DEPARTMENT OF AGRICULTURE
FY 2017-18 JOINT BUDGET COMMITTEE HEARING AGENDA

Monday, January 9, 2017
9:00 am – 10:30 am

9:00-9:10 INTRODUCTIONS AND OPENING COMMENTS

9:10-9:30 DEPARTMENT OVERVIEW

1 Please provide a brief history of the Brand Board and why it was designated an enterprise.

2 Please provide a description of the Department's indirect cost methodology and how indirect costs are divided between the Department's various divisions.

9:30-10:30 COLORADO STATE FAIR AUTHORITY OPERATING REVENUE DEFICIENCIES

3 What is the TABOR impact of the transfer of interest from the Unclaimed Property Tourism Promotion Trust Fund to the Colorado State Fair Cash Fund? What impact does this transfer of interest have on the Colorado State Fair Authority's (Authority's) status as an enterprise?

4 With regard to the Authority's intentions to upgrade its facilities, has the Authority assessed the impact on facility rental demand and return on investment when determining which facilities are priorities? What other metric does the Authority use to determine the priority of facility upgrades?

5 How will the Authority determine the pace for increasing facility rental rates? Please provide a projection for the revenue generated by the January 1, 2017 facility rental rates increase?

6 Does the Authority plan to conduct a market study to assess the impact of the increased facility rental rates, the upgraded facilities, and the rebranding campaign?

7 How does the Authority finance the prize and award money distributed for competitions (e.g., 4-H competitions) held at the Fairgrounds? How much of these funds are provided by sponsorship (e.g., private, corporate, non-profit)?

8 Has the Department and Authority considered requesting part of the lottery proceeds allocated from Great Outdoors Colorado?

9 Considering JBC staff's recommendations, what is the Department's and Authority's assessment of the impact they will have on the Authority's financial sustainability and independence?

10 What is the Department's position on a fixed state subsidy?

11 What are the constraints preventing the Authority from hosting the 11-day State Fair in another location?

12 Please provide a comparison of the Authority's year-round management of the State Fairgrounds with the management of the three largest county fairgrounds in Colorado? How do the county fairs' financial sustainability compare to the Authority's financial sustainability?

13 What is the economic impact locally, regionally, and state-wide of the year-round use of the State Fairgrounds? How is this impact distributed across the state?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1 Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.

2 If the Department receives federal funds of any type, please respond to the following:
   a. Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2016-17.
   b. Are expecting any changes in federal funding with the passage of the FFY 2016-17 federal budget? If yes, in which programs, and what is the match requirement for each of the programs?

3 Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated June 30, 2016 (link below)? What is the department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations?

http://leg.colorado.gov/sites/default/files/documents/audits/1667s_annual_report_-_status_of_outstanding_recommendations_1.pdf

4 Is the department spending money on public awareness campaigns? What are these campaigns, what is the goal of the messaging, what is the cost of the campaign? Please distinguish between paid media and earned media. Do you have any indications or metrics regarding effectiveness? How is the department working with other state or federal departments to coordinate the campaigns?

5 Based on the Department's most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy?

6 For FY 2015-16, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2016-17? If yes, in which programs and line items do you anticipate these reversions occurring? How much and in which fund sources do you anticipate the reversion being?

7 [Background Information: For FY 2017-18, the Department of Law has submitted a request to change the calculation of legal services appropriations as well as the monthly billing system for legal services provided to state agencies. Specifically, the proposal would: 1) calculate the number of budgeted legal services hours for each agency as the average of actual usage in the prior three years; 2) include a two-year average of "additional litigation costs" such as court reporting, travel for depositions, expert witness costs, etc., in the appropriation for legal services (these costs are not currently included in the appropriation and are often absorbed from other personal services and operating expenses line items); and 3) convert from monthly billing based on the actual hours of service provided to monthly billing based on twelve equal installments to fully spend each client agency's appropriation.]

Please discuss your agency's position on the Department of Law's proposed changes to the legal services system, including the potential impacts of the changes on your agency budget. That is, does your department support the proposed changes? How would you expect the changes to positively or negatively impact your department? Please explain.

8 What is the expected impact of Amendment 70 (minimum wage increase) on Department programs? Please address impacts related to state personnel, contracts, and providers of services.

9 Please provide an update on the Department's status, concerns, and plans of action for increasing levels of cybersecurity, including existing programs and resources. How does the Department work with the Cybersecurity Center in the Office of Information Technology?

10 Is the SMART Act an effective performance management and improvement tool for your Department? What other tools are you using? Do your performance tools inform your budget requests? If so, in what way?

11 Please identify how many rules you have promulgated in the past two years. With respect to these rules, have you done any cost-benefit analysis pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analysis pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you conducted a cost-benefit analysis of the Department's rules as a whole? If so, please provide an overview of each analysis.

12 What has the department done to decrease red tape and make the department more navigable/easy to access?

13 What is the number one customer service complaint the department receives? What is the department doing to address it?

DEPARTMENT OF AGRICULTURE

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Monday, January 9, 2017

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9:00-9:10 **INTRODUCTIONS AND OPENING COMMENTS**

9:10-9:30 **DEPARTMENT OVERVIEW**

1. Please provide a brief history of the Brand Board and why it was designated an enterprise.

What became the State Board of Stock Inspection Commissioners (the "Brand Board") dates back to approximately 1865, when Colorado was still a territory and livestock brands and branding became an integral part of the livestock industry in Colorado. The Brand Board was founded in 1899. It became a state agency in 1903 and held its first formal meeting as a state agency that same year. It became a division of the Department of Agriculture in the 1970s to bring its employees under the state personnel system.

The Brand Board/Brand Inspection Division (Brand Board) is 100% cash funded by fees, charges and assessment paid by the livestock industry. The Board is a Type 1 policy making board and an enterprise for purposes of Article X, Section 20 of the Colorado Constitution.

The Brand Board has broad statutory authority to adopt and enforce policies and rules governing livestock brands, branding and related aspects of the livestock industry, including the establishment, collection and use of fees, assessments and charges associated with the industry's operation.

There are a total of 68 brand inspectors, brand inspector supervisors and administrative support personnel serving in 10 supervisory districts throughout Colorado. Brand inspectors are statutory peace officers. In FY 2015-16, inspectors traveled over 1 million miles inspecting 3.8 million head of livestock.

The Brand Board was designated as an enterprise pursuant to HB 04-1351, sponsored by the House Agriculture Committee. The designation is consistent with the provisions contained in the 1992 TABOR amendment for government-owned businesses that operate as a business and receive less than 10% of their annual revenue in grants from all Colorado state and local governments combined. It receives no general funds. Its fee and assessment structure is designed to produce only such revenue as is needed to fund its operation and provide the services required by the industry and mandated by statute. As

such, the Brand Board satisfies the intent and criteria of an enterprise for purposes of Article X, Section 20 of the Colorado Constitution.

2 Please provide a description of the Department's indirect cost methodology and how indirect costs are divided between the Department's various divisions.

The Department's indirect cost pool is based on personal services, operating, and the utilities line items in the Commissioner's Office. Indirect costs are allocated to each division based on the cash funds utilized by each division, and grants received by each division.

The indirect rate is applied to the cash funds throughout the department based on expenses. In most cases, the indirect rate is 10.0 percent of expenditures. There are statutory indirect cost caps for the following cash funds: Brand Inspection (3.6 percent), Brand Estray (3.6 percent), Alternative Livestock (3.6 percent), and Agriculture Products Inspection (5.0 percent).

Indirect collections for federal sources are based on each grant award. For FY 2016-17, the Department's approved federal rate is 20.57% applied to personal services grant expenditures. These amounts vary year to year based on the awards received by the Department.

9:30-10:30 COLORADO STATE FAIR AUTHORITY OPERATING REVENUE DEFICIENCIES

3 What is the TABOR impact of the transfer of interest from the Unclaimed Property Tourism Promotion Trust Fund to the Colorado State Fair Cash Fund? What impact does this transfer of interest have on the Colorado State Fair Authority's (Authority's) status as an enterprise?

The interest income received by the Colorado State Fair Cash Fund is TABOR exempt. Although the revenue from the transfer is TABOR exempt, it is still counted as support from state sources. As such, this income would contribute to the State Fair exceeding its limit of 10.0 percent of support from state sources.

4 With regard to the Authority's intentions to upgrade its facilities, has the Authority assessed the impact on facility rental demand and return on investment when determining which facilities are priorities? What other metric does the Authority use to determine the priority of facility upgrades?

Currently the Authority is working with the Office of the State Architect on a comprehensive Facilities Audit of infrastructure needs at the Fair. This study will provide the Authority with a strategic plan

and help prioritize the improvements. Those facilities with the best rental potential will be at the top of the list.

5 How will the Authority determine the pace for increasing facility rental rates? Please provide a projection for the revenue generated by the January 1, 2017 facility rental rates increase?

The Authority will annually evaluate the rental rates for all rental facilities based on frequency of use, comparable venue rates within the region, and improvements and investments made to each rental venue. Informal surveys will be conducted to evaluate appropriate rental rates and determine when price adjustments are warranted. If days of use remain with the same as those in FY 2015-16, the Colorado State Fair anticipates generating an additional $20,000 annually in revenue based on rental rate increases. Since increases were implemented January 2017, only half of that is anticipated to be realized in FY 2016-17.

6 Does the Authority plan to conduct a market study to assess the impact of the increased facility rental rates, the upgraded facilities, and the rebranding campaign?

The Authority does not plan to conduct a market study to assess impacts of increased rental rates, upgraded facilities or the future rebranding campaign at this time. The General Assembly appropriated funds for the Management Consultant Study, completed in March 2016 and the Department is currently working with the Office of the State Architect to complete a facility audit study.

7 How does the Authority finance the prize and award money distributed for competitions (e.g., 4-H competitions) held at the Fairgrounds? How much of these funds are provided by sponsorship (e.g., private, corporate, non-profit)?

Monies distributed as prizes and awards during the annual State Fair are derived from the entry fees collected for entering in the competitive exhibits departments (i.e., baking, quilting, livestock competitions, etc.), in combination with sponsorship revenues contributed to support the program. In 2016 entry fees and revenues earned from the competitive exhibits department covered 74.23% of the annual awards expense, while sponsorship revenues covered 4.38%. The balance of 21.39% is covered by the funds received from the State, to assist in covering the cost of the program. While these competitive exhibit programs are a deep rooted facet of the history of our industry, is very common within the Fair industry for there to be a gap between award monies paid and entry fee revenue received.

8 Has the Department and Authority considered requesting part of the lottery proceeds allocated from Great Outdoors Colorado?

The Colorado State Fair cannot access Great Outdoors Colorado funds directly since it does not qualify as a local government. The City and County of Pueblo have allocated lottery funds to the State Fair.

9 Considering JBC staff's recommendations, what is the Department's and Authority's assessment of the impact they will have on the Authority's financial sustainability and independence?

The Department appreciates the staff recommendation, but does not support the recommendation. The Department is working to implement its plan to bring the Fair's operation solvent. Additionally, pursuant to the Governor's Budget Request, there is no General Fund available for additional appropriations. The Department is grateful for the support it has seen by the General Assembly.

What is the Department's position on a fixed state subsidy?

The Department would prefer that the funding for the fair not be modified at this time.

10 What are the constraints preventing the Authority from hosting the 11-day State Fair in another location?

In addition to statutory constraints, factors that would prove to be challenges in successfully operating the annual State Fair in a different location include: there is no other site with existing infrastructure to host the fair, elevated cost of marketing, increased competition in entertainment buying (more venues in the geographic region, competitive buys equating to elevated pricing, and diluting potential customer base with an abundance of nearby entertainment options); conflicting dates with existing festivals/events; routing with business partners, i.e. carnival providers, food vendors, commercial vendors, etc.; availability of compatible venue/location; diminished customer loyalty; potential decrease in revenues due to lower attendance related to oversaturation of event options in Denver; and, continued fiscal challenges.

11 Please provide a comparison of the Authority's year-round management of the State Fairgrounds with the management of the three largest county fairgrounds in Colorado? How do the county fairs' financial sustainability compare to the Authority's financial sustainability?

The three largest county fairs are Adams, Weld, and Laramie. While responses were not readily available from the three largest County fairs in the state, comparative information was gathered

from Jeffco Fair & Festival, Arapahoe County Fairgrounds and the Adams County Fair.

The Jeffco Fair & Festival operates on an expenditure budget of $300,000. The county took over the event in 2016, and in year one there were significant additional expenditures surrounding the event totaling approximately $125,000, covered by a combination of Fairgrounds operating budget and a budget supplemental. The supplemental $125,000 reflects 29.41% of their $425,000 expense.

Arapahoe County Fairgrounds' annual expense budget is $358,540 with $10,000 in funding from three cities within their county, supplementing 2.79% of the annual expense.

Adams County Fair responded by stating their annual expense budget is $2,590,312 with revenues of $1,436,446, thus indicating 55.45% needs to be supplemented.

Cumulative funding sources for the Colorado State Fair totaled 22.95% of FY 2015-16 actual total expense. Funding for FY 2016-17 is anticipated to be 31.68% of the FY 2016-17 budgeted expense. The state Fairgrounds is comprised of 100 acres of densely built property, with several buildings included in the State Historic Register, requiring specialized maintenance and repairs.

12 What is the economic impact locally, regionally, and state-wide of the year-round use of the State Fairgrounds? How is this impact distributed across the state?

The Authority drives an annual economic impact of nearly $34 million into the local and state economy though the generation of state and local taxes for business conducted at the Fairgrounds, according to an economic impact study conducted by the Incentis Group. Economic impact is driven through the state by the employment of 500+ annual employees from throughout the state of Colorado, contracting with vendors and renters from across the state and beyond, and the expenditures made while attendees and participants prepare to attend and travel through the state to attend events at the State Fairgrounds. Additionally, there is no way to measure full extent of the economic impact in counties where participants are preparing for the annual fair event.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented, or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list. Please explain any problems the Department is having implementing any legislation and any suggestions you have to modify legislation.

   The Department does not have any legislation that has not been implemented or is partially implemented.

2. If the Department receives federal funds of any type, please respond to the following:
   a. Please provide a detailed description of any federal sanctions or potential sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2016-17.

   The Department is not aware of any federal sanctions, or any sanctions that may be issued.

   b. Are you expecting any changes in federal funding with the passage of the FFY 2016-17 federal budget? If yes, in which programs, and what is the match requirement for each of the programs?

   The Department is not expecting any changes in federal funding.

3. Does the Department have any HIGH PRIORITY OUTSTANDING recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated June 30, 2016 (link below)? What is the department doing to resolve the HIGH PRIORITY OUTSTANDING recommendations?

   http://leg.colorado.gov/sites/default/files/documents/audits/1667s_annual_report_-_status_of_outstanding_recommendations_1.pdf

   There are four outstanding financial recommendations they have all been implemented.

   The only outstanding performance audit finding is regarding anhydrous ammonia registration. The Department anticipates this recommendation will be fully implemented when the Ag License inspection database is complete, which is expected to be in FY 2016-17 .

4. Is the department spending money on public awareness campaigns? What are these campaigns, what is the goal of the messaging, what is the cost of the campaign? Please distinguish between paid media and earned media. Do you have any indications or metrics regarding effectiveness? How is the department working with other state or federal departments to coordinate the campaigns?

   The Colorado Department of Agriculture has three programs that utilize advertising dollars in order to accomplish their mission:

   1. ***Colorado Proud***
      Colorado Proud was developed by the Colorado Department of Agriculture in 1999 to promote food and agricultural products that are grown, raised or processed in Colorado. Currently there are more than 2,300 members including farmers, ranchers, food manufacturers, associations,

restaurants, retailers, distributors, schools and other institutions. Members utilize the common logo that the Department then promotes to consumers, encouraging them to look for the label and buy local. The goals of Colorado Proud are to promote local food and agricultural products, increase the awareness of Colorado Proud, educate the public about Colorado agriculture and encourage consumers to buy local products labeled with the Colorado Proud logo.

The 2016 Colorado Proud public awareness campaign utilized $175,000 and included television advertising on CBS affiliates across Colorado (Denver, Colorado Springs/Pueblo, Grand Junction) and a public relations campaign funded by grants focused on promoting Colorado produce.

Colorado Proud aired 1,698 television ads on CBS affiliates in Denver, Colorado Springs/Pueblo and Grand Junction. The ads reached 98% of households in the Denver market, an average of 11.6 times and generated 23.1 million impressions. The digital portion of the campaign delivered another 3.1 million impressions. Click here to view the ads. The $175,000 investment resulted in a campaign valued at $647,350, when combined with in-kind and partner contributions.

In 1999 Colorado Proud started with 65 companies, and now the program has over 2,300 members that include growers, processors, restaurants, retailers and associations statewide. According to a 2016 survey:

- ***83% of respondents are very or somewhat familiar with the Colorado Proud logo, up from 59% in 2008.***
- ***83% purchase at least some Colorado food products.***
- ***64% are looking for the Colorado Proud logo more often when shopping now than they used to.***
- ***84% are more likely to buy produce that is labeled with the Colorado Proud logo.***
- ***More than 90% of Coloradans are more likely to buy Colorado grown and produced products if they were available and identified as being from Colorado.***

2. ***Colorado Wine***
The Colorado Wine Industry Development Board (CWIDB) is part of the Colorado Department of Agriculture dedicated to promoting and furthering the development of Colorado's grape growers and vintners. The CWIDB supports the efforts of more than 140 wineries throughout the state, producing an increasing array of premium-quality wines.

According to C.R.S. 35-29.5-105 "(2) In any fiscal year, the board shall budget from moneys in the fund at least one-third toward research and development and at least one-third toward promotion and marketing of the Colorado wine industry, including any administrative costs associated therewith."

The marketing contract for FY17 totals $227,000, pursuant to the statutory mandate above, and includes:

- ***Digital advertising plus billboards in Denver metro area in spring-summer and in DIA Nov-Dec (total impressions for 2016-17 media plan=30 million). Cost for 2017 contract period (through Sept. 2017)=$100,000.***
- ***Rebranding of Colorado wine brand and imagery plus retooling web site***
- ***Design and project supervision for reprint of Colorado Wine brochure***
- ***Creation of Governor's Cup Wine Tasting event held in early August 2015 and 2016***

PR activities and placements, part of the total marketing contract, resulted in nearly 341 million impressions since January 2016 valued at $2.9 million in ad equivalency from a $50,000 annual budget. According to a recent survey, future purchase interest for Colorado wine improved significantly to 66% in 2016, up from 52% in 2015.

3. ***Colorado State Fair***
The largest public awareness campaign is to market the annual Colorado State Fair event. Year-round events are promoted primarily through social media and sponsor trade campaigns. The Colorado State Fair Authority also coordinates with various renters to assist in promoting their events within our market when promotions can be done at no cost to the authority, for example though the Fairgrounds social media campaigns.

The Colorado State Fair Authority's primary goal is to increase attendance and revenue at the annual Colorado State Fair. Currently, year-round advertising is done on a limited basis to promote rentals of the Colorado State Fair facility to increase year-round revenue.

Coordination of public awareness campaigns has primarily been with other Divisions within the Department of Agriculture, most commonly the Communications Office. As budget allows, the Authority also works with the Colorado Tourism Office through our membership with Destination Pueblo where we capitalize on low cost marketing opportunities, for example, listings on colorado.com. The costs of these campaigns are listed below:

CAMPAIGN	*AMOUNT PAID*	*EARNED VALUE (EST.)*	*EFFECTIVENESS/METRIC*
COLORADOSTATEFAIR.COM	*$5,400*		*Measured through google analytics.*
@COLOSTATEFAIR SOCIAL MEDIA PAGES	*$16,000*		*Reports provided by the various social media outlets.*
STORIES PERTAINING TO COLORADO STATE FAIR ON		*$34,957*	*A subscription to a clipping service which provides a value based on the media's*

THE INTERNET			*circulation.*
IN-KIND MEDIA SPONSORSHIPS		*$683,796*	*Effectiveness is measured by number of website visits, social media followings and increased fan club members, in addition to attendance and revenue numbers.*
FAIRTIME ADVERTISING	*$387,550*	*$37,700*	*Effectiveness is measured by number of website visits, social media followings and increased fan club members, in addition to attendance and revenue numbers.*
YEAR ROUND ADVERTISING	*$7,100*		*Measured by increased rentals and rental revenue.*
ON-SITE NEWS		*$2,500*	*Measured by number of media on-site throughout the year.*

The Colorado Department of Agriculture also participates in a number of "public awareness" efforts that do not include advertising buys in order to communicate with the public including booths, brochures, outreach to schools, Facebook, newsletters, email blasts, news releases, etc. These efforts were not included in the above information since little to no funding is used.

5. Based on the Department's most recent available record, what is the FTE vacancy and turnover rate by department and by division? To what does the Department attribute this turnover/vacancy?

Information on FTE vacancies in FY 2015-16 for both the Department and each division is provided in the Schedules 3 and 14 included as part of the Department's FY 2017-18 budget submission. The Department does not anticipate any positions held vacant during FY 2017-18.

The FTE turnover rate was provided by the Department of Personnel, and is pasted below:

Department of Agriculture: Summary of Classified Staff Turnover for FY 2015-16 by Agency										
FY 2015-16 Separations By Agency				**Separation Type**			**Employees in Quartile of Class Salary Range**			
Agency	**Separations**	**Total Employees**	**Turnover Rate**	**Voluntary**	**Involuntary**	**Retire**	**1st**	**2nd**	**3rd**	**4th**
CDA	39	326	12.0%	25	4	10	26	6	3	4
Department Total*	**39**	**326**	**12.0%**	**25**	**4**	**10**	**26**	**6**	**3**	**4**

6. For FY 2015-16, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2016-17? If yes, in which programs and line items do you anticipate these reversions occurring? How much and in which fund sources do you anticipate the reversion being?

The Department submitted reversions for FY 2015-16 in the FY 2017-18 budget request. All reversions can be attributed to a standard variance in expenses. The department does not anticipate reversions in FY 2016-17.

7. For FY 2017-18, the Department of Law has submitted a request to change the calculation of legal services appropriations as well as the monthly billing system for legal services provided to state agencies. Specifically, the proposal would: 1) calculate the number of budgeted legal services hours for each agency as the average of actual usage in the prior three years; 2) include a two-year average of "additional litigation costs" such as court reporting, travel for depositions, expert witness costs, etc., in the appropriation for legal services (these costs are not currently included in the appropriation and are often absorbed from other personal services and operating expenses line items); and 3) convert from monthly billing based on the actual hours of service provided to monthly billing based on twelve equal installments to fully spend each client agency's appropriation.

   Please discuss your agency's position on the Department of Law's proposed changes to the legal services system, including the potential impacts of the changes on your agency budget. That is, does your department support the proposed changes? How would you expect the changes to positively or negatively impact your department? Please explain.

The Department is supportive and believes this change will have a minimal impact. The first year of a new methodology will cause budget variances for cash funds which may have minimal negative impacts.

8. What is the expected impact of Amendment 70 (minimum wage increase) on Department programs? Please address impacts related to state personnel, contracts, and providers of services.

The Department believes the impact for the Colorado State Fair will be $155,000 annually for temporary employees, of which approximately $8,000 is related to temporary employees from agencies and $147,000 is for state temporary employees.

9. Please provide an update on the Department's status, concerns, and plans of action for increasing levels of cybersecurity, including existing programs and resources. How does the Department work with the Cybersecurity Center in the Office of Information Technology?

The Office of Information Security, within OIT, provides security governance, security architecture, risk management, compliance assessment support, and security operations functions for the Department of Agriculture. The Office of Information Security has input into the 5-year plans for the Department, and has worked to prioritize projects benefiting the Department, such as: the Enterprise Firewall Refresh project, new quarterly security awareness training, and an enterprise security log collection and correlation engine.

Additionally, the Office of Information Security, within OIT, produces a quarterly risk report card, in which they measure risk for the Department, and have specific goals set, for reducing risk.

10. Is the SMART Act an effective performance management and improvement tool for your Department? What other tools are you using? Do your performance tools inform your budget requests? If so, in what way?

The SMART Act has proven an effective performance management and improvement tool for the Department. Performance metrics, both strategic and operational, are reviewed on a quarterly and annual basis by the Department's senior staff and executive leadership to assess progress toward goals. These regular reviews have brought about a greater accountability throughout the Department, as well as helping to keep a focus on the Department's mission and vision.

LEAN analyses have become another important tool regularly utilized throughout the Department to improve performance through process improvement. The Department's performance plan goes so far as to include metrics relating to the number of LEAN analyses to be conducted annually. Along with LEAN analyses, another performance tool utilized by the Department is a biennial survey of stakeholders. This survey provides feedback on stakeholder experiences in interacting with the Department and insights for the general improvement of Department programs and operations.

It has been our experience that these tools play a role in informing the Department's program operations and ultimately, budget requests. For example, within the Fruit & Vegetable Inspection program, the time for response to inspection requests is carefully monitored and is used as a leading indicator for the optimum level of staffing. In another instance, the Plant Industry Division drew upon tracking measures showing increases in inspection requests and subsequent investigations as the basis for requesting additional inspectors for its pesticide enforcement programs as part of the Department's FY 2016-17 budget request, as well as for additional testing equipment and staff for the Department's biochemistry laboratory.

11. Please identify how many rules you have promulgated in the past two years. With respect to these rules, have you done any cost-benefit analysis pursuant to Section 24-4-103 (2.5), C.R.S., regulatory analysis pursuant to Section 24-4-103 (4.5), C.R.S., or any other similar analysis? Have you conducted a cost-benefit analysis of the Department's rules as a whole? If so, please provide an overview of each analysis.

Twenty-eight rules were promulgated in 2015 and 2016. We did not conduct any cost-benefit or similar analysis, as none were required pursuant to Section 24-4-103 (4.5), C.R.S.

12. What has the department done to decrease red tape and make the department more navigable/easy to access?

As part of our regulatory review process we look for ways to reduce regulations and make our rules easier to understand and implement. This practice is also used as we conduct rulemaking processes for amendments or new rules.

Our office consolidation that occurred in 2014 has made it easier for our customers to access multiple divisions in the Department that would have been in three separate locations prior to the move.

Finally, our continued implementation of AgLicense makes it easier for customers to do business with our Department, licenses can be obtained quicker, payments can be made online, and multiple license types can be renewed at the same time. We currently have 17 programs in AgLicense and continue to work toward getting all licenses, inspections, and enforcement actions into this system.

13. What is the number one customer service complaint the department receives? What is the department doing to address it?

The Department conducted a stakeholder survey in December 2015 - January 2016. Eighty-six percent of our respondents reported their overall experience interacting with CDA at Excellent or Good. The items mentioned that would improve our customers overall experience are faster and friendlier customer service, to improve our processes by making them more efficient and reducing costs, and to improve our communication and outreach.

We are always looking for ways to improve our customer service. Our efforts with AgLicense and electronic brand certificates are improving our processes and making our operations more efficient internally, as well as to our external customers. We are exploring the development of a survey for our AgLicense users to determine our effectiveness. We are expanding our social media and video outreach

efforts and surpassed our 3-year Facebook performance plan goal in the first 6 months. We have also just completed the first edition of the annual "Cultivating Colorado" magazine publication.

Joint Budget Committee Hearing

January 9, 2017

Mission

To strengthen and advance Colorado agriculture; promote a safe, high quality, and sustainable food supply; and protect consumers, the environment, and natural resources.

Department Budget Priorities

- ✓ **Office Consolidation Phase Two**
  - ✓ The Department of Agriculture (CDA) requested $16.7 million cash funds and $10.0 million reappropriated funds to complete Phase Two of office consolidation, originally authorized in H.B. 13-1234.
  - ✓ Phase Two milestones already in progress include: the disposition of the Department’s warehouse near the National Western Stock Show and a land parcel purchase authorized by S.B. 16-1460.
  - ✓ This request is for the final steps of Phase Two: the construction of a 25,166 square ft. lab and warehouse facility and the final renovation of the Department’s office building.

Department Budget Priorities

- **AgLicense, Inspection and Enforcement**
  - The Department of Agriculture (CDA) requested $285,000 cash funds spending authority for the configuration and deployment of Phase Four of the AgLicense license consolidation project.
  - The AgLicense system, when fully implemented, will automate the annual processing of approximately 40,000 permits, license applications and inspections for 23 of the Department’s programs.

Brand Board Enterprise Status

- ✓ The Brand Board was designated as an enterprise pursuant to HB 04-1351, sponsored by the House Agriculture Committee.
- ✓ The designation is consistent with the TABOR provisions for government-owned businesses that receive less than 10% of their annual revenue from Colorado state and local governments combined.
- ✓ The Brand Board is 100% cash funded.

Indirect Cost Methodology

- ✓ The Department’s indirect cost pool is based on personal services, operating, and the utilities line items in the Commissioner’s Office. Indirect costs are allocated to each division based on the cash funds utilized by each division, and grants received by each division.
- ✓ In most cases, the indirect rate for cash funds is 10.0% of expenditures.
- ✓ Indirect collections for federal sources are based on each grant award. For FY 2016-17, the Department’s approved federal rate is 20.57% applied to personal services grant expenditures.

Colorado State Fair, Interest Income

- ✓ The interest income received by the Colorado State Fair Cash Fund from the Unclaimed Property Tourism Promotion Trust Fund is TABOR exempt.
- ✓ Although the revenue from the transfer is TABOR exempt, it is still counted as support from state sources.
- ✓ As such, this income would contribute to the State Fair exceeding its limit of 10.0% of support from state sources thus disqualifying it from enterprise status.

Colorado State Fair, ROI

- ✓ Currently, the Authority is working with the State Architects’ office on a comprehensive Facilities Audit of infrastructure needs at the Fair.
- ✓ This study will provide the Authority with a strategic plan and help prioritize the improvements for fair facilities.
- ✓ The facilities with the best rental potential will be placed high on the list.

Colorado State Fair, Rental Rates

- ✓ The Authority will annually evaluate rental rates for all rental facilities.
- ✓ If days of use remain constant with FY 2015-16, the Colorado State Fair anticipates generating an additional $20,000 annually in revenue based on rental rate increases; half of that is anticipated to be realized in FY 2016-17 as increases were implemented January 2017.

Colorado State Fair, Market Study

- ✓ The General Assembly appropriated funds for the Management Consultant Study, completed in March 2016 and the Department is currently working with the Office of the State Architect to complete a facility audit study.
- ✓ The Authority does not plan to conduct an additional study at this time.

Colorado State Fair, Prize Money

- ✓ Monies distributed as prizes and awards during the annual State Fair are derived from the entry fees collected, in combination with sponsorship revenues contributed to support the program.
- ✓ In 2016 entry fees and revenues earned from the competitive exhibits department covered 74.23% of the annual awards expense, while sponsorship revenues covered 4.38%. The balance of 21.39% is covered by the funds received from the State, to assist in covering the cost of the 4H and FFA programs.

Colorado State Fair, GOCO Funds

- ✓ The Colorado State Fair cannot access Great Outdoors Colorado funds directly since it is not a local government.
- ✓ Pueblo County has allocated GOCO lottery funds to the State Fair.

Colorado State Fair, JBC Staff Rec.

- ✓ The Department appreciates the staff recommendation, but does not support the recommendation. The Department is working to implement its plan to bring the Fair’s operation solvent.
- ✓ Pursuant to the Governor’s Budget Request, there is no General Fund available for additional appropriations.
- ✓ The Department is grateful for the support it has received by the General Assembly.

Colorado State Fair, Different Location

- Factors that would prove to be constraints in successfully operating the annual State Fair in another location include:
  - infrastructure to host the event
  - elevated cost of marketing
  - increased competition in entertainment buying
  - conflicting dates with existing festivals/events; routing with business partners, i.e. carnival providers, food vendors, commercial vendors, etc.
  - availability of compatible venue/location
  - diminished customer loyalty; sponsorships, partnerships, etc.
  - potential decrease in revenues due to lower attendance related to oversaturation of event options in other areas
  - continued fiscal challenges.

Colorado State Fair, County Fairs

- ✓ The three largest county fairs are Adams, Weld, and Larimer. Information was available from Jeffco Fair & Festival, Arapahoe County Fairgrounds and the Adams County Fair.
  - ✓ *The Jeffco Fair & Festival operates on an expenditure budget of $425,000, $125,000 needs to be supplemented, 29.41% of their expense. (event only)*
  - ✓ *Arapahoe County Fairgrounds’ annual expense budget is $358,540 with $10,000 in funding from three cities within their county, supplementing 2.79% of the annual expense.(event only)*
  - ✓ *Adams County Fair responded by stating their annual expense budget is $2,590,312 with revenues of $1,436,446, thus indicating 55.45% needs to be supplemented.*

Colorado State Fair, Economic Impact

- ✓ The Authority drives an annual economic impact of nearly $34 million into the local and state economy.
- ✓ Economic impact is driven through the state by the employment of 500+ annual employees, contracting with vendors and renters from across the state and beyond, and the expenditures made while attendees and participants prepare to attend and travel through the state to attend events at the State Fairgrounds.
- ✓ Additionally, there is no way to measure the full extent of the economic impact in counties where participants are preparing for the annual fair event.

Conclusion

- ✓ With less than one-tenth of one percent of the State's General Fund appropriations, the Department of Agriculture works to sustain and enhance Colorado's $40 billion agricultural industry, supports approximately 170,000 jobs, and helps feed the world each day.

- ✓ Questions/Discussion