

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2007-08 BRIEFING:
DEPARTMENT OF AGRICULTURE**

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

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**FY 2007-08
BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

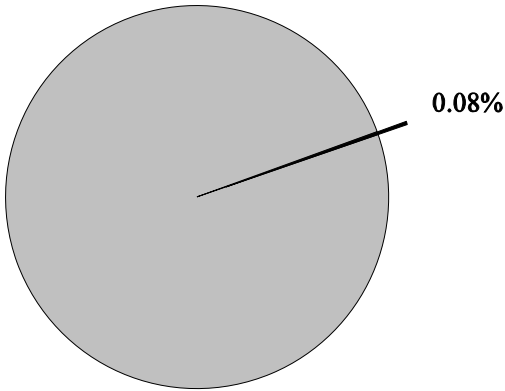
DEPARTMENT OF AGRICULTURE

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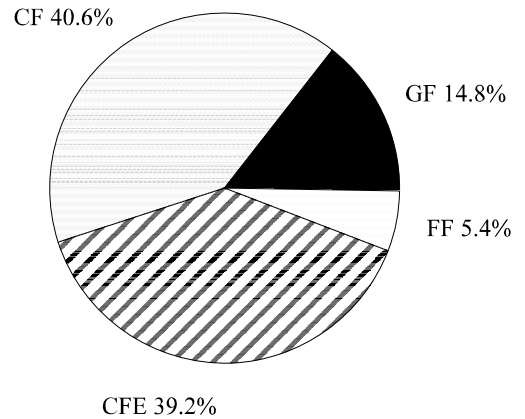
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FY 2007-08 JBC BUDGET BRIEFING DEPARTMENT OF AGRICULTURE GRAPHIC OVERVIEW

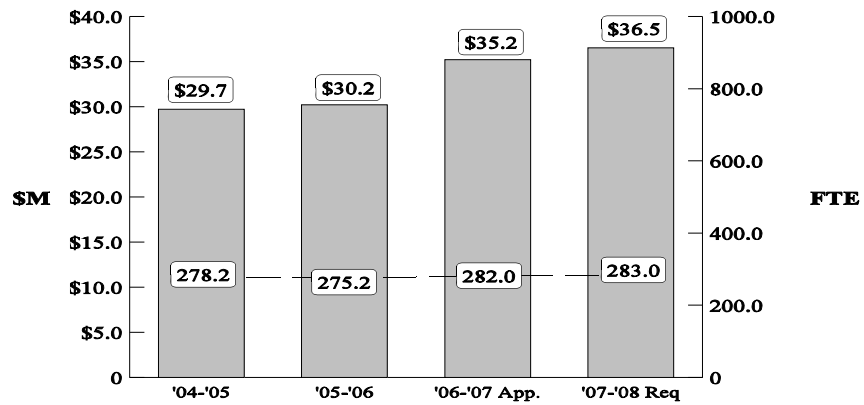
**Share of State General Fund
FY 2006-07**



**Funding Source Split
FY 2006-07**



Budget History



FY 2007-08 JBC BUDGET BRIEFING

DEPARTMENT OF AGRICULTURE

OVERVIEW

Key Responsibilities

- ▶ Provide consumer and producer protection through inspection and certification of animal feed, fertilizers, fruits/vegetables, eggs, and meat; precision testing of commercial scales, and regulation of the sale of farm products.
- ▶ Protect the state's \$3 billion livestock industry by monitoring livestock herds for a variety of diseases.
- ▶ Register and regulate commercial pesticide applicators, inspect for agricultural chemical pollution, and administer the State weed control program.
- ▶ Assist the promotion of Colorado agricultural products to domestic and international markets.
- ▶ Provide inspection of livestock brand registrations to protect producers from fraud or theft.
- ▶ Protect and conserve soil resources from contamination and erosion.
- ▶ Administer the Colorado State Fair and fairgrounds through the State Fair Authority .

Factors Driving the Budget

Agricultural Services Division

For FY 2006-07, the Agricultural Services Division was appropriated \$11.5 million, or 32.8 percent of the Department's \$35.2 million total appropriation. Additionally, the Agricultural Services Division contains 151.4 FTE, or 53.7 percent, of the 282.0 FTE allotted to the entire Department.

Division responsibilities include the inspection and certification of Colorado produce; protecting the economic viability of the state's livestock industry; management of pest control and noxious weeds; and the registration of pesticides.

Although not reflected in the Long Bill, this division is organized into Inspection and Consumer Services, Plant Industry, and Animal Industry. Historically, a large majority of the Department's funding requests are generated by programs within this division.

Cash Funds and Cash Funds Exempt

The majority of the Department's total funding is generated through fees collected from inspection and certification services performed by the Agricultural Services Division and the Brand Board, as well as revenue earned from the activities of the State Fair. Cash Funds and Cash Funds Exempt account for 79.8 percent, or \$28.1 million of the Department's \$35.2 million total appropriation.

Indirect Costs

Indirect costs are charged to divisions within the Department to offset personal services and operating expenses within the Commissioner's Office. These are applied in the Department of Agriculture on a 'per FTE' basis.

Senate Bill 03-169 was legislation which removed indirect cost recovery caps for the Brand Inspection, Chemigation, and Mandatory Fruit & Vegetable Inspection programs. This will have an approximate net effect of reducing the Department's General Fund appropriation by \$519,000 for FY 2006-07. However this bill sunset on June 30, 2006. By statute, the indirect cost caps went back into effect for FY 2006-07 which will have a net effect on the FY 2007-08 budget of approximately \$518,000 for the three programs, increasing the Commissioner's Office overhead by this amount.

The State Fair

House Bill 06-1384 changed the allocation of the Unclaimed Property Tourism Promotion Trust Fund interest to provide additional moneys to the State Fair through the Colorado Travel and Tourism Promotion Fund over three fiscal year cycles. In FY 2006-07, the General Assembly appropriated \$3.2 million toward the paying down of the debt service for outstanding principle and interest owed on the Events Center in Pueblo and included \$550,000 to pay for administrative, maintenance, and promotional expenses.

Summary of Major Legislation

- ✓ **H.B. 06-1274 (Hodge/Entz) Pesticide Private Applicators License.** Makes changes to the regulation of pesticide applicators by allowing the Department to administer and regulate private pesticide applicators within the state, a role the Environmental Protection Agency (EPA) had jurisdiction over. Appropriates \$427,816 cash funds, \$110,000 federal funds, and 5.8 FTE to the Department of Agriculture for FY 2006-07. Also appropriates \$76,051 cash funds exempt and 0.8 FTE to the Department of Law from the funds appropriated to the Department of Agriculture in FY 2006-07.
- ✓ **H.B. 06-1384 (Buescher/Tapia) Money Benefiting the State Fair.** Changed the allocation of the Unclaimed Property Tourism Promotion Trust Fund interest to provide additional moneys to the state fair through the Colorado Travel and Tourism Promotion Fund. Moneys provided to the Colorado State Fair are prioritized as follows: (1) state Treasury loans to the state fair are to be paid down with remaining funds; (2) upon repayment of the state Treasury loans, any remaining funds are to pay off outstanding debt incurred by the Colorado State Fair Authority to build the events center in Pueblo; (3) upon payment of all debt, \$550,000 is provided annually for administrative expenses, operating costs, and event promotion; and, (4) after the third fiscal year (in FY 2009-10) only the \$550,000 for administrative, operating, and promotional costs are authorized. Appropriates \$3,163,978 cash funds from the Colorado Travel and Tourism Promotion Fund to the Department of Agriculture, Colorado

State Fair, for FY 2006-07. Also makes a funding adjustment to the Office of the Governor from this funding source for FY 2006-07.

- ✓ **H.B. 06-1322 (Buescher/Tapia) Clean Energy Development Fund.** Creates the Agriculture Value-added Cash Fund and, for FY 2006-07, FY 2007-08, and FY 2008-09, transfers \$500,000 from the Operational Account of the Severance Tax Trust Fund into this Fund. Appropriates \$500,000 cash funds exempt from the Agriculture Value-added Cash Fund to the Department of Natural Resources in FY 2006-07 to promote agricultural energy-related projects and research.
- ✓ **S.B. 05-176 (Owen/Plant) Department of Agriculture - authority to set fees and penalties.** Re-authorizes the Commissioner of Agriculture, in conjunction with the Colorado Agricultural Commission, to adjust licensing and testing fees for seven programs related to Inspection and Consumer Services (ICS) in the Agricultural Services Division. Sunsets applicable program fees and the inspection and consumer services cash fund (#16R) on July 1, 2007, and resumes the previous fee structure and corresponding subsidy from the General Fund.
- ✓ **S.B. 04-009 (Taylor/Vigil) Colorado state fair authority - acceptance of contributions affecting enterprise status.** Repeals the prohibition on the acceptance of contributions by the Colorado state fair authority from non-state entities in any budget year that the authority would qualify as an enterprise under section 20 of article X of the state constitution (TABOR) if acceptance of the contributions affects the authority's enterprise status by causing the authority to receive more than 10 percent of its annual revenues from all Colorado state and local governments combined.
- ✓ **H.B. 04-1351 (Hoppe/Taylor): Brand Board as an Enterprise.** Designates the state board of stock inspection commissioners ("board") and the division of brand inspection ("division") as an enterprise for purposes of section 20 of article X of the state constitution ("TABOR"), so long as the board retains the authority to issue revenue bonds and the board and the division receive less than 10 percent of their total annual revenues in grants.
- ✓ **S.B. 03-169 (Teck/Plant): Remove Indirect Cost Caps.** Removes indirect cost recovery caps for the Brand Inspection, Chemigation, and the Mandatory Fruit and Vegetable Inspection programs. Reduces the Department's General Fund appropriation by \$495,000. Sunsets effective July 1, 2006, and reinstates the previous indirect cost recovery.

Major Funding Changes FY 2005-06 to FY 2006-07

Action (Source)	General Fund	Other Funds (Source)	Total Funds	Total FTE
Sunset of Indirect Cost Caps (S.B. 03-169)	\$516,761	\$(516,761) (CF and CFE)	\$0	0.0
Adjustment for Centralized Appropriations (Long Bill)	141,718	261,660 (CF, CFE, FF)	403,378	0.0
Annualized Salary Survey (Long Bill)	123,995	277,558 (CF, CFE, FF)	401,553	0.0
Animal ID Programmer (Decision Item)	65,304	54,286 (CF and CFE)	119,590	1.0
Money which Benefits the State Fair (S.B. 06-1384)	0	3,163,978 (Cash Funds)	3,163,978	0.0
Pesticide Applicators Regulation (H.B. 06-1274)	0	537,816 (CF and FF)	537,816	5.8
Agriculture Energy-Related Projects & Research (H.B. 06-1322)	0	500,000 (Cash Funds Exempt)	500,000	0.0

The largest increases to the Department of Agriculture's total appropriation between FY 2005-06 and FY 2006-07 was for S.B. 06-1384 which will assist the State Fair to pay down its state Treasury loans and outstanding debt. The sunset of S.B. 03-169 removes indirect cost recovery caps for three programs in two divisions and reinstates the previous indirect cost recovery. In addition, adjustments for centralized appropriations, annualized salary survey, and the addition of the Animal ID Programmer FTE are partially funded with the General Fund.

**FY 2007-08 BUDGET BRIEFING
DEPARTMENT OF AGRICULTURE
DECISION ITEMS**

Priority	Division: Description <i>[Statutory Authority]</i>	GF	CF <i>(source of funds)</i>	CFE <i>(source of funds)</i>	FF	TOTAL	FTE
1	Ag Services (Inspection and Consumer Services): CF Funding to Partial GF Funding. The department is seeking to eliminate the Inspection and Consumer Services Cash Fund sunset and enact legislation to fund seven ICS programs with a percentage of cash funding and General Funding. <i>[Section 35-1-106.5, C.R.S.]</i>	\$949,256	(\$949,256) (Inspection and Consumer Services Cash Fund)	(\$80,205) (Indirect cost recoveries from Ag Services)	\$0	(\$80,205)	0.0
2	Ag Services (Inspection and Consumer Services, Plants): Lease Purchase Lab Equipment. Obsolete lab equipment lease purchase replacement. <i>[Sections: Feed 35-60-101 to 115, Fertilizer 35-12-101 to 120, Groundwater 25-8-101-703, Pesticide 35-10-101 to 128, C.R.S.]</i>	15,869	70,123 (various)	0	0	85,992	0.0
3	Conservation Board: Field FTE 1.0 FTE to serve 22 districts through conservation training and fundraising efforts. <i>[Section 35-70-103, C.R.S.]</i>	63,423	0	0	0	63,423	1.0
4	Ag Services: Measurement Standards Lab Equipment Obsolete lab equipment replacement. <i>[Section 35-14-128, C.R.S.]</i>	0	\$37,148 (Inspection and Consumer Services Cash Fund)	0	0	37,148	0.0
5	Ag Services: Measurements Standards Lab Test Truck Equipment 1 large hoist, 1 small hoist, large scale calibration weights (2 sets), reconfigure truck beds for new weights (2 count). <i>[Section 35-14-128, C.R.S.]</i>	0	\$113,720 (Inspection and Consumer Services Cash Fund)	0	0	113,720	0.0

**FY 2007-08 BUDGET BRIEFING
DEPARTMENT OF AGRICULTURE
DECISION ITEMS**

Priority	Division: Description <i>[Statutory Authority]</i>	GF	CF <i>(source of funds)</i>	CFE <i>(source of funds)</i>	FF	TOTAL	FTE
6	Brand Board: Replacement Trucks Replacement of 13 trucks (average mileage 138,302). Brand Board vehicles are not contained within state fleet services. <i>[Section 24-30-1102(5), C.R.S.]</i>	0	0	\$148,993 (Brand Board Fund)	0	148,993	0.0
7	Brand Board: Brand Books Increased spending authority for postage and associated cost to gather information for publishing the Colorado Brand Book as required by statute. <i>[Section 35-43-115, C.R.S.]</i>	0	0	\$42,141 (Brand Board Fund)	0	42,141	0.0
8	Ag Services & Ag Markets: Move Aquaculture Cash Fund from Ag Markets to Ag Services The purpose is to align the \$25,000 program budget with the personnel management of the Aquaculture program. <i>[35-24.5-107(3), C.R.S.]</i>	0	0 (Aquaculture Fund)	0	0	0	0.0
n/a	Commissioner's Office: Vehicle Lease Payments Replacement Purchase new vehicles to replace existing state fleet vehicles meeting replacement criteria. <i>[Section 24-30-1104 (2)(f), C.R.S.]</i>	11,308	9,464 (various cash funds)	0	0	20,772	0.0
n/a	Multiuse Network Payments Adjust billings for the department's use of the multiuse network. <i>[Section 24-30-908 (1)(a), C.R.S.]</i>	(2,448)	0	0	0	(2,448)	0.0
TOTAL REQUEST		\$1,037,408	(\$718,802)	\$110,929	\$0	\$429,536	1.0

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF AGRICULTURE
OVERVIEW OF NUMBERS PAGES**

The following table highlights the overall increases contained in the Department's FY 2007-08 request.

Requested Changes FY 2006-07 to FY 2007-08

Category	GF	CF	CFE	FF	Total	FTE
Annualization and Other	\$ 350,893	\$ 6,537,896	\$ (7,982,990)	\$ 2,036,092	\$ 941,891	0.0
Decision Items	<u>1,028,548</u>	<u>(728,265)</u>	<u>110,929</u>	<u>0</u>	<u>411,212</u>	<u>1.0</u>
#1. Sunset of CF for ICS	949,256	(949,256)	(80,205)	0	(80,205)	0.0
#2. Lease Lab Equipment	15,869	70,123	0	0	85,992	0.0
#3. Conservation FTE	63,423	0	0	0	63,423	1.0
#4. Measurements Standards Lab Equipment	0	37,148	0	0	37,148	0.0
#5. Measurements Standards Test Truck Equipment	0	113,720	0	0	113,720	0.0
#6. Brand Board Trucks	0	0	148,993	0	148,993	0.0
#7. Brand Book Mailing and Publishing	0	0	42,141	0	42,141	0.0
#8. Aquaculture Appropriation Move <u>from</u> Markets Div.	0	(25,000)	0	0	(25,000)	0.0
Aquaculture Appropriation Move <u>to</u> Plants Div. (ICS)	0	25,000	0	0	25,000	0.0
Statewide Adjustment	8,860	9,464	0	0	18,324	0.0
Total Department Change	\$ 1,388,301	\$ 5,819,095	\$ (7,872,061)	\$ 2,036,092	\$ 1,371,427	1.0

The large majority of increases to the General Fund and decreases to cash funds between FY 2006-07 and FY 2007-08 are related to the sunset of the ICS Cash Fund. The large reduction in CFE is a result of the Colorado State Fair losing its enterprise status upon receiving more than 10 percent of its annual revenue in grants pursuant to H.B. 06-1384.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	DI/Notes
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DEPARTMENT OF AGRICULTURE
Don Ament, Commissioner

(1) COMMISSIONER'S OFFICE AND ADMINISTRATIVE SERVICES

Primary Function: Working with agricultural leaders and the public to develop and promote agricultural policies and programs and manage state agricultural resources to achieve successful solutions. The source of cash funds is fees collected by cash funded agencies within the Department. The sources of cash funds exempt are indirect cost recoveries and cash fund reserves.

Personal Services	1,507,791	1,438,500	1,543,876	1,577,713	
FTE	<u>18.4</u>	<u>17.6</u>	<u>19.7</u>	<u>19.7</u>	
General Fund	189,188	0	594,294	744,550	DI #1
FTE	18.4	17.6	19.7	19.7	
Cash Funds	420,686	437,672	126,480	134,877	
Cash Funds Exempt	897,917	1,000,828	823,102	698,286	DI #1
Health, Life, and Dental	<u>563,606</u>	<u>20,500</u>	<u>1,007,304</u>	<u>1,154,596</u>	
General Fund	39,000	17,000	224,796	289,619	DI #1
Cash Funds	524,606	0	470,209	492,505	DI #1
Cash Funds Exempt	0	3,500	286,560	333,860	
Federal Funds	0	0	25,739	38,612	
Short-Term Disability	<u>5,161</u>	<u>0</u>	<u>14,969</u>	<u>18,741</u>	
General Fund	5,161	0	1,614	6,095	DI #1
Cash Funds	0	0	3,744	8,297	DI #1
Cash Funds Exempt	0	0	9,018	3,600	
Federal Funds	0	0	593	749	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
Salary Survey and Senior Executive Service	<u>136,864</u>	<u>48,007</u>	<u>408,507</u>	<u>609,092</u>	
General Fund	16,618	48,007	118,454	200,818	DI #1
Cash Funds	10,140	0	189,220	265,776	DI #1
Cash Funds Exempt	110,106	0	80,251	118,100	
Federal Funds	0	0	20,582	24,398	
Performance-based Pay Awards	<u>123,606</u>	<u>0</u>	<u>0</u>	<u>132,632</u>	
General Fund	10,000	0	0	37,332	DI #1
Cash Funds	3,500	0	0	64,520	DI #1
Cash Funds Exempt	110,106	0	0	25,477	
Federal Funds	0	0	0	5,303	
Workers' Compensation	<u>214,851</u>	<u>203,775</u>	<u>221,879</u>	<u>232,145</u>	
General Fund	76,474	75,989	78,977	89,050	DI #1
Cash Funds	136,456	62,986	140,920	95,545	DI #1
Cash Funds Exempt	0	62,984		45,476	
Federal Funds	1,921	1,816	1,982	2,074	
Amortization Equalization Distribution	<u>0</u>	<u>0</u>	<u>98,755</u>	<u>174,646</u>	
General Fund	0	0	10,119	56,728	DI #1
Cash Funds	0	0	24,848	77,383	DI #1
Cash Funds Exempt	0	0	59,851	33,554	
Federal Funds	0	0	3,937	6,981	
Operating Expenses - GF	96,807	97,800	103,552	103,552	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
Legal Services	201,866	183,584	296,304	300,221	
<i>Hours Equivalent</i>	<u>3,132</u>	<u>4,430</u>	<u>3,250</u>	<u>4,430</u>	
General Fund	43,837	45,888	48,252	51,869	DI #1
Cash Funds	135,890	126,525	233,209 a/	233,313	DI #1
Cash Funds Exempt	0	1,171	3,321	3,365	
Federal Funds	22,139	10,000	11,522	11,674	
Purchase of Services from Computer Center - GF	2,432	2,100	2,143	963	
Multiuse Network Payments - GF	27,068	19,547	19,098	16,650	
Payment to Risk Management Fund	<u>155,108</u>	<u>102,035</u>	<u>202,322</u>	<u>270,594</u>	
General Fund	53,984	14,283	70,417	101,767	DI #1
Cash Funds	99,917	54,091	130,330	112,684	DI #1
Cash Funds Exempt	0	32,865	0	54,037	
Federal Funds	1,207	796	1,575	2,106	
Vehicle Lease Payments	<u>130,905</u>	<u>126,467</u>	<u>164,033</u>	<u>188,981</u>	
General Fund	31,405	32,344	51,452	73,582	DI #1, #3
Cash Funds	85,389	74,758	109,334	112,151	DI #1
Federal Funds	14,111	19,365	3,247	3,247	
Information Technology Asset Maintenance	<u>105,338</u>	<u>95,421</u>	<u>111,405</u>	<u>111,405</u>	
General Fund	31,038	31,038	31,038	34,293	DI #1
Cash Funds	74,300	64,383	74,741	71,486	DI #1
Cash Funds Exempt	0	0	5,626	5,626	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
Leased Space	<u>104,195</u>	<u>104,032</u>	<u>112,667</u>	<u>122,183</u>	
General Fund	45,827	45,378	48,377	54,824	
Cash Funds	20,210	19,795	21,395	23,006	
Cash Funds Exempt	38,158	38,859	42,895	44,353	
Capital Complex Leased Space	<u>145,878</u>	<u>143,183</u>	<u>147,960</u>	<u>155,272</u>	
General Fund	113,784	111,682	120,695	126,660	
Cash Funds	32,094	31,501	27,265	28,612	
Utilities	<u>126,294</u>	<u>156,127</u>	<u>146,318</u>	<u>146,318</u>	
General Fund	44,443	41,479	66,939	83,142	DI #1
Cash Funds	65,968	89,810	77,066	60,863	DI #1
Cash Funds Exempt	1,904	2,043	2,313	2,313	
Federal Funds	13,979	22,795	0	0	
Communications Services Payments	<u>6,242</u>	<u>15,671</u>	<u>18,323</u>	<u>18,720</u>	
General Fund	2,123	6,183	7,230	11,997	
Cash Funds	4,119	9,488	0	0	
Cash Funds Exempt	0	0	11,093	6,723	
Federal Funds	0	0	0	0	
Agriculture Statistics	<u>66,395</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	
General Fund	60,000	60,000	60,000	60,000	
Cash Funds	6,395	15,000	15,000	15,000	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
Grants - FF	2,746,681	4,523,397	702,975	2,707,089	
FTE	8.9	10.2	8.0	8.0	
Indirect Cost Assessment - FF	0	137,803	74,882	64,818	
					Request vs.
					Appropriation
TOTAL - (1) COMMISSIONER'S OFFICE	6,467,088	7,492,949	5,472,272	8,181,331	49.5%
FTE	<u>27.3</u>	<u>27.8</u>	<u>27.7</u>	<u>27.7</u>	<u>0.0</u>
General Fund	889,189	648,718	1,657,447	2,143,491	29.3%
FTE	18.4	17.6	19.7	19.7	0.0
Cash Funds	1,619,670	986,009	1,643,761	1,796,018	9.3%
Cash Funds Exempt	1,158,191	1,142,250	1,324,030	1,374,770	3.8%
Federal Funds	2,800,038	4,715,972	847,034	2,867,051	238.5%
FTE	8.9	10.2	8.0	8.0	0.0

a/ Reflects a cash funds increase of \$76,051 pursuant to H.B. 06-1274.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes

(2) AGRICULTURAL SERVICES DIVISION

Primary Function: Regulating and inspecting animals in agricultural and the plant industry. Cash Funds are primarily from fees collected for services provided. The Cash Fund Exempt source is primarily cash fund reserves.

Personal Services	8,054,810	8,613,628	9,510,055	9,744,870	
FTE	<u>129.7</u>	<u>135.3</u>	<u>151.4</u>	<u>151.4</u>	
General Fund	1,977,298	2,104,247	2,157,364	2,910,143	DI #1
FTE	26.8	26.9	30.5	41.3	
Cash Funds	5,814,972	6,167,526	6,898,842 a/	6,361,029	DI #1, #8
FTE	100.9	105.4	117.9 a/	107.1	
Cash Funds Exempt	0	38,413	0	0	
Federal Funds	262,540	303,442	453,849 a/	473,698	
FTE	2.0	3.0	3.0	3.0	
Operating Expenses	<u>998,412</u>	<u>976,153</u>	<u>1,210,253</u>	<u>1,386,121</u>	
General Fund	135,881	151,924	157,983	219,202	DI #1
Cash Funds	823,873	779,770	996,552 a/,b/	1,111,201	DI #1, #4, #5
Federal Funds	38,658	44,459	55,718	55,718	
Noxious Weed Management Grants - CFE	1,000	7,150	15,000	15,000	
Diseased Livestock Fund - CFE	6,344	125	25,000	25,000	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
Cervidae Disease Revolving Fund - CF	0	1,400	25,000	25,000	
Lease Purchase Lab Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>85,992</u>	DI #2
General Fund	0	0	0	15,869	DI #2
Cash Funds	0	0	0	70,123	DI #2
Indirect Cost Assessments	<u>827,737</u>	<u>883,461</u>	<u>731,954</u>	<u>626,022</u>	
Cash Funds	785,453	824,787	703,873	601,715	DI #1
Federal Funds	42,284	58,674	28,081	24,307	
					Request vs.
					Appropriation
TOTAL - (2) AGRICULTURAL SERVICES	9,888,303	10,481,917	11,517,262	11,908,005	3.4%
FTE	<u>129.7</u>	<u>135.3</u>	<u>151.4</u>	<u>151.4</u>	<u>0.0</u>
General Fund	2,113,179	2,256,171	2,315,347	3,145,214	35.8%
FTE	26.8	26.9	30.5	41.3	10.8
Cash Funds	7,424,298	7,773,483	8,624,267	8,169,068	-5.3%
FTE	100.9	105.4	117.9	107.1	(10.8)
Cash Funds Exempt	7,344	45,688	40,000	40,000	0.0%
Federal Funds	343,482	406,575	537,648	553,723	3.0%
FTE	2.0	3.0	3.0	3.0	0.0

a/ Pursuant to H.B. 06-1274, Personal Services increases of \$239,554 and 5.8 FTE cash funds; \$106,211 federal funds; and Operating \$106,211 cash funds

b/ Reflects an \$8,000 increase pursuant to H.B. 06-1132.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	DI/Notes
(3) AGRICULTURAL MARKETS DIVISION					
Primary Function: Increasing domestic and international agricultural food marketing and processing options. The Cash Fund source is from aquaculture program fees raised for economic development. The Cash Funds Exempt sources are Economic Development transfers from the Governor's Office and the Agriculture Value-Added Cash Fund.					
Personal Services - GF	358,373	388,096	372,395	380,159	
FTE	4.7	4.7	4.7	4.7	
Operating Expenses	<u>44,070</u>	<u>65,552</u>	<u>80,198</u>	<u>80,198</u>	
General Fund	29,624	29,624	29,861	29,861	
Cash Funds	14,446	35,928	50,337	50,337	
Cash Funds Exempt	0	0	0	0	
Operating Expenses for Aquaculture - CF	20,331	22,867	25,000	0	DI #8
Economic Development Grants - CFE	11,643	39,400	45,000	45,000	
Ag Value Added Development Board - CFE	43,176	53,960	574,837 a/	574,837	
FTE	0.5	0.5	0.5	0.5	
					Request vs.
					Appropriation
TOTAL - (3) AGRICULTURAL MARKETS	477,593	569,875	1,097,430	1,080,194	-1.6%
FTE	<u>5.2</u>	<u>5.2</u>	<u>5.2</u>	<u>5.2</u>	<u>0.0</u>
General Fund	387,997	417,720	402,256	410,020	1.9%
FTE	4.7	4.7	4.7	4.7	0.0
Cash Funds	34,777	58,795	75,337	50,337	-33.2%
Cash Funds Exempt	54,819	93,360	619,837	619,837	0.0%
FTE	0.5	0.5	0.5	0.5	0.0

a/ Reflects a \$500,000 increase pursuant to H.B. 06-1322.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
(4) BRAND BOARD					
Primary Function: Conducting livestock inspections and regulating the sale of livestock. The Cash Fund source is from fees for service. Cash Funds Exempt are due to the Brand Board's enterprise status.					
Brand Inspections	2,958,845	3,459,547	3,511,339	3,650,933	
FTE	<u>61.2</u>	<u>58.5</u>	<u>66.3</u>	<u>66.3</u>	
Cash Funds Exempt	2,958,845	3,459,547	3,511,339	3,650,933	DI #6, #7
FTE	61.2	58.5	66.3	66.3	
Alternative Livestock	<u>27,266</u>	<u>25,535</u>	<u>95,662</u>	<u>95,662</u>	
Cash Funds	27,266	0	95,662 a/	0	
Cash Funds Exempt	0	25,535	0	95,662	
Indirect Cost Assessments	<u>420,686</u>	<u>437,672</u>	<u>134,613</u>	<u>134,877</u>	
Cash Funds	0	0	8,133	0	
Cash Funds Exempt	420,686	437,672	126,480	134,877	
TOTAL - (4) BRAND BOARD	3,406,797	3,922,754	3,741,614	3,881,472	Request vs. Appropriation
FTE	<u>61.2</u>	<u>58.5</u>	<u>66.3</u>	<u>66.3</u>	<u>0.0</u>
Cash Funds	27,266	0	103,795	0	-100.0%
Cash Funds Exempt	3,379,531	3,922,754	3,637,819	3,881,472	6.7%

a/ Alternative Livestock is an enterprise and as such should have been entered as cash funds exempt during figure setting but was errantly left in as cash funds.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	DI/Notes
(5) SPECIAL PURPOSE					
Primary Function: Promoting of wines produced in Colorado and other specialized programs. Cash Funds are from the Colorado Wine, Industry Development Fund, the Brand Estray Fund, and the Veterinary Vaccine and Service Fund. The Cash Funds Exempt source is the Brand Estray Fund.					
Wine Promotion Board - CF	445,156	699,898	444,613	446,598	
FTE	1.0	1.0	1.0	1.0	
Vaccine and Service Fund -CF	166,607	232,184	162,631	162,631	
Brand Estray Fund	<u>45,172</u>	<u>27,834</u>	<u>94,050</u>	<u>94,050</u>	
Cash Funds	34,604	0	59,400	0	
Cash Funds Exempt	10,568	27,834	34,650	94,050	
Indirect Cost Assessment - CF	0	0	8,133	7,446	
					Request vs.
					Appropriation
TOTAL - (5) SPECIAL PURPOSE	656,935	959,916	709,427	710,725	0.2%
FTE	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>
Cash Funds	646,367	932,082	674,777	616,675	-8.6%
Cash Funds Exempt	10,568	27,834	34,650	94,050	171.4%

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes

(6) COLORADO STATE FAIR

Primary Function: Administrating the Colorado State Fair. Cash Funds Exempt are from fees collected by the Colorado State Fair under enterprise status. Pursuant to H.B. 06-1384, the State Fair lost its enterprise status upon receiving more than 10 percent of its annual revenues in grants.

Program Costs	7,530,126	7,365,518	11,294,170	9,377,250	
FTE	<u>20.1</u>	<u>19.4</u>	<u>26.9</u>	<u>26.9</u>	
Cash Funds	0	0	3,163,978 a/	9,377,250	
FTE	0.0	0.0	0.0	26.9	
Cash Funds Exempt	7,530,126	7,365,518	8,130,192	0	
FTE	20.1	19.4	26.9	0.0	
					Request vs.
					Appropriation
TOTAL - (6) Colorado State Fair	7,530,126	7,365,518	11,294,170	9,377,250	-17.0%
FTE	<u>20.1</u>	<u>19.4</u>	<u>26.9</u>	<u>26.9</u>	<u>0.0</u>
Cash Funds	0	0	3,163,978	9,377,250	196.4%
Cash Funds Exempt	7,530,126	7,365,518	8,130,192	0	-100.0%

a/ Reflects a \$3,163,978 increase pursuant to H.B. 06-1384.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes

(7) CONSERVATION BOARD

Primary Function: Preserving Colorado's natural resources including reducing soil erosion and flood damage, as well as protecting underground water reserves.

Personal Services - GF	239,519	242,111	254,353	306,204	DI #3
FTE	3.0	3.4	3.5	4.5	
Operating Expenses - GF	33,199	33,200	33,673	46,448	DI #3
Distributions to Soil Conservation Districts - GF	391,714	391,714	391,714	391,714	
Irrigation/Conservation Program - CF	110,279	0	0	0	
FTE	3.0	0.0	0.0	0.0	
Matching Grants to Districts - GF	0	0	150,000 a/	150,000 a/	
Salinity Control Grants - FF	862,673	1,484,669	500,000	500,000	
					Request vs.
					Appropriation
TOTAL - (7) CONSERVATION BOARD	1,637,384	2,151,694	1,329,740	1,394,366	4.9%
FTE	<u>6.0</u>	<u>3.4</u>	<u>3.5</u>	<u>4.5</u>	<u>1.0</u>
General Fund	664,432	667,025	829,740 a/	894,366 a/	7.8%
FTE	3.0	3.4	3.5	4.5	1.0
Cash Funds	110,279	0	0	0	0.0%
FTE	3.0	0.0	0.0	0.0	0.0
Federal Funds	862,673	1,484,669	500,000	500,000	0.0%

a/ This does not include \$450,000 continuously appropriated to the Department from the Conservation District Grant Fund, pursuant to section 35-1-106.7 (1)(a), C.R.S..

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	DI/Notes
					Request vs. Appropriation
DEPARTMENT OF AGRICULTURE					
TOTALS	30,064,226	32,944,623	35,161,915	36,533,343	3.9%
FTE	<u>250.5</u>	<u>250.6</u>	<u>282.0</u>	<u>283.0</u>	<u>1.0</u>
General Fund	4,054,797	3,989,634	5,204,790	6,593,091	26.7%
FTE	52.9	52.6	58.4	70.2	11.8
Cash Funds	9,862,657	9,750,369	14,285,915	20,009,348	40.1%
FTE	104.9	106.4	118.9	135.0	16.1
Cash Funds Exempt	12,140,579	12,597,404	13,786,528	6,010,129	-56.4%
FTE	81.8	78.4	93.7	66.8	(26.9)
Federal Funds	4,006,193	6,607,216	1,884,682	3,920,774	108.0%
FTE	10.9	13.2	11.0	11.0	0.0

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF AGRICULTURE
FOOTNOTE UPDATE**

1. **Department of Agriculture, Agricultural Services Division, Personal Services; and Operating Expenses** -- The Department is requested to submit a report to the Joint Budget Committee by November 1, 2006, which summarizes options for reducing personal services and operating expenses related to programs administered by Inspection and Consumer Services. This report should include strategies for extending risk-based time frames, comparisons to programs in other states, statutory changes necessary to implement potential cost savings, and possible consequences of reduced funding and FTE.

Comments: The Governor vetoed this footnote stating that it is in violation of the Colorado Constitution because it interferes with the ability of the executive branch to administer the appropriation and may constitute substantive legislation that cannot be included in the general appropriations bill. However, the Governor states that he will instruct the department to comply to the extent feasible.

The November 1, 2006 report provided by the Department explains that a reduction in staff would limit the ability of Inspection and Consumer Services from performing critical program activities and inspections. The effects could result in unsafe food and feed products and a loss of consumer and industry confidence. The report, which incorporates an unedited November 1, 2005 report submitted to the JBC last year, details other aspects in which the division has become more effective through risk-based inspections that target problem businesses. The report also asserts that despite the increasing number of retail businesses in Colorado which need to be monitored, the department has been able to meet this increasing demand through innovative workload assignments.

2. **All Departments, Totals** -- The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly. Until such time as the Secretary of State publishes the code of Colorado regulations and the Colorado register in electronic form pursuant to section 24-4-103 (11) (b), C.R.S., each principal department of the state is requested to produce its rules in an electronic format that is suitable for public access through electronic means. Such rules in such format should be submitted to the Office of Legislative Legal Services for publishing on the Internet. Alternatively, the Office of Legislative Legal Services may provide links on its internet web site to such rules. It is the intent of the General Assembly that this be done within existing resources.

Comments: The department is in compliance.

3. **All Departments, Totals** -- Every department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds exempt FTE associated with any federal grants or private donations that are applied for or received during FY 2006-07. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

Comments: The Governor vetoed this footnote stating that it violates the separation of powers in Article III of the Colorado Constitution in that it is attached to federal funds and private donations, which are not subject to legislative appropriation. Placing information requirements on such funds could constitute substantive legislation in the general appropriations bill in violation of Article V, Section 32 of the Colorado Constitution. Further the Governor asserts that this request would require a significant devotion of unallocated resources to meet this footnote's request.

The Department did not submit a report. However, in brief, for FY 2006-07 the Department received \$1,884,682 in federal funding and have 11.0 associated FTE.

FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF AGRICULTURE
Department of Agriculture Performance Measures

ISSUE:

Department of Agriculture Performance Measures

DISCUSSION:

Department Mission & Vision

Mission Statement:

Our mission is 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.

Goals and Performance Measures

The Department's strategic plan is 19 pages long and is dispersed within the Department's annual budget request divisions. The plan is comprised of 21 goals, 40 strategic objectives, and 39 performance measures.

Staff Analysis

Joint Budget Committee staff reviewed the Department of Agriculture's performance measures submitted in the budget. Staff assessed these performance measures using the following common checklist:

1. Do the goals and performance measures correspond to the program's directives provided in statute?
2. Are the performance measures meaningful to stakeholders, policymakers, and managers?
3. Does the Department use a variety of performance measures (including input, output, efficiency, quality, outcome)?
4. Do the performance measures cover all key areas of the budget?
5. Are the data collected for the performance measures valid, accurate, and reliable?
6. Are the performance measures linked to the proposed budget base?
7. Is there a change or consequence if the Department's performance targets are not met?

As a whole, the Department's performance measures provided in FY 2007-08 budget briefing are generally consistent with their respective statutory directives. Some programs have more clear goals stated in statute than others. For instance, the Brand Board has extremely clear outcome based goals in its applicable statutes, where as the Markets Division and the State Fair Authority has very broad goals stated in statute.

Most of the Department's performance measures are input/output workload based items. The performance measures cover the large span of this diverse budget area which ranges from egg and fertilizer inspection to soil conservation, livestock branding, and wine promotion.

Staff has no reason to believe that the data reflected is not valid or reliable.

Many of the Department's performance measures reflect workload achievement levels (number of inspections carried out in relation to a base number of inspections to be conducted). While the performance measures may have value to internal stakeholders like departmental staff or informed constituents, these measures may not have as much meaning to all stakeholders, namely policymakers and the general public.

The performance measures are not linked to the proposed budget base in any of the areas evaluated. This is not a requirement which has been placed on the budget for the Department, nor for other budgets statewide. There is no impact to a program if the Department's performance targets are not met.

The following are examples of key goals and performance measures from selected programs or divisions.

The State Fair Authority - Sample Performance Measures

- Increase gate attendance by 0.4 percent each year.

According to section 35-65-105, C.R.S., the State Fair's purpose is the display of livestock and agricultural, horticultural, industrial, mining, water conservation, tourist industry, recreational, educational, and scientific facilities, processes, and products of the state of Colorado.

While gate attendance is an important measure of the State Fair's fiscal sustainability, presently there are no performance measures which measure displays of livestock and agricultural, horticultural, industrial, mining, water conservation, tourist industry, recreational, educational, and scientific facilities, processes, and products of the state of Colorado.

Staff recognizes the importance of increasing gate attendance, however this metric only addresses one aspect of how the State Fair generates revenue during its 11-Day Fair-Season. Other metrics which may be of value to stakeholders, could include, but is not limited to Fair time and Non Fair time net operating gain/loss.

Conservation Board - Sample Performance Measures

- Distribute 100 percent of Distribution to Soil Conservation Districts.

According to section 35-3-104, C.R.S., the purpose of the Conservation Board is to formulate and administer state plans pursuant section 35-3-102 (a), C.R.S., regarding soil resources and fertility of the land of this state, and the economic use thereof, the prosperity of the farming population of this state, and the waters of the rivers of this state, and the prevention of floods.

While a secondary responsibility of this division is the distribution of financial assistance to the districts with funds derived from federal and state sources, the Department does not include any metrics pertaining to the Board's effectiveness in soil resources, prosperity of the farming population, river-related measures, or its efficacy in preventing floods.

Agricultural Markets Division – Sample Performance Measures

- Number of New Colorado Companies Exporting Product (10 in FY 2005-06)
- Percent increase in Wine Sold (16 percent in FY 2004-05)

The Agricultural Markets Division divides its performance indicators into workload/output measures and also into objectives with corresponding performance measurements. The examples given above represent outputs rather than outcomes.

With regards to the number of new Colorado companies exporting product, perhaps if this number was compared to number of existing Colorado companies ceasing to export their products or the number of out-of-state companies the state is importing product from with a corresponding Colorado-based agricultural industry, consumers of these performance measures would have some sort of context to better understand the Division's performance in achieving its objectives.

With respect to percent increase in wine sold, perhaps the number of jobs created or a target level of self-sufficiency from the wine industry's expansion might provide useful information to the program's stakeholders.

**FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF AGRICULTURE
Financial Status of the Colorado State Fair**

ISSUE:

The Colorado State Fair continues to produce operational losses despite recent legislation which was financially beneficial.

SUMMARY:

- ❑ In 2006, the General Assembly enacted legislation H.B. 06-1384 which modified the allocation of funding of moneys in the Unclaimed Property Tourism Promotion Trust Fund to pay off the loan the State Fair has with the State Treasurer's Office and to pay down the debt service for outstanding principle and interest owed on the Events Center in Pueblo over three fiscal cycles. In addition, the State Fair received a \$550,000 cash funds appropriation to fund administrative, maintenance, and promotional expenses annually going forward.
- ❑ Operating efficiency remains an on-going concern, despite the continuous appropriation of \$550,000, pursuant to H.B. 06-1384. The State Fair continues to sustain operational net losses year after year.

DISCUSSION:

1. **House Bill 06-1384:** This legislation changed the allocation of the Unclaimed Property Tourism Promotion Trust Fund interest to provide additional moneys to the state fair through the Colorado Travel and Tourism Promotion Fund. Moneys provided to the Colorado State Fair in this fund during FY 2006-07, FY 2007-08, and FY 2008-09 are to go to and are prioritized as follows:
 - a. State Treasury loans to the state fair are to be paid down with remaining funds;
 - b. Upon repayment of the state Treasury loans, any remaining funds are to pay off outstanding debt incurred by the Colorado State Fair Authority to build the events center in Pueblo;
 - c. Upon payment of all debt, \$550,000 is provided annually for administrative expenses, operating costs, and event promotion; and,
 - d. After the third fiscal year (in FY 2009-10) only the \$550,000 for administrative, operating, and promotional costs are authorized.

In FY 2006-07, \$3.2 million in cash funds were appropriated from the Colorado Travel and Tourism Promotion Fund to the Department of Agriculture, Colorado State Fair.

As a result of this legislation, the State Fair Authority **lost its enterprise status** upon receiving more than 10 percent of its annual revenue in grants, pursuant to section 20 of

article X of the Colorado constitution (TABOR).

2. **Federal Support Not Enough.** In FY 2003-04, the State Fair Authority received a one-time federal grant of \$785,000 which was used for projects and operations for the year. Even with this increase in nonoperating revenues, the State Fair still had a net loss of \$409,000. Without these federal moneys, the State Fair would have sustained a \$1.2 million operational loss.
3. **Operational Losses.** While the State Fair received financial relief pursuant to H.B. 06-1384, the State Fair has yet to exhibit operational efficiency. Given that the continuously appropriated funding of \$550,000 cash funds (Unclaimed Property Tourism Promotion) will assist the State Fair Authority gain financial stability, it will need to pursue a sustainable course of growth in revenue in order to achieve year-round financial solvency.

The State Fair Authority's Audited Results (with the exception of FY 2005-06)

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06*
Total Operating Revenues Income	\$ 7,570,670	\$ 7,367,447	\$ 7,314,682	\$ 7,360,522	\$ 6,020,553
Total Operating Expenses	\$ 7,968,496	\$ 7,942,217	\$ 7,954,533	\$ 8,097,833	\$ 7,413,307
Net Income (Loss) Including	\$ (514,128)	\$ (842,905)	\$ (409,273)	\$(1,020,203)	\$ (1,392,755)

* Reflects estimates for FY 2005-06 that have not been audited.

3. **Factors Driving The State Fair's Profitability**

a. **Fair Time Period versus Non-Fair Time Period:**

For FY 2005-06, The State Fair generated 81 percent (\$4.9 million) of its annual revenue during the fair season period of the year, when the State Fair is in operation, which in 2005 was 11 days. Whereas the State Fair generated only 19 percent (\$1.1 million) of its annual revenue in its Non-Fair time period. The State Fair will need to pursue a sustainable course of growth in revenue year-round in order to cover its operational expenses.

Fair Season	FY 2005-06 Revenue*	FY 2005-06 Revenue %
Fair Time	\$4,875,491	81.0%
Non-Fair Time	\$1,145,062	19.0%
Total	\$6,020,553	100.0%

* Reflects estimates for FY 2005-06 that have not been audited.

Fair Time: Operationally Sound. In FY 2005-06, operating revenue during the Fair time season was \$4.9 million, and its operating expenses were \$4.5 million yielding a net gain of \$372,000. It should be noted that while the Fair time season did see a net gain, this however is a decrease of 40 percent compared to the prior year's Fair time operating net gain of \$620,000.

Non-Fair Time: Operating in the Red. In FY 2005-06, operating revenue during the Non-Fair time was \$1.1 million, and its operating expenses was \$2.9 million yielding a net loss of \$1.8 million. It should be noted that the net loss is 30 percent greater than the prior year's Non-Fair time operating net loss.

- b. **Statutory Obligation.** Pursuant to statute 35-65-105(1), the State Fair's purpose is the display of livestock and agricultural, horticultural, industrial, mining, water conservation, tourist industry, recreational, educational, and scientific facilities, processes, and products of the state of Colorado. Unfortunately these endeavors do not generate sufficient revenue to cover all direct and indirect expenses. This places greater responsibility on the State Fair to generate additional revenue in the Non-Fair time to compensate for these statutory obligations, however to date, the State Fair has not been successful in these efforts.
- c. **Distance from State Population Centers.** When the Events Center opened in 1995, it was the largest facility of its type between Albuquerque and Denver. Due to Pueblo's relatively small population of approximately 135,000 residents in the immediate vicinity of the city, that population has been not been sufficient to keep the arena's schedule of events full. In 1997, the building of the World Arena in Colorado Springs ushered in greater competition for lucrative performing arts groups due to its comparable size and seating capacity; however to the disadvantage of the Events Center, the World Arena is more centrally located to a population of nearly 500,000 local residents and is of closer proximity to Denver's population density.
- d. **Pueblo School District 60 Agreement.** In 1998 the State Fair Authority entered into a contractual agreement with Pueblo School District 60, which provided \$500,000 toward construction of the Events Center. It stipulates that School District 60 is entitled to use the Events Center for an unlimited number of days every year through 2025 as long as it gives State Fair management six months notice. The current arrangement is costly to the fiscal operations of the non-Fair balance sheet for many reasons, but the biggest is that it has prohibited the State Fair from entering into long-term seasonal agreements with minor league sports franchises and has obstructed interested, revenue-generating performance groups from booking at the Events Center. School District 60 typically uses the Events Center on most weekends during the months of January and February as well as a few in June and December.

- e. **Retention of a Marketing Consultant.** In an effort to increase revenue the State Fair Authority has selected SMG Worldwide Entertainment and Conference Venue Management to assist in marketing the Events Center. The two-year contract, which is currently being negotiated, will be valid from July 1, 2006, through June 30, 2008. During that time SMG will not receive any type of fixed income but rather will receive a percentage of the revenues from any new event they take to the Colorado State Fair Events Center

FY 2007-08 JBC BUDGET BRIEFING
DEPARTMENT OF AGRICULTURE
Decision Item # 1: Inspection & Consumer Services (ICS)
Cash Fund Sunset

ISSUE:

The Inspection and Consumer Services (ICS) Cash Fund is set to sunset on June 30, 2007, which will require an appropriation of \$4.1 million General Fund.

SUMMARY:

- ❑ On June 30, 2007, S.B. 05-176 will sunset the Inspection and Consumer Services (ICS) Cash Fund which finances seven ICS cash funded programs. After this date, the fees established by statute will be collected by the Department of Agriculture and transmitted to the General Fund. This action will significantly reduce revenue generated from the program's current fee structures as the fees and fines set in statute are less than the fees and fines currently set by the Commissioner.
- ❑ Prior to 2004, ICS programs received 100 percent General Funding. However due to the state's budget crisis, S.B. 03-297 was enacted which refinanced these programs away from General Fund to 100 percent cash funding. In 2005, S.B. 05-176 was enacted which extended the ICS Cash Fund with a sunset date of June 30, 2007.
- ❑ The Department is proposing a mix of cash and General Fund to support the programs of the ICS division, where specific groups that benefit pay for the program. For the programs that benefit the general public, the Department is requesting general fund support for those activities.
- ❑ The Department is seeking legislation that will eliminate the sunset date of the ICS Cash Fund and will articulate financing based on an appropriate mix of cash and General Fund.

RECOMMENDATION:

Staff recommends that the JBC sponsor legislation to remove the sunset provision and implement Staff's suggested financing ratios which will require appropriations of \$1.3 million General Fund and \$2.8 million cash funds.

Staff also recommends that the JBC ask the Department to respond to the following questions at its hearing before the JBC:

1. Please justify the Department's request to use General Fund for the following programs:
 - Anhydrous Ammonia
 - Egg Dealer and Producer Licensing
 - Measurement Standards / Small Device
 - Meat / Processor
 - Meat / Food
2. Please respond to the JBC staff recommendation to reject General Fund for these programs.

JBC Options:

For the JBC's benefit, Staff has provided the following options it may want to consider:

1. Sponsor legislation to remove the sunset provision. *Net effect: \$0 General Fund; \$4.1 million cash funds*
2. Sponsor legislation to remove the sunset provision and implement the Department's suggested financing ratios. *Net effect: \$1.8 million General Fund; \$2.3 million cash funds*
3. Sponsor legislation to remove the sunset provision and implement Staff's suggested financing ratios. *Net effect: \$1.3 million General Fund; \$2.8 million cash funds*
[Recommended]
4. Take no action permitting the ICS Cash Fund to sunset removing the Department's abilities to set fees and funding the ICS Programs entirely with General Fund (GF). *Net effect: \$4.1 million General Fund; \$0 cash funds*

Options available to the JBC pertaining to the sunset of the ICS Cash Fund:

JBC Options	Pct GF	Pct CF	GF Amt	CF Amt
1. Extend sunset only	0.0%	100.0%	\$0	\$4,115,529
2. Department Recommended Funding Ratios	44.4%	55.6%	\$1,827,180	\$2,288,348
3. Staff Recommended Funding Ratios	30.4%	69.6%	\$1,250,495	\$2,865,033
4. No action taken	100.0%	0.0%	\$4,115,529	\$0

DISCUSSION:

1. The Department of Agriculture administers and oversees the following seven programs within Inspection and Consumer Services as stipulated by statute:
 - Anhydrous Ammonia (Section 35-13-101 to 109, C.R.S.)
 - Egg Dealer and Producer Licensing (Section 35-21-101 to 108, C.R.S.)
 - Farm Products and Commodity Warehouses (Section 12-16-101 to 223, C.R.S.)
 - Commercial Feed Registration (Section 35-60-101 to 115, C.R.S.)
 - Commercial Fertilizer Program (Section 35-12-101 to 120, C.R.S.)
 - Measurement Standards (Section 35-14-101 to 134, C.R.S.)
 - Meat Processor Regulations (Section 35-33-101 to 407, C.R.S.)
2. **The Department of Agriculture's February 2001 Performance Audit** recommendation that the Department analyze the revenues, expenditures, and fee structures of all programs that are not fully cash-funded. Annual revenues earned through licensing and inspection have covered less and less of the expenses necessary to administer the functions of Inspection and Consumer Services.
3. **Senate Bill 03-297.** As part of its budget balancing package in FY 2003-04 to address Colorado's budget crisis, the General Assembly enacted legislation to refinance several programs across state government. Senate Bill 03-297 directed the Commissioner of Agriculture, in conjunction with the members of the Colorado Agricultural Commission, to increase fees related to Inspection and Consumer Services programs to a level high enough to cover all administrative expenses. The legislation also created the Inspection and Consumer Services Cash Fund with a sunset date of June 30, 2005, which stipulated that upon its sunset, that all unexpended and unencumbered moneys in the fund shall be transferred to the General Fund.
4. **The factors for adjusting the various fee amounts** of the Inspection and Consumer Services programs were left to the discretion of the Commissioner and the members of the Colorado Agricultural Commission. These could include:
 - a. Whether a payer is a corporation or an individual;
 - b. Whether the payer is a resident or a non-resident;
 - c. The average fee charged by programs in other states; and
 - d. The economic health of specific industries.
5. **Senate Bill 05-176.** Re-authorized the Commissioner of Agriculture, in conjunction with the Colorado Agricultural Commission, to adjust licensing and testing fees for seven programs related to Inspection and Consumer Services (ICS) in the Agricultural Services Division. Sunsets applicable program fees and the Inspection and Consumer Services Cash Fund on July 1, 2007, and resumes the previous fee structure and corresponding subsidy from the General Fund, extending the sunset on S.B. 03-297.

6. For FY 2007-08, the Department has submitted a change request which recommends that the JBC sponsor legislation which will remove the sunset to the ICS Cash Fund and proposes new funding percentages for seven ICS programs. The funding percentages are provided in **Appendix A**. The Department has provided funding percentages for FY 2007-08 as well as intended funding percentages for FY 2008-09 and future fiscal years.

Funding split for FY 2007-08 and the anticipated year-out fiscal plan for 2008-09 going forward:

Department Change Request Overview	GF Pct	CF Pct	GF Amt	CF Amt
FY 2007-08 Funding Proposal	23.1%	76.9%	\$949,256	\$3,166,272
FY 2008-09 Funding Proposal	44.4%	55.6%	\$1,827,180	\$2,288,348

7. Upon further review of the Department's recommended financing ratios, Staff is concerned that some of the programs' General Funding percentages may not accurately reflect the degree to which the program benefits the common good versus how it may benefit a specific group.

Staff recommends that the JBC consider different financing percentages for the following ICS programs:

- Anhydrous Ammonia
- Egg Dealer and Producer Licensing
- Measurement Standards / Small Device
- Meat / Processor
- Meat / Food

These programs were selected as it was Staff's concern that the Department-provided funding percentages may not appropriately reflect the degree to which a program should be subsidized by the common good (i.e. General Fund) or subsidized by a specific group which reaps benefit from the program. **Appendix B** provides staff recommended funding percentages which may be more appropriate. **Appendix C** provides a rationale for the staff-chosen funding percentages.

Appendix A: Department Recommended Program Funding Ratios

FY 2007-08 Funding Ratios and Corresponding Funding Requirements

Program	GF Pct	CF Pct	GF Amt	CF Amt
1. Anhydrous Ammonia	0%	100%	\$0	\$42,063
2. Egg Dealer and Producer Licensing	0%	100%	\$0	\$184,601
3a. Farm Products	0%	100%	\$0	\$203,649
3b. Commodity Handlers	0%	100%	\$0	\$217,891
4. Commercial Feed	40%	60%	\$368,544	\$552,816
5. Commercial Fertilizer	40%	60%	\$224,784	\$337,177
6a. Measurement Standards / Small Device	40%	60%	\$355,928	\$533,892
6b. Measurement Standards / Large Device	0%	100%	\$0	\$675,714
6c. Measurement Standards / Lab	0%	100%	\$0	\$312,695
7a. Meat / Processor	0%	100%	\$0	\$68,888
7b. Meat / Food Plan	0%	100%	\$0	\$36,886
Total	23.1%	76.9%	\$949,256	\$3,166,272

FY 2008-09 and future Funding Ratios and Corresponding Funding Requirements

Program	GF Pct	CF Pct	GF Amt	CF Amt
1. Anhydrous Ammonia	50%	50%	\$21,031	\$21,031
2. Egg Dealer and Producer Licensing	50%	50%	\$92,301	\$92,301
3a. Farm Products	25%	75%	\$50,912	\$152,737
3b. Commodity Handlers	25%	75%	\$54,473	\$163,418
4. Commercial Feed	50%	50%	\$460,680	\$460,680
5. Commercial Fertilizer	50%	50%	\$280,981	\$280,981
6a. Measurement Standards / Small Device	50%	50%	\$444,910	\$444,910
6b. Measurement Standards / Large Device	25%	75%	\$168,928	\$506,785
6c. Measurement Standards / Lab	75%	25%	\$234,521	\$78,174
7a. Meat / Processor	0%	100%	\$0	\$68,888
7b. Meat / Food Plan	50%	50%	\$18,443	\$18,443
Total	44.4%	55.6%	\$1,827,180	\$2,288,348

Appendix B: Staff Recommended Program Funding Ratios

Italicized items indicate Staff recommended financing percentages changes.

Program	GF Pct	CF Pct	GF Amt	CF Amt
<i>1. Anhydrous Ammonia</i>	<i>0%</i>	<i>100%</i>	<i>\$0</i>	<i>\$42,063</i>
<i>2. Egg Dealer and Producer Licensing</i>	<i>0%</i>	<i>100%</i>	<i>\$0</i>	<i>\$184,601</i>
3a. Farm Products	25%	75%	\$50,912	\$152,737
3b. Commodity Handlers	25%	75%	\$54,473	\$163,418
4. Commercial Feed	50%	50%	\$460,680	\$460,680
5. Commercial Fertilizer	50%	50%	\$280,981	\$280,981
<i>6a. Measurement Standards / Small Device</i>	<i>0%</i>	<i>100%</i>	<i>\$0</i>	<i>\$889,820</i>
6b. Measurement Standards / Large Device	25%	75%	\$168,928	\$506,785
6c. Measurement Standards / Lab	75%	25%	\$234,521	\$78,174
<i>7a. Meat / Processor</i>	<i>0%</i>	<i>100%</i>	<i>\$0</i>	<i>\$68,888</i>
<i>7b. Meat / Food Plan</i>	<i>0%</i>	<i>100%</i>	<i>\$0</i>	<i>\$36,886</i>
Total	30.4%	69.6%	\$1,250,495	\$2,865,033

Appendix C: Staff Recommended Program Funding Ratios Rationale

1. Anhydrous Ammonia Program

Options	GF Pct	CF Pct
Department recommended funding ratio	50%	50%
Staff recommended funding ratio	0%	100%

Rationale: The Anhydrous Ammonia Program inspects the fertilizer's storage and nurse tanks. It is staff's assertion that the proper storage and maintenance of anhydrous ammonia should not be subsidized by the public, but rather on those who seek to perform business functions with this product. It is seen as a cost of doing business as other fertilizing methods are available and are subsidized through the Fertilizer Program. In addition, according to the November 1, 2005 ICS Division report to the JBC, of 12 states surveyed, 8 do not inspect anhydrous ammonia and the majority of those surveyed are entirely or primarily funded with cash funds.

2. Egg Dealer and Producer Licensing Program

Options	GF Pct	CF Pct
Department recommended funding ratio	50%	50%
Staff recommended funding ratio	0%	100%

Rationale: The Egg Inspection Program licenses retail and wholesale egg dealers. Inspections are conducted to ensure that eggs are sanitary, wholesome, properly graded, and labeled. It is Staff's assertion that the program should remain entirely cash funded (CF) as the maintenance of state egg standards should be wholly subsidized by the industry it serves as it is a cost of doing business. In addition, according to the November 1, 2005 ICS Division report to the JBC, of 10 states surveyed, 6 states fund their egg programs either entirely or are primarily funded with cash funds.

3. **Measurement Standards / Small Device Program**

Options	GF Pct	CF Pct
Department recommended funding ratio	50%	50%
Staff recommended funding ratio	0%	100%
<p><u>Rationale:</u> The Measurement Standards Small Capacity Device/Retail Inspection Program inspects small capacity scales, performs price verifications, and inspect packages for net weight, volume and labeling compliance at retail, wholesale and manufacturing establishments. While this program provides customer protection, the program stands to benefit the purveyor's aims at sustaining a customer-loyal and law-compliant establishment. Upon learning that the establishment does not fulfill its legal obligations to uphold fair selling practices, the general public will cease doing business with that purveyor. In addition, according to the November 1, 2005 ICS Division report to the JBC, of 14 states researched, 8 states are majority funded by cash funds, federal funds, or other sources than General Fund.</p>		

4. **Meat Processor Program**

Options	GF Pct	CF Pct
Department recommended funding ratio	50%	50%
Staff recommended funding ratio	0%	100%
<p><u>Rationale:</u> The Meat Processor Program inspects and regulates custom domestic meat processors, and wild game meat processors. A custom domestic processor processes animals only for the owner of that animal, not for sale to the public. If the meat is not for the public's consumption, then the program should not be subsidized by the public. The fee should be absorbed by the meat processor as a cost of doing business.</p>		

5. **Meat Food Plan Program**

Options	GF Pct	CF Pct
Department recommended funding ratio	50%	50%
Staff recommended funding ratio	0%	100%
<p><u>Rationale:</u> The Meat Food Plan Program inspects and regulates food plan operators. Food plan operators are businesses that sell meat and other food items door to door or for delivery to a customer. This industry has been associated with fraudulent sales tactics. It is Staff's contention that the food plan operators should subsidize their own regulation as they benefit from receiving the state's certification when seeking to sell their products to interested consumers. The state</p>		