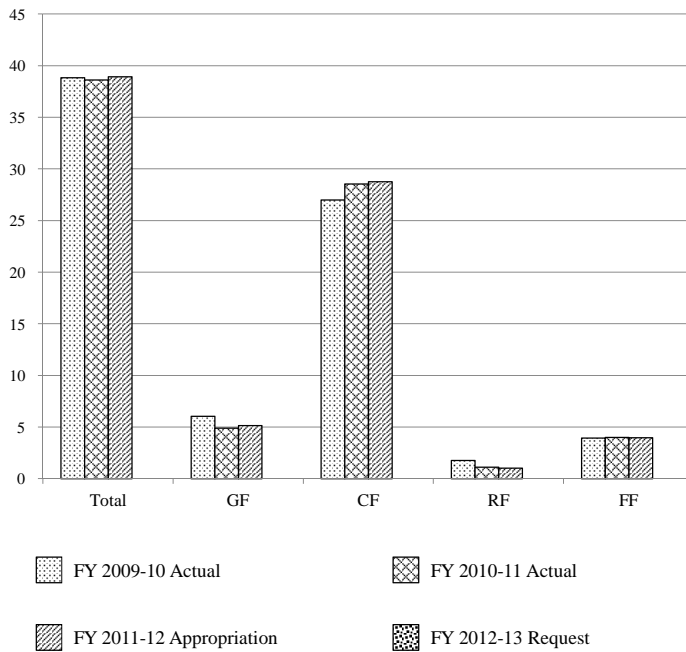
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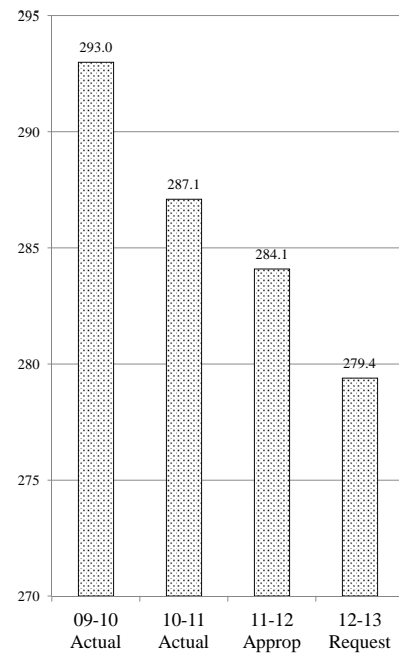
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**Budget History
(Millions of Dollars)**

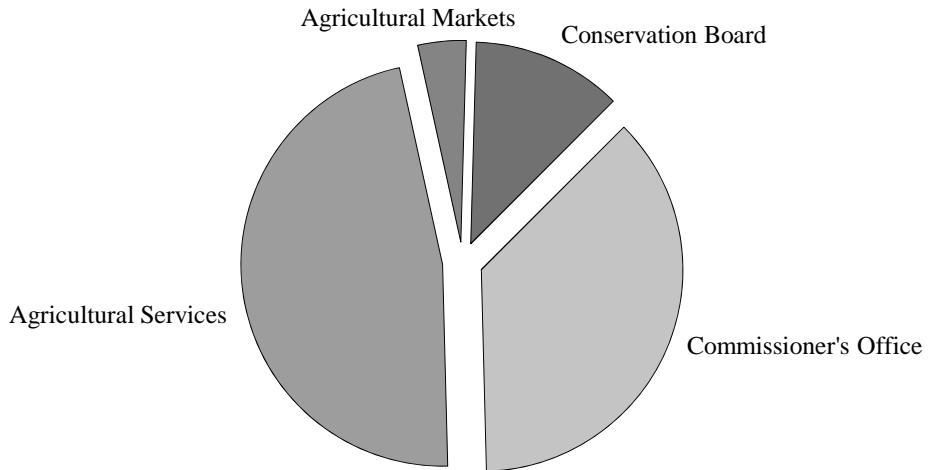


FTE History

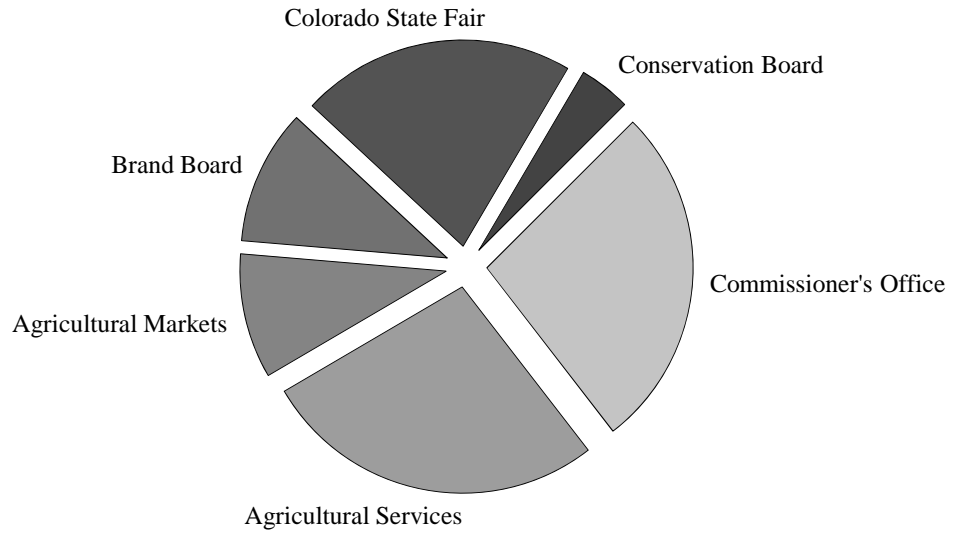


Unless otherwise noted, all charts are based on the FY 2011-12 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



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DEPARTMENT OVERVIEW

Key Responsibilities

- ❑ The **Agricultural Services Division** consists of the following programs:
 - ❑ **Animal Industry** oversees the prevention and control of livestock diseases, operation of the Rocky Mountain Regional Animal Health Laboratory, implementation of pest control, licensing and inspection of pet care facilities, and investigations animal cruelty claims.
 - ❑ **Inspection and Consumer Services (ICS)** provides metrology and regulatory-related laboratory services including analysis of feeds, fertilizers, groundwater, and pesticides. Additionally, ICS inspects:
 - animal feed;
 - anhydrous ammonia tanks;
 - eggs and grain warehouses;
 - agricultural commodity handlers and dealers;
 - door-to-door sales companies;
 - custom meat processors; and
 - small and large weighing and measuring devices.
 - ❑ **Plant Industry** is responsible for organic certification, nursery stock inspection, produce inspection, certification of plant and seed exports, seed inspection and certification, weed-free forage certification, chemigation permitting and inspection, commercial and private pesticide applicator testing and licensing, and inspection of pesticide product records and labels.
- ❑ The **Agricultural Markets Division** works to promote Colorado's agricultural products and services to domestic and international markets and to increase development of value-added business ventures. This division also promotes Colorado's wine industry and encourages development of agricultural-based renewable energy projects through grants. The Markets Division is also responsible for the operation of the agricultural products inspection program (including potato inspection).
- ❑ The **Brand Board** inspects and verifies the ownership of livestock at sales, slaughterhouses and export sites to protect producers and buyers from fraud and/or theft of livestock. The Brand Board also investigates reported livestock theft, maintains brand records, and licenses livestock sale barns, processing plants and alternative livestock farms.
- ❑ The **Colorado State Fair** is responsible for the planning and execution of the 11 day state fair in August, as well as various events that occur on the fairgrounds throughout the year.

- ❑ The **Conservation Board** provides administrative and financial assistance to the 76 state conservation districts. The Conservation Board also works with districts on noxious weed management, groundwater protection, biological pest control, and erosion prevention projects.

Factors Driving the Budget

Funding for this Department in FY 2011-12 consists of 13.3 percent General Fund, 73.9 percent cash funds, 2.7 percent reappropriated funds, and 10.2 percent federal funds.

Agricultural Services Division

Funding appropriated to the Agricultural Services Division (ASD) is expended on four program areas: animal industry, plant industry, inspection and consumer services, and agricultural products inspection. In FY 2011-12 ASD accounted for 27.0 percent of the Department's total appropriation (46.7 percent of the Department's total General Fund appropriation and 26.7 percent of the Department's total cash fund appropriation). The following table outlines the Agricultural Services Division's share of the Department's total appropriation from FY 2008-09 through the Department's FY 2012-13 request.

Agricultural Services Division Appropriations Since FY 2008-09					
	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Actual.	FY 2011-12 Appropriation	FY 2012-13 Request
Agricultural Services Division	\$11,771,337	\$13,047,646	\$12,712,431	\$10,534,569	\$12,303,513
Total Dept. Appropriation	38,871,128	37,429,248	37,070,748	38,960,831	39,193,754
Agriculture Services as Percent of Total Department	30.3%	34.9%	34.3%	27.0%	31.4%

Agriculture Management Fund

The Agriculture Management Fund was created by House Bill 08-1399 (Buescher/Isgar) which allocated the interest earned on the sale of unclaimed securities in the following ways:

- 65.0 percent to the Agriculture Management Fund to be used for agricultural purposes and staff;
- 25.0 percent to the Colorado State Fair to be used for expenses incurred by running the State Fair and fair ground maintenance;
- 10.0 percent to the Colorado Travel and Tourism Fund in the Office of the Governor to be used for the promotion of agritourism.

Moneys from the Agriculture Management Fund have enabled the Department to limit the number of cuts taken by backfilling General Fund reductions with Agriculture Management Fund dollars. The Department is exploring an office consolidation which would combine all five facilities to one location. If the consolidation were to move forward, the Department indicates that they would finance costs with fund from the Agricultural Management Fund. The following table outlines the use of funds in the Agriculture Management Fund in FY 2012-13.

Use of Agriculture Management Funds FY 2011-12 and FY 2012-13		
	FY 2011-12	FY 2012-13
Beginning Balance	\$1,830,042	\$1,687,554
Revenue	2,000,000	\$2,000,000
Expenditures		
Refinance Markets Division	440,054	0
Conservation Grants	400,000	400,000
Colorado Proud Advertising	250,000	250,000
Noxious Weeds	200,000	200,000
FTE and POTS	209,468	211,707
Contract Service for US Herds Software	125,000	0
Contract Service Predator/Animal Traceability	110,000	110,000
Facility Renovations to State Fair	68,000	40,000
Insectary Roof Repairs	20,000	0
Indirect Cost Assessment	18,705	18,300
Subtotal Expenditures	1,841,227	1,230,007
Ending Balance Before Reserves	1,988,815	2,457,547
State Fair Reserve	250,000	250,000
Office Consolidation Reserve	51,261	666,542
Ending Balance After Reserves	\$1,687,554	\$1,541,005

State Economy

Due to the economic downturn, the Department has reduced General Fund appropriation from FY 2009-10 through FY 2010-11. The Department has been able to backfill the majority of these General Fund reductions with moneys from the Agricultural Management Fund and increased Inspection and Consumer Services fees. The requested FY 2012-13 General Fund increase is due to adjustments to increases in state contributions to employee benefits and restoring the PERA reduction taken in FY 2011-12. Additionally, the Agricultural Markets Division has requested that the refinancing from General Fund appropriations to Agricultural Management Funds be reversed for FY 2012-13, which increases the General Fund request from zero to \$446,832. The following table shows the Department's General Fund appropriation from FY 2008-09 through the FY 2012-13 budget request.

Department of Agricultural GF Appropriations Since FY 2008-09					
	FY 2008-09 Appropriation	FY 2009-10 Appropriation	FY 2010-11 Appropriation	FY 2011-12 Appropriation	FY 2012-13 Request
General Fund Appropriation	\$7,223,168	\$6,055,836	\$4,924,114	\$5,164,362	\$5,813,563
Increase/(Decrease) from Previous Year	n/a	(16.2)%	(18.7)%	4.9%	12.6%

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DECISION ITEM PRIORITY LIST

1	Renewal 5 Year Lease Purchase Authority		
	Agricultural Services Division. This request reflects a renewal in spending authority to enter lease purchase agreements for biochemistry laboratory equipment. The spending authority request applies to the Inspection and Consumer Services Cash Fund (16R), the Plant Health, Pest Control and Environmental Protection Cash Fund (23S), and General Fund appropriations. <i>Statutory Authority: 35-1-104 C.R.S and 35-1-108 C.R.S.</i>	Total Funds	<u>\$99,360</u>
		<i>FTE</i>	0.0
		GF	22,770
		CF	76,590
2	Permanent Refinance of ICS Programs		
	Commissioner's Office and Administrative Services, Agricultural Services Division. The Department requests permanent cash funds refinancing of Inspection and Consumer Services programs to promote General Fund savings of \$1,262,642 during FY 2012-13. This request requires statutory change to articles contained in Title 35 and Title 12 to extend the provisions of H.B. 10-1377.	Total Funds	<u>\$76,250</u>
		<i>FTE</i>	0.0
		GF	(1,184,574)
		CF	1,184,574
		RF	76,250
3	Revision of Agricultural Services Letternote		
	Agricultural Services Division. The Department requests a revision to the letternote for the Agricultural Services Long bill group to identify estimated amounts from specific cash funds, instead of identifying a specific mix of funds. The Department's intention is to promote transparency among the Agricultural Services Division, while maintaining the flexibility granted to the Division by a Long Bill footnote in FY 2011-12 that bottom line funded the Agricultural Services Division.	Total Funds	<u>\$0</u>
		<i>FTE</i>	0.0
		GF	0
		CF	0
TOTAL REQUEST PRIORITY LIST			
		Total Funds	<u>\$175,610</u>
		<i>FTE</i>	0.0
		GF	(1,161,804)
		CF	1,261,164
		RF	76,250

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NON-PRIORITIZED DECISION ITEM PRIORITY LIST

1	Vehicle Lease Payments Adjustment		
		Total Funds	<u>\$37,568</u>
	Commissioner's Office and Administrative Services. This non-prioritized, common policy decision item reflects assumed changes in the billing for the centralized provision of vehicles by the Department of Personnel and Administration. <i>Statutory authority: Section 24-30-1104 (2), C.R.S.</i>	<i>FTE</i>	0.0
		GF	17,566
		CF	18,262
		FF	1,740
TOTAL NON-PRIORITIZED PRIORITY LIST			
		Total Funds	<u>\$37,568</u>
		<i>FTE</i>	0.0
		GF	17,566
		CF	18,262
		FF	1,740

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OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2011-12 appropriation and its FY 2012-13 request.

Table 1: Total Requested Change, FY 2011-12 to FY 2012-13 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2011-12 Appropriation	\$5.2	\$28.8	\$1.0	\$4.0	\$39.0	284.1
FY 2012-13 Request	5.8	28.5	1.0	3.9	39.2	279.4
Increase / (Decrease)	\$0.6	(\$0.3)	\$0.0	(\$0.1)	\$0.2	(4.7)
Percentage Change	12.6%	(0.9%)	(4.3%)	(2.7%)	0.6%	(1.7%)

The following table highlights the categories of changes contained in the Department's FY 2012-13 budget request, as compared with the FY 2011-12 appropriation.

Table 2: Total Department Requested Changes, FY 2011-12 to FY 2012-13 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
Decision Items	(\$1.1)	\$1.3	\$0.1	0.0	\$0.2	0.0
Non-Prioritized Items	0.0	0.0	0.0	0.0	0.0	0.0
Technical/Base Changes	1.8	(1.6)	(0.1)	(0.1)	0.0	(4.7)
TOTAL	\$0.7	(\$0.3)	\$0.0	(\$0.1)	\$0.2	(4.7)

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BRIEFING ISSUE

ISSUE: Performance-based Goals and the Department's FY 2012-13 Budget Request

This issue brief summarizes the Department of Agriculture report on its performance relative to its strategic plan and discusses how the FY 2012-13 budget request advances the Department's performance-based goals. Pursuant to the State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act (H.B. 10-1119), the full strategic plan for the Department of Agriculture can be accessed from the Office of State Planning and Budgeting web site.

The issue brief assumes that the performance-based goals are appropriate for the Department. Pursuant to the SMART Government Act legislative committees of reference are responsible for reviewing the strategic plans and recommending changes to the departments. The issue brief also assumes that the performance measures are reasonable for the performance-based goals. Pursuant to the SMART Government Act the State Auditor periodically assesses the integrity, accuracy, and validity of the reported performance measures. Please note that the Department's strategic plan includes five overarching highest priority objectives and performance measures and additional division-specific objectives and performance measures.

DISCUSSION:

Performance-based Goals and Measures

The Department's five top priority objectives are:

1. Expand Marketing Efforts

Objective: Develop and expand marketing, trade, new business opportunities and public awareness supporting Colorado's agriculture industry.

Measure	Outcome	FY10 Actual	FY11 Actual	FY12 Goal	FY13 Goal
Rating of effectiveness as determined by a survey of ag industry leaders and based on a 1 to 4 rating system with 4 being highly effective.	Benchmark	n/a	n/a	>3.1	>3.1
	Actual	3.00	3.03	n/a	n/a

2. Promote Animal and Plant Health

Objective: Protect Colorado's animal and plant industries through the prevention and control of diseases and pests, and the care and health promotion of all animals.

Measure	Outcome	FY10 Actual	FY11 Actual	FY12 Goal	FY13 Goal
Rating of effectiveness as determined by a survey of ag industry leaders and based on a 1 to 4 rating system with 4 being highly effective.	Benchmark	n/a	n/a	>3.3	>3.3
	Actual	3.36	3.26	n/a	n/a

3. Agricultural Sustainability

Objective: Help farmers, ranchers, and other land owners to manage Colorado's natural resources effectively for sustained agricultural production and environmental health.

Measure	Outcome	FY10 Actual	FY11 Actual	FY12 Goal	FY13 Goal
Rating of effectiveness as determined by a survey of ag industry leaders and based on a 1 to 4 rating system with 4 being highly effective.	Benchmark	n/a	n/a	>3.1	>3.1
	Actual	2.98	3.05	n/a	n/a

4. Food Safety

Objective: Provide for a safer, more secure food supply and protect Colorado's agriculture industry and the general public.

Measure	Outcome	FY10 Actual	FY11 Actual	FY12 Goal	FY13 Goal
Rating of effectiveness as determined by a survey of ag industry leaders and based on a 1 to 4 rating system with 4 being highly effective.	Benchmark	n/a	n/a	>3.4	>3.4
	Actual	3.26	3.34	n/a	n/a

5. Marketplace Consistency

Objective: Ensure that Colorado's Agricultural Producers and Consumers are Protected in the Marketplace.

Measure	Outcome	FY10 Actual	FY11 Actual	FY12 Goal	FY13 Goal
Rating of effectiveness as determined by a survey of ag industry leaders and based on a 1 to 4 rating system with 4 being highly effective.	Benchmark	n/a	n/a	>3.2	>3.2
	Actual	3.11	3.18	n/a	n/a

a. How is the Department measuring the specific goal/objective?

This data comes from a survey administered by the Department between December 21, 2009 and January 8, 2010. The 88 survey respondents included: industry leaders from various agricultural associations and organizations, CSU leadership, and other unidentified boards. While the sample size is relatively small, the survey had a 63 percent response rate. Only industry members were included in this sample.

b. Is the Department meeting its objective, and if not, why?

Unclear. One cannot ascertain historical trends from one survey of industry. The survey also did not tie to any internal Departmental measures or specific progress measurable goals tied to the five overarching Departmental objectives. The baseline data collected during this survey may be used to track trends of industry opinions of the Department over future years.

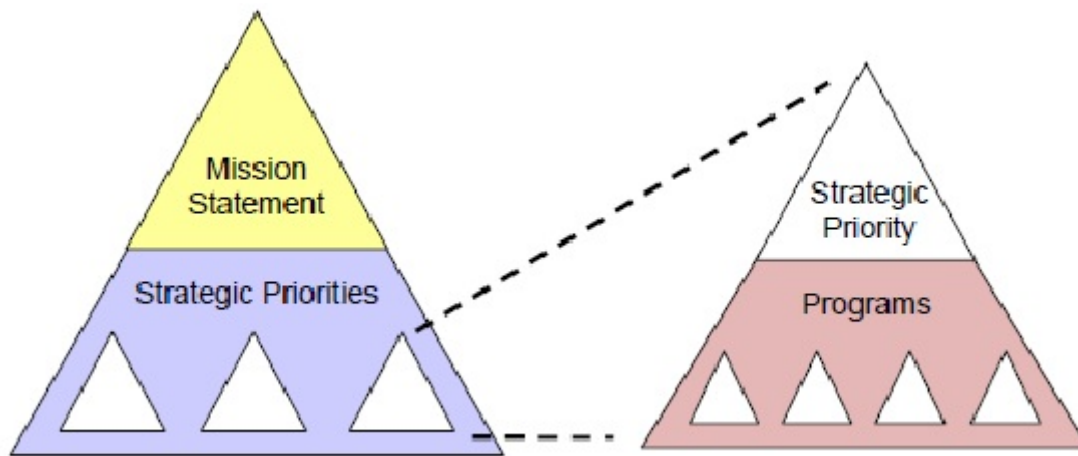
c. How does the budget request advance the performance-based goal?

The performance based goals are not tied to workload or internal Department measures, and there is no impact to the budget if performance based goals are not met. The data provided in the strategic plan related only to the survey conducted in 2009 and 2010. The Department does not include information on how the goal will be measured in future years from surveying industry, or another measure.

Other Staff Observations About Budget Request and Performance-based Goals

In 2009 and 2010, when the survey of industry leaders was being completed, the Department also defined strategic priorities through the Commissioner's office, and collaboration with senior staff. The end result of this collaboration was a linked pyramid graphic to outline the relationship between the mission statement and the programs hosted in the Department of Agriculture. It is important to note that while industry was consulted, the planning and survey process did not include the general public, an important stakeholder.

Mission Statement: To strengthen and advance Colorado’s agriculture industry; ensure a safe, high quality, and sustainable food supply; and protect consumers, the environment, and natural resources.



There was not enough information contained in this plan to determine if the measures are different than what the Divisions are charged with based on their statutory authority. For example, the State Fair, pursuant to Section 36-65-105, C.R.S. was established to display livestock, agricultural, horticultural, industrial, mining, water conservation, tourist industry, recreational, educational, and scientific facilities, processes, and products of the state of Colorado. The measures displayed in this year's strategic plan, fair events and days of facility usage, are consistent with the statutory charge, yet are observational in nature, and do not address effectiveness or efficiencies of these actions.

The Department did submit a variety of Division/Program performance measures that relate to the five overarching objectives outlined in the strategic plan. These measures were not explicitly tied to the objectives. I have provided a summary of the additional information below and have attempted to fit these measures into the five objectives, as outlined by the Department.

Objective	Measure	FY 2010-11 Actual	FY 2012-13 Goal
Expand Marketing Efforts	Increase State gross farm income and agricultural exports	Income: \$7.0 billion Exports: \$1.8 billion	Income: \$8.5 billion Exports: \$2.2 billion
	Increase oversight to commodity marketing orders	Orders Supervised: 9	Orders Supervised: 10
	Display the agriculture industry at the State Fair	Fair Events: 517,140	Fair Events: 520,000
	Showcase industry to educate public	Fairground facility usage: 124 days	Fairground facility usage: 138 days

Promote Animal and Plant Health	Maintain disease free livestock status (brucellosis, tuberculosis and scrapie)	Brucellosis, Tuberculosis, and Scrapie free	Free or Consistent State Status
	Reduce domestic animal abuse and neglect complaints	PACFA: 210 BAP: 1,092	PACFA: <180 BAP: <900
	Increase commodity inspection by value of commodities inspected	\$27.5 million	\$30.0 million
	Decrease pesticide misuse cases	1.7 per 1,000 registered products	1.5 per 1,000 registered products
Agricultural Sustainability	Stop invasive plant and insect spread by increasing List A elimination standard percentage	87%	100%
	Increase pesticide/fertilizer inspections to promote groundwater safety	Percent of Inspections for required facilities: 95%	Percent of Inspections for required facilities: 100%
	Conservation District service to landowners reported to CSCB	90%	100%
Food Safety & Marketplace Consistency	Increase industry compliance for accurate product contents and labeling	87%	>90%
	Increase feed/fertilized compliance with inspections	85%	>90%

**FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

BRIEFING ISSUE

ISSUE: Funding of Inspection and Consumer Services Programs

Following a Department initiated request to sponsor legislation, H.B. 10-1377 refinanced a number of Inspection and Consumer Services (ICS) programs. Pursuant to H.B. 10-1377, ICS programs were completely cash funded in FY 2010-11 and FY 2011-12. This resulted in a General Fund savings of approximately \$2.7 million. This legislation is scheduled to sunset on July 1, 2012. The Department is now requesting that ICS programs be permanently cash funded.

SUMMARY:

- Inspection and Consumer Services programs have been cash funded for six of the last nine years, which saved approximately \$2.7 million in General Fund appropriations in FY 2010-11 and FY 2011-12. With continued cash funding, \$1.3 million will be saved during FY 2012-13;
- With the exception of the programs that are temporarily cash funded through H.B. 10-1377 (fertilizer, feed, large device, measurement standards lab, farm products and commodity handlers), all other ICS programs are permanently cash funded; and
- If the provisions in H.B. 10-1377 are not extended, these ICS programs will require General Fund appropriations for FY 2012-13.

RECOMMENDATION:

Staff recommendation is to permanently cash fund all ICS programs (option one).

DISCUSSION:

Background

Inspection and Consumer Services programs have a history of being refinanced with department cash funds during times of economic downturn. Beginning with S.B. 03-297, ICS was completely cash funded for two years. Senate Bill 03-297 also created the Inspection and Consumer Services cash fund to hold fees collected for ICS programs. Subsequent legislation, H.B. 05-176, extended 100 percent cash funding of ICS programs for two years, through 2007. Inspection and Consumer Services programs have been cash funded for six of the last nine years.

Funding Mechanism

After cash funding of ICS expired on June 30, 2007 the ICS programs were funded by a split of General Fund and cash fund appropriations. The share covered by the General Fund was based on an estimate of how much each program impacted the public good. The higher value to public good,

the larger the General Fund appropriation. The funding schedule used from FY 2007-08 to FY 2009-10 will resume on July 1, 2012 if steps to permanently cash fund ICS are not taken. The table below outlines the funding splits for each program based on current statute.

Funding Mix Changes Since FY 2003-04							
Program	Prior to FY 2003-04 GF	FY 2003-2005 CF	FY 2007-2010		FY 2010-2012 CF	Resume FY 2012-13	
			GF	CF		GF	CF
Fertilizer	100.0%	100.0%	50.0%	50.0%	100.0%	50.0%	50.0%
Feed	100.0%	100.0%	50.0%	50.0%	100.0%	50.0%	50.0%
Large Device	100.0%	100.0%	25.0%	75.0%	100.0%	25.0%	75.0%
Measurement Standards Lab	100.0%	100.0%	75.0%	25.0%	100.0%	75.0%	25.0%
Farm Products	100.0%	100.0%	25.0%	75.0%	100.0%	25.0%	75.0%
Commodity Handlers	100.0%	100.0%	25.0%	75.0%	100.0%	25.0%	75.0%

The programs that would be affected by the sunset of provisions contained in H.B. 10-1377 are: Fertilizer, Feed, Large Scales, Measurement Standards, and Commodity Handlers. Prior to 2003, these programs credited fees for inspection services to the General Fund, and the costs of program implementation were financed through General Fund appropriations. Currently, fees are credited to the Inspection and Consumer Services Cash Fund which provides funds to administer the direct and indirect costs of the ICS programs. Three additional ICS programs not listed above have been cash funded since 2003: meat, food plan, and egg related inspections.

In order to continue cash funding the Inspection and Consumer Services programs, it is anticipated that the fee increases adopted in 2010 would have to remain at or above current levels. The table below outlines where General Fund appropriations will be necessary to replace current cash funds, in FY 2012-13, if ICS programs are not cash funded.

Division	Line Items	General Fund	Cash Funds	Reappropriated Funds
Commissioner's Office and Administrative Services	Personal Services	108,229	0	(108,229)
	Health, Life, and Dental	71,729	(71,729)	0
	Short-term Disability	1,239	(1,239)	0
	S.B. 04-257 Amortization Equalization Disbursement	19,188	(19,188)	0
	S.B. 06-235 Supplemental Amortization Equalization Disbursement	13,991	(13,991)	0
	Workers' Compensation	9,836	(9,836)	0
	Legal Services	6,852	(6,852)	0
	Payment to Risk Management and Property Funds	2,490	(2,490)	0
	Information Technology Asset Maintenance	7,336	(7,336)	0
	Utilities	24,112	(24,112)	0
	TOTAL by Division	265,002	(156,773)	(108,229)
Agricultural Services Division	Inspection and Consumer Services	974,518	(974,518)	0
	Lease Purchase Lab Equipment	39,672	(39,672)	0
	Indirect Cost Assessment	0	(108,229)	0
	TOTAL by Division	1,014,190	(1,122,419)	0
	Department TOTAL	1,301,254	(1,301,254)	(108,229)

Fee Variance

A number of these increases appear to be quite large but are relatively minimal. For instance fertilizer fee increases ranged from 20.0 percent to 150.0 percent. The 20.0 percent increase represents a facility registration fee that increased from \$50.00 to \$60.00, while the largest increase of 150.0 percent represents a per ton fee on commercial fertilizer that increased from \$0.10 to \$0.25. Refer to Appendix E for the entire list of fees effected by H.B. 10-1377. The table below summarizes the fee changes.

Fee Impact if Inspection Consumer Services Program are 100 Percent Cash Funded				
Program	Average Percent Change in Fee	Number of Affected Fees	Smallest Increase	Largest Increase
Fertilizer	85.6%	9	20.0%	150.0% - Commercial Fertilizer/Soil Conditioner/Plant Amendment inspection fee per ton
Feed	113.0%	7	100.0%	140.0% - Small package inspection fee and late fee
Large Device	33.0%	4	33.0%	34.0% - Grain Moisture Meter
Measurements Standards Lab	122.0%	6	32.0%	300.0% - Lab fees for Metrology Program
Farm Products	33.0%	3	33.0%	34.0% - Small Volume Dealers/Cash Buyers License

Fee Impact if Inspection Consumer Services Program are 100 Percent Cash Funded				
Program	Average Percent Change in Fee	Number of Affected Fees	Smallest Increase	Largest Increase
Commodity Handlers	33.0%	3	33.0%	34.0% - Late License Fee

The Department of Agriculture Inspection and Consumer Services workload measures are projected to remain relatively flat from FY 2011-12 to FY 2012-13. The total of all ICS services is projected to change less than one percent. This shows a consistent workload demand for these services, which does not appear to fluctuate with variable economic conditions.

Recommendation Option One:

Sponsor a bill to permanently cash fund all Inspection and Consumer Services programs, per the Governor's State Budget Request for FY 2012-13. This action would preserve General Fund moneys in current and future years. Additionally, if the provisions of H.B. 10-1377 are permanently adopted with legislation, the Agricultural Commission will have the flexibility to set fees based on the true cost of administering Inspection and Consumer Services programs.

Points to Consider

- Consistency among ICS programs:** The aforementioned programs are the only Inspection and Consumer Services Programs that will require General Fund appropriation during FY 2012-13. While there is public value to all programs hosted in Inspection and Consumer Services, it is unclear how these are more beneficial than comparable programs. For example, the egg inspection program is 100 percent cash funded.
- Scarcity of General Fund moneys:** If the current fee structure is maintained, it is anticipated to save \$1.3 million in General Fund appropriations in FY 2012-13.
- Industry Considerations:** When H.B.10-1377 was passed there was no industry testimony offered in opposition to the fee increases that were enacted. Additionally, the Department has not received negative feedback about the fee increases pursuant to H.B. 10-1377.
- Costs and Benefits:** The Inspection and Consumer Services programs provide a valuable service to the Agriculture industry. While the residents of Colorado indirectly benefit from these services, businesses directly benefit. Businesses gain product legitimacy from inspections, allowing for consumer confidence with respect to such products. The businesses may also use inspection history and records to show consistency in their individual products.

Additional Options:

Option Two - Sponsor a bill to extend the provisions of H.B. 10-1377 for another two years. Adopting this option would not require fee increases since current fee levels support cash funded ICS programs. Since workload measure predictions from the Department appear to be stable, the Agricultural Commission should be able to maintain relatively unchanged fees to administer the ICS programs.

Option Three - Take no action and allow the provisions of H.B. 10-1377 to sunset at the end of FY 2011-12. This will require General Fund appropriations of approximately \$1.3 million during FY 2012-13.

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Department of Agriculture**

BRIEFING ISSUE

ISSUE: Elimination of Statutory Indirect Cost Caps

The Department of Agriculture currently has indirect cost caps set in statute for the Brand Board, Alternative Livestock, Chemigation, and Agricultural Products Inspection programs. This limits the amount of moneys the Commissioner's Office can collect to pay for the indirect costs of program administration. Limiting the amount of indirect costs that can be recovered from a program results in annual General Fund dollars being used to cover the difference. Pursuant to S.B. 03-169 indirect cost caps were removed for three years.

SUMMARY:

- Statutory limitations on indirect cost caps has required an average General Fund backfill of \$609,111 from FY 2007-08 to FY 2010-11. This means the Brand Board, Alternative Livestock, Chemigation, and Agricultural Products Inspection programs are not paying their share of indirect costs; and
- Modifying fees to cover the total amount of indirect costs for these programs would have a negligible impact on user fees.

RECOMMENDATION: Staff recommends the Committee sponsor legislation to remove statutory caps on indirect costs for the Brand Board, Alternative Livestock, Chemigation, and Agricultural Products Inspection programs (option one).

DISCUSSION:

History of Indirect Costs

Departmental indirect costs are the general overhead costs incurred by the Commissioner's Office to provide a service that benefits the entire Department. Examples of their departmental services include: accounting services, budgeting, payroll, executive leadership, purchasing, and cashier services.

The Department of Agriculture calculates indirect costs on a per FTE ratio by program or specific division to cover the costs of personal services and operating expenses in the Commissioner's Office. The total indirect costs (personal services and operating) is divided by the total FTE from cash and federally funded FTE in the Department. The total cost of Departmental indirects was approximately \$1.4 million in FY 2011-12, with a per FTE assessment rate of \$6,223.

The Brand Board's indirect cost recoveries are limited to 3.6 percent of the Brand Board's annual appropriation. Additionally, the Alternative Livestock inspection program has indirect costs capped at 3.6 percent of their annual appropriation.

Chemigation Program indirect costs are calculated as a percentage of the program's FTE versus FTE for the entire Department. Indirect costs can not exceed that ratio, which is approximately 1.2 percent based on FY 2011-12 FTE, as reported by the Department.

Five percent of the Agricultural Products Inspection fund can be used to pay for the indirect costs of administering the mandatory and non-mandatory inspection program. Additionally, pursuant to Section 35-23-114, C.R.S., an annual General Fund appropriation of \$200,000 or 50.0 percent of operational costs of the mandatory inspection program, whichever amount is lower. The table below summarizes the indirect cost recovery caps.

Indirect Cost Recovery Caps in the Department of Agriculture			
Program	Enacting Legislation	Applicable Statute	Description of the Indirect Cost Recovery Cap
Agricultural Products Inspection	H.B. 85-1232	Section 35-23-114 (3) (a) (II), C.R.S.	5% of appropriation
Alternative Livestock	H.B. 94-1096	Section 35-41.5-116, C.R.S.	3.6 % of appropriation
Chemigation	H.B. 88-1007	Sections 35-11-105 (4) and 35-11-106 (3) (b), C.R.S.	Percent of program FTE to Dept. FTE of appropriation (~ 1.2%)
Brand Inspection	H.B. 88-1126	Section 35-41-102 (b), C.R.S.	3.6% of appropriation

Senate Bill 03-169

Senate Bill 03-169 (Teck/Plant) removed the statutory cap on indirect costs for these programs from FY 2002-03 through FY 2005-06. Removing indirect cost caps does not increase the total dollar amount required to administer these programs, rather it allows for cost recovery with cash funds in specific programs. This eliminates the need of General Fund appropriations to cover the difference between the indirect cost of administering the programs, and the limited amount of funds that can be collected to cover these costs. Temporary refinancing of these programs saved \$1.5 million from FY 2002-03 to FY 2005-06.

Indirect Costs from FY 2007-08 to FY 2010-11

The General Assembly allowed S.B. 03-169 to sunset at the end of FY 2005-06, which reinstated the indirect cost caps thus requiring General Fund backfill of indirect cost recoveries. The following table details the amount of General Fund backfill for indirect cost recoveries from FY 2007-08 to FY 2010-11.

Indirect Costs from FY 2007-08 to FY 2009-10						
Fiscal Year		Brand Inspection	Alternative Livestock	Chemigation	Agricultural Products	Total
FY 2007-08	Assessment	137,241	0	98	69,779	207,118
	Actual	569,384	0	27,482	279,110	875,976
	GF Backfill	432,143	0	27,384	209,331	668,858
	GF Backfill as % of Actual Indirects	75.9%	0.0%	99.6%	75.0%	76.4%

Indirect Costs from FY 2007-08 to FY 2009-10						
Fiscal Year		Brand Inspection	Alternative Livestock	Chemigation	Agricultural Products	Total
FY 2008-09	Assessment	133,797	3,444	86	74,315	211,642
	Actual	515,483	3,444	24,880	252,688	796,495
	GF Backfill	381,686	0	24,794	178,373	584,853
	GF Backfill as % of Actual Indirects	74.0%	0.0%	99.7%	70.6%	73.4%
FY 2009-10	Assessment	142,379	0	84	124,893	267,356
	Actual	511,969	0	24,710	266,409	803,088
	GF Backfill	369,590	0	24,626	141,516	535,732
	GF Backfill as % of Actual Indirects	72.2%	0.0%	99.7%	53.1%	66.7%
FY 2010-11	Assessment	\$412,585	\$0	\$19,914	\$214,694	\$647,193
	Actual	\$142,379	\$0	\$8,759	\$116,408	\$267,546
	GF Backfill	\$270,206	\$0	\$11,155	\$98,286	\$379,647
	GF Backfill as % of Actual Indirects	65.5%	0.0%	56.0%	45.8%	80.4%
Four Year GF Backfill Avg.		\$363,406	\$0	\$21,989	\$156,876	\$609,111
Four Year Avg. GF Backfill as Percent of Actual Indirect Costs		83.6%	0.0%	97.6%	68.6%	79.1%

Recommendation Option One

Sponsor legislation to remove indirect cost caps on the Brand Board, Alternative Livestock, Chemigation, and Agricultural Products Inspection programs. This action would promote General Fund savings, and hold these programs accountable for the indirect costs of program administration. Considering the cash fund balances for the Brand Board, Alternative Livestock, and Chemigation programs, this action would marginally affect the program users. Fee increases may be necessary at some point in the future. It is reasonable to assume that the direct beneficiary of these services should pay a fee that reflects that cost of program administration.

Points to Consider

1. General Fund benefits for cash funded programs

It is unclear why the Brand Board, Alternative Livestock, Chemigation, and Agricultural Products Inspection programs are able to receive a benefit of General Fund backfill, when other programs located in the Department of Agriculture recover all the direct and indirect costs of administering programs. Programs that are cash funded, including all of the Inspection and Consumer Services programs, charge fees for services which finance direct and indirect costs. Additionally, providing General Fund backfill for certain programs shifts the cost of paying for programs from the direct program user to the general public.

The Brand Board, which has a restriction of 3.6 percent of their total appropriation for indirect costs, is completely cash funded. The Brand Board charges fees to the direct beneficiaries of service, the cattle and equine industries, to cover the costs of program administration. The General Fund backfill for indirect costs in FY 2009-10 was \$369,590. The Brand Board is classified as an enterprise pursuant to Section 20 of Article X of the State Constitution. This limits the Brand Board to receive less than ten percent of their annual revenue from the state. During FY 2009-10 the General Fund backfill for indirect costs was 9.5 percent of the annual appropriation.

2. Indirect Cost Trends

Grants from the United States Department of Agriculture, National Institute of Food and Agriculture cap indirect costs at 22 percent of the total grant awarded pursuant to section 1462(a) of the National Agricultural Research, Extension, and Teaching Policy Act (7 U.S.C 3310 (a)). In most cases the total amount for indirect costs from the federal grant is 11 percent, and the grantee can match the 11 percent, to total 22 percent for indirect costs.

3. Hearing Comments

During the Department hearing on November 16, 2010, the Department supported removing indirect cost caps for the Chemigation and Agricultural Products Inspection programs, which receive full support from the Commissioner's Office. They opposed this same action for Brand Board and Alternative Livestock programs, citing administrative duties that are performed individually by these programs, instead of by the Commissioner's Office.

5. Impact of Repealing Indirect Cost Caps

The following table outlines the impact on fees for the Brand Board, Chemigation Program, and Agricultural Products Program if indirect cost caps are removed. There is a negligible impact on Alternative Livestock Program fees.

Fee Impacts of Repealing Indirect Cost Caps							
Program	Fee Description	Current Fee	Additional Revenue Needed	New Fee	Actual Fee Change	Fee Percent Change	Fund Reserve FY 2011-12
Brand Board	Fee per head for brand inspection	\$0.55	\$273,650	\$0.62	\$0.07	12.7%	\$1,774,553*
Chemigation	Annual permit fee	\$35	11,155	\$37.22	\$2.22	6.3%	\$1,604,574
Agricultural Products	Per Hour Inspection Fee	\$0.10	85,840	\$0.11	\$0.01	10.0%	\$86,816

*The Brand Board collects assessment fees on a five year schedule. This balance reflects the most recent brand assessment.

Additional Recommendation Options

Option Two: Temporarily remove indirect cost caps on the Brand Board, Alternative Livestock, Chemigation, and Agricultural Products Inspection programs. This action could mimic the

provisions of S.B. 03-169 to remove indirect cost caps for the next three fiscal years. This action promote immediate General Fund savings.

Option Three: Take no action, and leave the indirect cost caps in place.

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DEPARTMENT OF AGRICULTURE John Salazar, Commissioner

(1) COMMISSIONER'S OFFICE AND ADMINISTRATIVE SERVICES

This division provides administrative and technical support for department divisions and programs, including accounting budgeting, and human resources. Cash funds are from various fees and the reappropriated funds are from departmental and statewide indirect cost recoveries. Federal funds are from federal grants for agricultural purposes.

Personal Services	<u>1,665,658</u>	<u>1,245,291</u>	<u>1,282,140</u>	<u>1,421,352</u>	*
<i>FTE</i>	16.7	14.1	14.7	15.7	
General Fund	423,509	40,909	266,767	339,860	
Cash Funds	0	0	18,031	18,031	
Reappropriated Funds	1,242,149	1,204,382	997,342	952,107	
Federal Funds	0	0	0	111,354	
Health, Life, and Dental	<u>715,894</u>	<u>1,388,816</u>	<u>1,631,507</u>	<u>1,696,378</u>	
General Fund	388,000	253,085	285,788	309,560	
Cash Funds	294,000	1,135,731	1,284,766	1,314,086	
Reappropriated Funds	33,894	0	0	0	
Federal Funds	0	0	60,953	72,732	
Short-term Disability	<u>3,565</u>	<u>18,960</u>	<u>25,447</u>	<u>25,366</u>	*
General Fund	3,000	3,525	5,387	6,085	
Cash Funds	0	15,435	18,358	17,577	
Reappropriated Funds	565	0	0	0	
Federal Funds	0	0	1,702	1,704	

*This line item includes a decision item.

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S.B. 04-257 Amortization Equalization Disbursement	<u>180,693</u>	<u>272,642</u>	<u>403,551</u>	<u>458,594</u>	*
General Fund	69,000	52,959	86,230	110,012	
Cash Funds	105,000	219,683	290,403	317,774	
Reappropriated Funds	6,693	0	0	0	
Federal Funds	0	0	26,918	30,808	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>98,465</u>	<u>212,065</u>	<u>324,736</u>	<u>394,105</u>	*
General Fund	39,530	41,525	69,745	94,542	
Cash Funds	55,000	170,540	233,360	273,087	
Reappropriated Funds	3,935	0	0	0	
Federal Funds	0	0	21,631	26,476	
Workers' Compensation	<u>175,559</u>	<u>178,095</u>	<u>176,054</u>	<u>180,422</u>	
General Fund	50,978	41,877	28,153	3,414	
Cash Funds	123,026	134,639	147,901	177,008	
Federal Funds	1,555	1,579	0	0	
Operating Expenses	<u>115,172</u>	<u>112,622</u>	<u>117,122</u>	<u>122,084</u>	
General Fund	115,172	112,622	112,622	116,634	
Cash Funds	0	0	4,500	4,500	
Federal Funds	0	0	0	950	
Legal Services	<u>282,022</u>	<u>270,422</u>	<u>352,279</u>	<u>352,279</u>	*
General Fund	90,460	81,196	105,770	105,770	
Cash Funds	187,312	184,976	246,509	246,509	
Federal Funds	4,250	4,250	0	0	
Administrative Law Judge Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,359</u>	
Cash Funds	0	0	0	3,359	

*This line item includes a decision item.

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Purchase of Services from Computer Center	<u>21,811</u>	<u>384,926</u>	<u>520,491</u>	<u>635,437</u>	
General Fund	21,811	283,890	382,813	467,354	
Cash Funds	0	101,036	137,678	168,083	
Multiuse Network Payments	<u>0</u>	<u>129,317</u>	<u>182,691</u>	<u>196,283</u>	
General Fund	0	50,735	71,404	76,716	
Cash Funds	0	78,582	111,287	119,567	
Management and Administration of OIT	<u>10,005</u>	<u>132,976</u>	<u>134,856</u>	<u>17,160</u>	
General Fund	10,005	103,229	104,395	13,284	
Cash Funds	0	29,747	30,461	3,876	
Payment to Risk Management and Property Funds	<u>156,144</u>	<u>46,910</u>	<u>108,062</u>	<u>137,613</u>	
General Fund	59,374	15,347	29,403	24,567	
Cash Funds	95,554	31,197	78,659	113,046	
Federal Funds	1,216	366	0	0	
Vehicle Lease Payments	<u>188,672</u>	<u>212,237</u>	<u>208,951</u>	<u>246,519</u>	*
General Fund	57,103	54,283	73,377	88,441	
Cash Funds	104,068	130,706	133,521	154,285	
Federal Funds	27,501	27,248	2,053	3,793	
Information Technology Asset Maintenance	<u>152,964</u>	<u>153,031</u>	<u>153,031</u>	<u>153,031</u>	*
General Fund	42,041	34,705	34,705	34,705	
Cash Funds	110,923	118,326	118,326	118,326	
Leased Space	<u>102,514</u>	<u>105,478</u>	<u>110,751</u>	<u>121,864</u>	
General Fund	48,275	48,142	43,026	39,214	
Cash Funds	54,239	57,336	67,725	82,650	

*This line item includes a decision item.

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Capitol Complex Leased Space	<u>170,084</u>	<u>166,973</u>	<u>171,145</u>	<u>190,529</u>	
General Fund	138,747	136,205	139,608	155,420	
Cash Funds	31,337	30,768	31,537	35,109	
Communication Services Payments	<u>14,781</u>	<u>13,550</u>	<u>14,542</u>	<u>13,815</u>	
General Fund	9,473	8,684	9,283	3,454	
Cash Funds	5,308	4,866	5,259	10,361	
Utilities	<u>145,292</u>	<u>136,404</u>	<u>146,318</u>	<u>146,318</u>	*
General Fund	91,051	61,027	66,939	66,939	
Cash Funds	54,241	75,377	79,379	79,379	
Agricultural Statistics	<u>9,273</u>	<u>6,857</u>	<u>15,000</u>	<u>15,000</u>	
Cash Funds	9,273	6,857	15,000	15,000	
Grants	<u>3,630,113</u>	<u>3,778,381</u>	<u>2,686,127</u>	<u>0</u>	
<i>FTE</i>	13.7	15.4	13.0	0.0	
Federal Funds	3,630,113	3,778,381	2,686,127	0	
Agriculture Management Fund	<u>1,131,232</u>	<u>1,164,091</u>	<u>1,665,186</u>	<u>2,111,842</u>	
Cash Funds	1,131,232	1,164,091	1,665,186	2,111,842	
Indirect Cost Assessment	<u>217,997</u>	<u>150,885</u>	<u>99,760</u>	<u>24,400</u>	
Cash Funds	0	0	18,705	18,300	
Federal Funds	217,997	150,885	81,055	6,100	

*This line item includes a decision item.

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Total Funds - (1) Commissioner's Office and Administrative Services	9,187,910	10,280,929	10,529,747	8,663,750	(17.7%)
<i>FTE</i>	<u>30.4</u>	<u>29.5</u>	<u>27.7</u>	<u>15.7</u>	<u>(43.3%)</u>
General Fund	1,657,529	1,423,945	1,915,415	2,055,971	7.3%
Cash Funds	2,360,513	3,689,893	4,736,551	5,401,755	14.0%
Reappropriated Funds	1,287,236	1,204,382	997,342	952,107	(4.5%)
Federal Funds	3,882,632	3,962,709	2,880,439	253,917	(91.2%)

(2) AGRICULTURAL SERVICES DIVISION

The division is divided into four distinct programs: (1) Inspection and Consumer Services; (2) Plant Industry; (3) Animal Industry; and (4) Fruit and Vegetable Inspections.

Animal Industry	<u>0</u>	<u>0</u>	<u>1,947,036</u>	<u>2,224,989</u>	*
<i>FTE</i>	0.0	0.0	22.5	25.5	
General Fund	0	0	1,406,355	1,439,376	
Cash Funds	0	0	540,681	530,613	
Federal Funds	0	0	0	255,000	
Vaccine and Service Fund	<u>0</u>	<u>0</u>	<u>323,367</u>	<u>324,320</u>	
<i>FTE</i>	0.0	0.0	1.0	1.0	
Cash Funds	0	0	323,367	324,320	
Plant Industry	<u>0</u>	<u>0</u>	<u>3,172,578</u>	<u>3,868,415</u>	
<i>FTE</i>	0.0	0.0	34.7	36.5	
General Fund	0	0	342,439	349,463	
Cash Funds	0	0	2,260,119	2,304,133	
Federal Funds	0	0	570,020	1,214,819	

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Inspection and Consumer Services	<u>0</u>	<u>0</u>	<u>3,174,952</u>	<u>3,494,527</u>	*
<i>FTE</i>	0.0	0.0	45.6	45.6	
General Fund	0	0	0	0	
Cash Funds	0	0	3,174,952	3,238,527	
Federal Funds	0	0	0	256,000	
Conservation Services	<u>0</u>	<u>0</u>	<u>1,295,716</u>	<u>1,717,214</u>	
<i>FTE</i>	0.0	0.0	13.0	15.3	
General Fund	0	0	676,936	691,196	
Cash Funds	0	0	608,780	616,018	
Federal Funds	0	0	10,000	410,000	
Lease Purchase Lab Equipment	<u>63,136</u>	<u>63,136</u>	<u>85,992</u>	<u>99,360</u>	*
General Fund	21,045	0	0	0	
Cash Funds	42,091	63,136	85,992	99,360	
Indirect Cost Assessment	<u>711,360</u>	<u>730,538</u>	<u>534,928</u>	<u>574,688</u>	*
Cash Funds	639,262	656,468	516,223	513,078	
Federal Funds	72,098	74,070	18,705	61,610	
Program Costs	<u>11,479,892</u>	<u>10,667,441</u>	<u>0</u>	<u>0</u>	
<i>FTE</i>	138.8	140.4	0.0	0.0	
General Fund	3,067,768	2,687,052	0	0	
Cash Funds	7,348,386	7,546,817	0	0	
Reappropriated Funds	517,282	0	0	0	
Federal Funds	546,456	433,572	0	0	
Noxious Weed Management Grant Program	<u>0</u>	<u>184</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	184	0	0	

*This line item includes a decision item.

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Cervidae Disease Revolving Fund	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	10	0	0	0	
Operating Expenses for Aquaculture	<u>23,848</u>	<u>26,425</u>	<u>0</u>	<u>0</u>	
Cash Funds	23,848	26,425	0	0	
Total Funds - (2) Agricultural Services Division	12,278,246	11,487,724	10,534,569	12,303,513	16.8%
FTE	<u>138.8</u>	<u>140.4</u>	<u>116.8</u>	<u>123.9</u>	<u>6.1%</u>
General Fund	3,088,813	2,687,052	2,425,730	2,480,035	2.2%
Cash Funds	8,053,597	8,293,030	7,510,114	7,626,049	1.5%
Reappropriated Funds	517,282	0	0	0	0.0%
Federal Funds	618,554	507,642	598,725	2,197,429	267.0%

(3) AGRICULTURAL MARKETS DIVISION

This division provides marketing assistance and related support to Colorado agricultural-based businesses competing in local, national, and international arenas. The reappropriated funds are from a transfer from the Economic Development Commission, in the Office of the Governor.

(A) Agricultural Markets

Program Costs	<u>433,229</u>	<u>473,399</u>	<u>490,508</u>	<u>1,411,286</u>
FTE	4.0	4.4	4.7	5.4
General Fund	421,202	0	0	446,832
Cash Funds	12,027	473,399	490,508	50,454
Federal Funds	0	0	0	914,000
Economic Development Grants	<u>41,884</u>	<u>30,762</u>	<u>45,000</u>	<u>45,000</u>
Reappropriated Funds	41,884	30,762	45,000	45,000

*This line item includes a decision item.

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Agricultural Development Board	<u>541,678</u>	<u>543,529</u>	<u>574,261</u>	<u>0</u>	
<i>FTE</i>	0.5	0.3	0.5	0.0	
Cash Funds	541,678	543,529	574,261	0	
Wine Promotion Board	<u>635,311</u>	<u>557,935</u>	<u>566,933</u>	<u>569,613</u>	
<i>FTE</i>	1.3	1.5	1.5	1.5	
Cash Funds	635,311	557,935	566,933	569,613	
Indirect Cost Assessment	<u>3,861</u>	<u>3,127</u>	<u>12,471</u>	<u>13,420</u>	
Cash Funds	3,861	3,127	12,471	9,150	
Federal Funds	0	0	0	4,270	
Total Funds - (A) Agricultural Markets	1,655,963	1,608,752	1,689,173	2,039,319	20.7%
<i>FTE</i>	<u>5.8</u>	<u>6.2</u>	<u>6.7</u>	<u>6.9</u>	<u>3.0%</u>
General Fund	421,202	0	0	446,832	0.0%
Cash Funds	1,192,877	1,577,990	1,644,173	629,217	(61.7%)
Reappropriated Funds	41,884	30,762	45,000	45,000	0.0%
Federal Funds	0	0	0	918,270	0.0%

(B) Agricultural Products Inspection

Program Costs	<u>0</u>	<u>0</u>	<u>2,005,613</u>	<u>2,035,253</u>	
<i>FTE</i>	0.0	0.0	34.5	34.5	
General Fund	0	0	200,000	200,000	
Cash Funds	0	0	1,805,613	1,835,253	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>116,408</u>	<u>111,000</u>	
Cash Funds	0	0	116,408	111,000	

*This line item includes a decision item.

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	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Total Funds - (B) Agricultural Products Inspection	0	0	2,122,021	2,146,253	1.1%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>34.5</u>	<u>34.5</u>	<u>0.0%</u>
General Fund	0	0	200,000	200,000	0.0%
Cash Funds	0	0	1,922,021	1,946,253	1.3%
Total Funds - (3) Agricultural Markets Division	1,655,963	1,608,752	3,811,194	4,185,572	9.8%
<i>FTE</i>	<u>5.8</u>	<u>6.2</u>	<u>41.2</u>	<u>41.4</u>	<u>0.5%</u>
General Fund	421,202	0	200,000	646,832	223.4%
Cash Funds	1,192,877	1,577,990	3,566,194	2,575,470	(27.8%)
Reappropriated Funds	41,884	30,762	45,000	45,000	0.0%
Federal Funds	0	0	0	918,270	0.0%

(4) BRAND BOARD

The Brand Board is responsible for inspecting cattle, horse, and alternative livestock brands to verify ownership at the time of sale, transport, or slaughter, and constitutes an enterprise for the purposes of Section 20 of Article X of the Colorado Constitution.

Brand Inspection	<u>3,645,244</u>	<u>3,986,489</u>	<u>3,792,626</u>	<u>3,854,380</u>
<i>FTE</i>	54.0	57.9	66.3	66.3
Cash Funds	3,645,244	3,986,489	3,792,626	3,854,380
Alternative Livestock	<u>11,262</u>	<u>12,248</u>	<u>95,662</u>	<u>15,000</u>
Cash Funds	11,262	12,248	95,662	15,000
Indirect Cost Assessment	<u>142,379</u>	<u>142,379</u>	<u>142,498</u>	<u>139,298</u>
Cash Funds	142,379	142,379	142,498	139,298

*This line item includes a decision item.

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	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
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Brand Estray Fund	<u>32,257</u>	<u>25,477</u>	<u>94,050</u>	<u>40,000</u>	
Cash Funds	32,257	25,477	94,050	40,000	

Total Funds - (4) Brand Board	3,831,142	4,166,593	4,124,836	4,048,678	(1.8%)
<i>FTE</i>	<u>54.0</u>	<u>57.9</u>	<u>66.3</u>	<u>66.3</u>	<u>0.0%</u>
Cash Funds	3,831,142	4,166,593	4,124,836	4,048,678	(1.8%)

(5) COLORADO STATE FAIR

This division administers the State Fair under the guidance of the State Fair Authority. Cash funds are from the fees collected by the State Fair during the 11-day event and from non-fair events held at the State Fairgrounds in Pueblo, Colorado.

Program Costs	<u>7,157,294</u>	<u>7,313,284</u>	<u>8,297,541</u>	<u>8,322,215</u>	
<i>FTE</i>	22.7	23.3	26.9	26.9	
Cash Funds	7,157,294	7,313,284	8,297,541	8,322,215	
Indirect Cost Assessment	<u>131,803</u>	<u>143,055</u>	<u>91,277</u>	<u>89,301</u>	
Cash Funds	131,803	143,055	91,277	89,301	

Total Funds - (5) Colorado State Fair	7,289,097	7,456,339	8,388,818	8,411,516	0.3%
<i>FTE</i>	<u>22.7</u>	<u>23.3</u>	<u>26.9</u>	<u>26.9</u>	<u>0.0%</u>
Cash Funds	7,289,097	7,456,339	8,388,818	8,411,516	0.3%

*This line item includes a decision item.

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	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
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(6) CONSERVATION BOARD

This division works to preserve Colorado's natural resources including reducing soil erosion and flood damage, as well as protecting underground water reserves.

Program Costs	<u>425,865</u>	<u>372,811</u>	<u>431,503</u>	<u>439,011</u>	
<i>FTE</i>	5.2	4.2	5.2	5.2	
General Fund	425,865	372,811	431,503	439,011	
Distribution to Soil Conservation Districts	<u>191,714</u>	<u>191,714</u>	<u>191,714</u>	<u>191,714</u>	
General Fund	191,714	191,714	191,714	191,714	
Matching Grants to Districts	<u>400,597</u>	<u>476,383</u>	<u>450,000</u>	<u>450,000</u>	
Cash Funds	400,597	476,383	450,000	450,000	
Salinity Control Grants	<u>1,477,720</u>	<u>1,188,272</u>	<u>498,450</u>	<u>500,000</u>	
Federal Funds	1,477,720	1,188,272	498,450	500,000	
Total Funds - (6) Conservation Board	2,495,896	2,229,180	1,571,667	1,580,725	0.6%
<i>FTE</i>	<u>5.2</u>	<u>4.2</u>	<u>5.2</u>	<u>5.2</u>	<u>0.0%</u>
General Fund	617,579	564,525	623,217	630,725	1.2%
Cash Funds	400,597	476,383	450,000	450,000	0.0%
Federal Funds	1,477,720	1,188,272	498,450	500,000	0.3%
Total Funds - Department of Agriculture	36,738,254	37,229,517	38,960,831	39,193,754	0.6%
<i>FTE</i>	<u>256.9</u>	<u>261.5</u>	<u>284.1</u>	<u>279.4</u>	<u>(1.7%)</u>
General Fund	5,785,123	4,675,522	5,164,362	5,813,563	12.6%
Cash Funds	23,127,823	25,660,228	28,776,513	28,513,468	(0.9%)
Reappropriated Funds	1,846,402	1,235,144	1,042,342	997,107	(4.3%)
Federal Funds	5,978,906	5,658,623	3,977,614	3,869,616	(2.7%)

*This line item includes a decision item.

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APPENDIX B: SUMMARY OF MAJOR LEGISLATION

2011 Session Bills

- ❑ **S.B. 11-076:** For the 2011-12 state fiscal year only, reduces the employer contribution rate for the State and Judicial divisions of the Public Employees' Retirement Association (PERA) by 2.5 percent and increases the member contribution rate for these divisions by the same amount. In effect, continues the FY 2010-11 PERA contribution adjustments authorized through S.B. 10-146 for one additional year. Reduces the Department's total appropriation by \$325,677 total funds, of which \$72,686 is General Fund, \$227,545 is cash funds, and \$25,446 is federal funds.
- ❑ **S.B. 11-135:** Makes mid-year adjustments to the Department's FY 2010-11 appropriations.
- ❑ **S.B. 11-209:** General appropriations act for FY 2011-12.
- ❑ **H.B. 11-1156:** Extends the repeal date of the Conservation District Grant Fund in the Department of Agriculture from July 1, 2011, to December 31, 2022. Appropriates \$450,000 cash funds to the Department of Agriculture, Conservation Board for FY 2011-12.
- ❑ **H.B. 11-1159:** Requires the Commissioner of Agriculture to license grain protein analyzers prior to commercial use, and to charge a fee to cover all the direct and indirect costs associated with licensing, testing, inspection and regulation. Appropriates \$600 cash funds to the Agricultural Services Division for FY 2011-12.

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**APPENDIX C: UPDATE OF FY 2011-12
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Long Bill Footnotes

- 1 Department of Agriculture, Agricultural Services Division** -- It is the intent of the General Assembly that expenditures for these services should be recorded only against the Long Bill group total for the Agricultural Services Division.

Requests for Information

- 1 All Departments, Totals** -- Every department is requested to submit to the Joint Budget Committee, by November 1, 2011, information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2010-11. The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2011-12.

Comment: The Department shows all federal grants received and FTE for FY 2010-11 on the Grants line item in the Commissioner's Office. The Department does not anticipate receiving any additional federal or private grants during FY 2011-12.

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**APPENDIX D: STATE AUDITOR'S OFFICE RECOMMENDATIONS NOT ENTIRELY
IMPLEMENTED***

** The State Auditor's Office has not identified any outstanding recommendations for this department.*

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**APPENDIX E: INSPECTION AND CONSUMER SERVICES FEES PURSUANT
TO H.B. 10-1377**

Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact*
<u>Fertilizer</u>					
Compost manufacturing facility registration and late fee	\$50	\$100	\$50	50	\$2,500
Penalty for failure to register	\$50	\$100	\$50	n/a	n/a
Product registration	\$50	\$75	\$25	3,800	\$95,000
Minimum inspection (tonnage) fee	\$50	\$100	\$50	250	\$12,500
Commercial fertilizer/soil conditioner/plant amendment fee per ton	\$0.10	\$0.25	\$0.15	711,000	\$106,650
Small package inspection per pound	\$0.00075	\$0.00150	\$0.00075	5,484,000	\$4,113
Tonnage late fee	10% of fee or \$50 min.	\$100	\$50	n/a	n/a
Anhydrous ammonia site registration	\$100	\$150	\$50	n/a	n/a
Anhydrous ammonia nurse tank registration	\$5	\$10	\$5	n/a	n/a
<u>Feed</u>					
Company registration, registration late fees	\$50	\$100	\$50	1,050	\$52,500
Small package inspection fee per product, small package inspection late fee per product	\$25	\$60	\$35	9,350	\$327,250
Commercial feed inspection fee per ton	\$0.050	\$0.100	\$0.050	2,437,000	\$121,850
Commercial feed inspection fee for wet by-products per ton	\$0.025	\$0.050	\$0.025	519,000	\$12,975
Tonnage late fee	10% of fee or \$50 min.	10% of fee or \$100 min.	\$50	n/a	n/a

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**APPENDIX E: INSPECTION AND CONSUMER SERVICES FEES PURSUANT
TO H.B. 10-1377**

Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact*
<u>Large Scales</u>					
Large scale program (average fee shown)	\$104	\$138	\$34	3,040	\$103,360
Belt conveyor scale, in-motion RR scale	\$400	\$533	\$133	25	\$3,325
<u>Measurement Standards</u>					
Certified public weigher	\$25	\$33	\$8	360	\$2,880
Scale company	\$75	\$100	\$25	72	\$1,800
Special test fee per device or standard	\$50-\$400	\$67-\$533	\$17-\$133	100	\$1,700
Lab fees per hour – government	\$25	\$100	\$75	597	\$44,775
Lab fees per hour – other	\$50	\$200	\$150	1,125	\$168,750
<u>Farm Products</u>					
Dealer license	\$400	\$533	\$133	365	\$48,545
Agent	\$30	\$40	\$10	20	\$200
Small volume dealer's/cash buyer's license	\$65	\$87	\$22	180	\$3,960
<u>Commodity Handlers</u>					
Commodity handler license	\$150	\$200	\$50	255	\$12,750
License late fee	\$50	\$67	\$17	n/a	n/a
Inspection fee	\$50-\$750	\$67-\$1,000	\$17-\$250	255	\$4,335
Warehouse inspection fee	\$155-\$1,840	\$207-\$2,453	\$52-\$613	40	\$2,080
TOTAL*					\$398,460

* Since this table estimates variable fees at the minimal value and does not include late fees, the total is less than the \$1.3 million indicated as the total revenue anticipated under the bill.