

**DEPARTMENT OF AGRICULTURE
FY 2020-21 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Friday, November 22, 2019
3:00 pm – 4:00 pm**

3:00-3:10 INTRODUCTIONS AND OPENING COMMENTS

Presenter: Kate Greenberg, Commissioner

3:15 – 3:35 DEPARTMENT REQUEST ITEMS

Main Presenters:

- Kate Greenberg, Commissioner

Supporting Presenters:

- Jill Schnathorst, Chief Financial Officer

Topics:

- R1 Renewable Energy and Energy Efficiency (ACRE3) Funding
- R2 Organic staff program expansion: Page 1-3, Questions 1-4 in the packet, Slides 7
- R3 Soil health program: Page 3-4, Questions 5-7 in the packet, Slides 7
- R4 Sustainable cannabis certification: Page 4-5, Questions 8-11 in the packet, Slides 7
- R5 Pet animal care facility licensing: Page 6, Questions 12-13 in the packet, Slides 7
- Requested Reductions to FY 2020-21 Budget: Page 6-7, Questions 14-15 in the packet, Slides 7

3:35-4:00 STATE FAIR AUDIT POTENTIAL ACTIONS

Main Presenters:

- Kate Greenberg, Commissioner
- Scott Stoller, General Manager, Colorado State Fair

Topics:

- Work with the State Architect's Office: Page 7-8, Questions 16-20 in the packet
- Resources to Address Audit Findings: Page 8-9, Questions 21-22 in the packet
- Events Center Contract and Enterprise Status: Page 9, Questions 23-25 in the packet

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DEPARTMENT REQUEST ITEMS

R2 ORGANIC STAFF PROGRAM EXPANSION

1. Discuss the difference between organic certification from the Department of Agriculture versus the other entities that certify products and producers as organic.

Organic certification is regulated at the federal level. All certifiers follow the United States Department of Agriculture (USDA) National Organic Program (NOP) Rule 7 CFR 205 and NOP guidelines when making certification decisions regardless of whether they are a state agency or private entity. Certifiers have flexibility in the fees they charge for certification, the forms submitted, and the time it takes to receive certification. Certifiers can be for profit or nonprofit entities. The table below lists the other Organic certifying entities in Colorado. Of the 19 other certifying entities, 8 are nonprofit as listed on their websites.

Colorado State Organic Certifiers (Source: The National Organic Program Organic Integrity database)

- A Bee Organic
- Baystate Organic Certifiers
- CCOF Certification Services, LLC**
- Ecocert ICO, LLC
- Global Organic Alliance, Inc
- International Certification Services, Inc.
- Kiwa BCS Oko-Garantie GmbH
- Midwest Organic Services Association, Inc.**
- Minnesota Crop Improvement Association**
- Natural Food Certifiers
- NOFA-NY Certified Organic, LLC**
- OneCert, Inc.
- Oregon Tilth Certified Organic**
- Organic Certifiers, Inc.
- Organic Crop Improvement Association**
- Pro-Cert Organic Systems, Ltd.
- Quality Assurance International**
- Quality Certification Services**
- SCS Global Services, Inc.

**Nonprofit entity

A distinction between CDA's Organic certification program and others that operate within the State is that CDA only certifies products in Colorado. Many other operations certify nationally or internationally. Additionally, of the certifiers listed above, only one is physically located in Colorado: A Bee Organic.

Like the other certifiers, CDA charges fees for its organic certification. Over the last five years, these fees have not been able to cover the program's expenses. As a result, the Department increased fees in FY 2019-20 to cover current programmatic costs.

2. Why does the Department operate an organic certification program? Are federal funds dedicated to supporting state operated certifiers? Does the Department seek federal funds for this purpose if available?

CDA has been providing organic certification for Coloradans since the early 1990's as a result of the Organic Food Production Act of 1990 which created the Organic certification program at the national level. This involvement was likely a result of demand from producers in the state for Department certification. CDA then became an accredited certifier for the USDA in 2002 when the National Organic Program was instituted. The Department continues to certify organic operations in order to support high value agriculture, one of its Wildly Important Goals (WIGs), and to meet the demand of producers throughout the state. There has been consistent demand from Colorado producers and businesses for organic certification with the CDA. While there are other certifiers that work in the state of Colorado, CDA receives about 75-100 requests for information every year about organic certification. In addition, CDA inspectors are also asked about how to become certified with CDA. In August 2019, CDA published a form to the organic program website to enable producers to submit requests and join the waiting list for certification. In fewer than three months, the Department had 17 people sign up via the form, without any marketing by CDA of the waitlist (as of November 12, 2019).

Federal funds are not available to support state-operated certifiers. Since no known federal funds are available to support the CDA's organic program, it has not applied for federal funds for this program in the past. However, CDA is looking at other federal and state grant opportunities that could help support the program.

3. Why do producers place a higher value on certification from the Department than on the other entities authorized to certify operations as organic?

Organic operations view a certification from the Department as having an added value because of the Department's extensive involvement in agriculture in Colorado, both as a regulatory authority and as a marketing agency. As such, staff at the organic program are able to coordinate with other State and Department-run programs, such as the Specialty Crop Block Grant Program, to be a resource for producers regarding those programs. Other CDA-run programs that many Organic producers are involved in include: Colorado Proud, the Seed Registration program, Nursery Registration program, Chemigation, Conservation, and Phytosanitary Certificate programs. Having all of these programs in one place creates a one-stop shop for producers to receive the majority of their certifications.

Additionally, CDA inspectors and staff are locally based and familiar with local Colorado environmental conditions (e.g. soil type, water rights, nutrients, etc.) that an inspector from out of state may not be aware of when conducting the certification review and inspection. Only one of the private certifying entities is physically located in Colorado.

4. Discuss why General Fund is the appropriate funding source for expanding the Organic Certification Program in Colorado instead of fees alone.

Expenses charged to the program have increased over the past few years, primarily driven by common policy and PERA increases. As such, the program has had to make difficult hiring decisions in order to receive vacancy savings to stay within the program's budget. During FY 2019-20 a variable fee increase, with a minimum of 20%, was implemented to begin covering the program's current budget deficit. This revenue is anticipated to help right size the current program's budget but would not be able to support the additional FTE needed to certify additional producers and provide educational outreach.

CDA cannot meet its Wildly Important Goal (WIG) of increasing the number of CDA Organic certifications if the number of organic operations stays the same. To hit this goal, the Department needs to conduct outreach and education with stakeholders, an activity the Department is uniquely situated to provide with its experience in other areas of Colorado agriculture. This is also a role that a public entity, rather than a private entity, would typically fill. As a result, General Fund is an appropriate funding source in order to keep fees competitive with private producers while also doing additional outreach and education activities.

R3 COLORADO SOIL HEALTH PROGRAM

5. Discuss the incentives provided to agricultural producers to participate in the soil health program.

The soil health program would provide financial and technical assistance to farmers and ranchers in the program to incentivize investment in soil health initiatives. The grants would be issued for otherwise cost prohibitive investments such as soil testing, cost-sharing for compost, cover crop seed, equipment, bio-char, temporary livestock fencing/watering, and other items. The Department would also provide free technical assistance through planning, soil sampling, establishing demonstration sites for soil improvement techniques, conducting soil health workshops and farm tours and assisting with alternative crops and continuous cropping options.

The support the Department would provide through the grant program would give producers the tools and technical knowledge needed to access environmental services markets and platforms (i.e. Ecosystem Services Consortium, Nori, pollutant trading opportunities, etc.) which would create new business opportunities for those individuals.

6. Who will the program's ideal candidate be and why would they choose to participate?

A number of candidates would be ideal for soil health programs, including farmers and ranchers interested in improving their resiliency, utilizing limited water resources more efficiently, improving air and water quality, participating in carbon markets, or participating in privately funded conservation projects. The grants would be geared toward providing assistance in these areas for farmers and ranchers that might otherwise be unable to participate due to cost. Farming and ranching candidates would sign up for the program in order to receive financial support and technical assistance that otherwise would be difficult to obtain or unavailable.

Currently, the Environmental Quality Incentives Program (EQIP) is the primary federal program from the United States Department of Agriculture's Natural Resources Conservation Service (NRCS) that provides financial and technical assistance to improve agricultural infrastructure and implement

conservation practices, including soil health practices. It is a highly competitive program and can be difficult for applicants seeking to improve soil health to compete with larger, more involved projects for funding. If projects are selected to go under an EQIP contract, project approval and funding can take up to a year to be received, making it difficult for agricultural producers to make soil health changes before a given agricultural season. Further exacerbating the issue, in recent years, the Federal Government has reduced funding for NRCS field offices, which means NRCS staff have been unable to provide sufficient technical assistance to Colorado producers and grants are even more difficult for producers to receive. CDA staff works closely with NRCS staff and will ensure program activities are complimentary and do not overlap existing programs.

Other candidates would include agricultural commodity groups, grazing associations, conservation groups, or other nongovernmental organizations interested in helping members enter new market opportunities, promoting conservation activities for working lands, or helping agricultural producers be leaders in promoting agricultural solutions to water/air quality, climate, and wildlife management solutions. These entities would be involved in the program in order to support their clients as well as improve environmental outcomes.

7. Why is this proposal not funded through user-fees?

The requested resources would provide support to advance soil health investments, such as in equipment, soil testing, and education that are often cost prohibitive for farmers and ranchers to invest in on their own and that provide societal benefits not restricted to the agriculture industry. The Department's goal is to provide a program that creates soil health improvements for farmers and ranchers that might not be able to afford it otherwise. As such it was determined that a grant program with technical assistance and coordination through the requested FTE would best serve producers without creating another cost barrier. A coordinated soil health program is a new area of expertise for Colorado and will require outreach and education with farmers and ranchers in the state in order to create a program that best meets the needs of our producers. This work, along with the coordination of the program and technical assistance needed to guide producers through soil health adjustments, requires an FTE to shepherd the process.

R4 SUSTAINABLE CANNABIS CERTIFICATION

8. Who are the beneficiaries of sustainable cannabis certification?

Growers, retailers, and consumers would benefit from a sustainable cannabis certification. For growers, CDA-certified cannabis could provide an economic premium, fetching a higher price. Certified cannabis may have a marketing advantage, especially for medical cannabis. Retailers could sell a product with more confidence in the growing conditions if products are produced within specific rules of a CDA certification program. Finally, consumers and end users would also benefit as they would be assured of a level of quality and/or safety in the products they buy if produced within the specific rules of a CDA certification program. A certification program would also reduce confusion for consumers as compared to the various marketing claims growers and retailers may currently make about the cultivation and processing of their marijuana.

A certification may also encourage more producers to invest in organic-like, sustainable cannabis cultivation practices, as they may be more likely to get a premium on the resulting products if they

have a reputable third party to verify those practices. Currently, they may be less inclined to invest in those practices if there is uncertainty about the return.

9. Should those beneficiaries pay for certification directly or indirectly through fees charged on those being certified? Explain the Department's position.

This program is in the development process and needs additional input from all stakeholders as to what would be the most beneficial type of certification program to the industry and consumers. It could be anything from a free marketing program where there is no fee to participate but registrants must meet a specific set of criteria to participate, to a fee-based certification program similar to CDA's organic certification program where the grower or processor would pay for certification services. At this time, however, CDA is seeking funding for a position to work with the industry and other stakeholders, assess the potential market, and learn from other states' experiences to develop and implement its program. The program would not be in a position to collect fees or revenue until it has been established and certification has begun, necessitating resources at start-up. Should it be determined that the Department needs additional resources to implement the program, it would work through the normal budget process to request a change in spending authority.

10. What types of persons or entities have inquired about sustainable cannabis certification?

CDA Marijuana Pesticides Program Inspectors are asked regularly about a CDA certification program for marijuana. Estimates based on discussions with the Inspectors are that around 50% of the Marijuana grow operations would be interested since many of them currently follow organic methods. Some operations are now representing the product as organic even though they cannot do so legally and could be subject to penalties or fines from the USDA.

11. What is sustainable cannabis? Is it sustainable because it is produced using fewer resources such as water and electricity? Is it sustainable because it is grown using methods analogous to those used by organic certified growers? Or is there some other goal with production sustainability?

The criteria for a sustainable marijuana program will depend on input from the interested stakeholders and industry participants to determine what type of program would be most beneficial. Many growers are currently using organic practices and restrict products such as fertilizers and pesticides to only those that are approved for use in NOP-certified organic production. However, because marijuana is still an illegal commodity at the federal level, it cannot be certified organic through the USDA's NOP.

R5 PET ANIMAL CARE FACILITY LICENSING REQUIREMENT

12. Describe the source of this request.

The source for establishing an education requirement came from the development of a two-year strategic plan by the PACFA management team (copies available upon request). The vision of the strategic plan included a focus on expanding education as part of a comprehensive regulatory program. CDA believes it will see increased compliance with education rather than continued enforcement actions. In the development of the strategic plan, PACFA looked at other licensed professions and identified that the PACFA program was missing a qualifying and continuing education component that is typically found in these licensed professions. As a result, the concept was developed as part of the two-year strategic plan. The strategic plan, and this specific educational initiative, was developed while the sunset review process was ongoing. The reauthorization of PACFA included the statutory authority to require education and examination as part of licensure. Since the passage of the reauthorization, PACFA management has continued to refine the concept and sought critical stakeholder support to move forward with the budget request. While the reauthorization of the program allows for an education and examination requirement, it did not provide the funds necessary to implement it.

13. Could this program ever be funded through fees alone? Discuss the industry, its participants, and its impact on Colorado.

The program cannot be funded through fees alone at this point. Effective October 31, 2019, the Department raised fees by 25% to avoid the program going into a deficit with current operational and personnel expenses. The Department requested to fund the training system costs with the PACFA cash fund but would not be able to pay for the FTE costs without further increasing fees in the program. The recent license fee increase was done through industry stakeholder meeting and with their support. If CDA were to fund the educational requirement through fees alone, licensees would see an additional 15-20% increase in their fees on top of the 25% increase they just received.

The industry is comprised of a number of sub-industries: shelters, animal rescues, groomers, and retailers to name a few, many of which are non-profit organizations or small business operations.

REQUESTED REDUCTIONS TO FY 2020-21 BUDGET

Background: In the FY 2019-20 budget, the Department requested and the Committee approved in part funding increases for the Colorado Proud program and for the Insectary. Both programs are identified in the FY 2020-21 request as ones that can be cut temporarily.

14. Discuss the Department's decision-making process in bringing forward these requests (R8 and R9), particularly those with recent funding increases approved by the Committee.

Through the Department's budget process, a number of areas were identified where funding was currently underutilized or where funding resources were not needed, allowing for reductions. Some of these reductions were for items that received recent funding. For example, the Department requested a reduction to the Colorado Proud and publications budget that reflects a reduction to unused spending authority. The Department receives revenue for the program from label sales. Those revenue funds are then used to reorder labels and marketing materials, but are not used for

promotional programs (i.e. public relations or advertising) for which the Department received funding in the 2019 session. The label sales do not generate enough revenue annually to be able to spend the full appropriation. As such, the Department requested to reduce its associated appropriation to better align its budget with planned spending. This adjustment does not impact Colorado Proud operations.

Another example of a reduction the Department requested is a one-time reduction to the Insectary. Through the 2019 Long Bill, the Department received 1.0 FTE to support the Biological Pest Control program through the Insectary from its R-01 budget request. After the session concluded, the Department applied for and received funding through a federal grant that funded the Insectary FTE through FY 2020-21. As such, the Department requested a one-time reduction to the FY 2020-21 budget to better reflect what the Department estimates it will spend in that year. The grant funds expire in FY 2020-21 which means the appropriated General Fund will be necessary in FY 2021-22 to ensure continuity in Insectary functions.

15. Discuss any policy implications that may inevitably be at stake if programs received temporary or ongoing reductions identified in the requests (R8 and R9).

When proposing budget reductions, the Department was careful to ensure that program operations would not be significantly impacted. Budget implications were evaluated for their short and long term impacts. The Department does not anticipate any reductions in operations as a result of the proposed reductions.

STATE FAIR AUDIT POTENTIAL ACTIONS

WORK WITH THE STATE ARCHITECT'S OFFICE

16. What processes are currently underway between the State Fair and the State Architect's Office?

The State Fair Board of Authority, General Manager, and senior staff are working with the Office of the State Architect, K/O Architects, and Crossroads Consulting on the following tasks and objectives:

- Evaluation of Historic and Current Market Conditions - this task will provide a historic overview of the Pueblo facility and its operation as a Fair, an assessment of existing conditions of physical facilities including current uses, and an economic snapshot of operations over the past five years.
- Site Programming - a program will be developed identifying the requirements for the Fair to be successfully held at the Fairgrounds and requirements to ensure the viability of year-round, off-season use of facilities. The program will consider base level needs and industry best practices.
- Facility Master Plan - this task will create a conceptual, physical site plan based on the programming and facilities evaluation developed in the Historical and Current Conditions and the Site Programming tasks. This will create a long-term plan that can serve as a guide for future facility development that addresses operations of the Fair and growth of year-round event activity and usage while enhancing the overall guest experience.

- Implementation and Strategy - this task will refine the rough order of magnitude opinion of probable budget cost and propose a conceptual phasing strategy for future work based on critical path, likely funding availability and the Authorities priorities. Consultant will also create a high-level overview of potential internal and external funding sources.
- Final Document Production - This effort will allow us to produce a final document presenting all the information, analysis and graphics prepared in the preceding tasks.

17. What deliverables will be provided to the State Fair and General Assembly?

The Market Study and Financial Feasibility Report along with the Facilities Master Plan are being completed jointly by the State Fair staff, Board of Authority, and the State Architects Office. As the deliverables are completed they will be provided to the Office of the State Auditor and the Legislative Audit Committee as part of the ongoing follow-up and compliance with recent audit recommendations. The deliverables, once complete, will be provided to any committee or member of the General Assembly at their request.

18. When are the deliverables expected to be complete?

The Market Study and Financial Feasibility Report should be completed by April 2020. The Facilities Master Plan should be complete by January 2021. All of the tasks and objectives in question 16 will be contained within these two reports.

19. If resources were dedicated to performing facility condition audits now, what work would be duplicative or unnecessary because of the work underway with the State Architect?

Additional resources for facility condition audits would not conflict with work that is currently being done with the State Architects Office. Assessments of individual structures will complement the ongoing analysis of the entire site.

20. Can the Fair prioritize certain buildings for facility condition audits before receiving guidance from the State Architect? Describe why or why not.

Yes, the State Fair would prioritize condition audits based on building utilization and input from the consultants conducting the last phases of the Office of the State Architects site evaluation project.

RESOURCES TO ADDRESS AUDIT FINDINGS – STATE FAIR

21. Describe appropriations that would assist the State Fair in producing an annual report.

A draft annual report was created and presented to the Fair Board on November 18, 2019. The report will be made available to the public as soon as the fiscal year 2019 financial audit is made public. This is scheduled to be released on January 14, 2020. This report focuses on the annual fair information and the prior year financials. The annual report that will be completed this year is an expansion of the

financial audit report that has been completed in years past. The Fair will gather input after it presents this report on the nature and type of information that would be valuable to the Board in future years. If additional resources are determined to be needed after soliciting that input, CDA will request those resources through the normal budget process.

22. Since publication of the performance audit, has the Department or Authority identified other appropriations it requires or desires to address audit recommendations.

The Authority and Department will utilize the deliverables outlined in question 18 to identify other appropriations it requires or desires to address audit recommendations. If an appropriation is determined to be necessary or desired to address audit recommendations it would be presented as part of the regular budget process.

EVENTS CENTER CONTRACT AND ENTERPRISE STATUS – STATE FAIR

23. Discuss concerns or opportunities related to renegotiating the contract with Pueblo School District 60.

The current contract was negotiated as part of a larger agreement to fund the construction of the Events Center. The State Fair is beginning the process of evaluating a future contract with Pueblo School District 60 when the current agreement expires. There is a possibility of a new contract taking the place of the existing contract but that would be done as part of the new contract negotiations.

One challenge the State Fair faces in the current agreement is the restricted use of the building during the coldest months of the year. A wood floor must be installed for Pueblo School District 60 to use the Events Center for basketball season and the cost to temporarily remove the floor is cost prohibitive to the State Fair and potential renters. There are ongoing discussions with the district about basketball not being in the event center in the next school year, which would be a boon to the Fair's rental opportunities for that building without the need to renegotiate the contract.

24. Is the Authority currently making use of its bond-making authority?

No, the board is not currently making use of this authority. The discussion around the implementation of the Facility Master Plan could change this.

25. What implications would removing the status of the State Fair as an Enterprise?

Removing the status of the State Fair as an Enterprise would not have an impact on the operations of the State Fair. There may be negative budget implications to the state if the State Fair were to earn a profit in future years.



COLORADO
Department of Agriculture

Joint Budget Committee Hearing

November 22, 2019

Mission and Vision

The mission of the Department of Agriculture is to strengthen and advance Colorado agriculture; promote a safe and high-quality food supply; protect consumers; and foster responsible stewardship of the environment and natural resources.

Our vision is that Colorado agriculture be strong and vibrant, a key driver of the state's economy, and recognized worldwide for its safe and abundant supply of high-quality food and agriculture products.

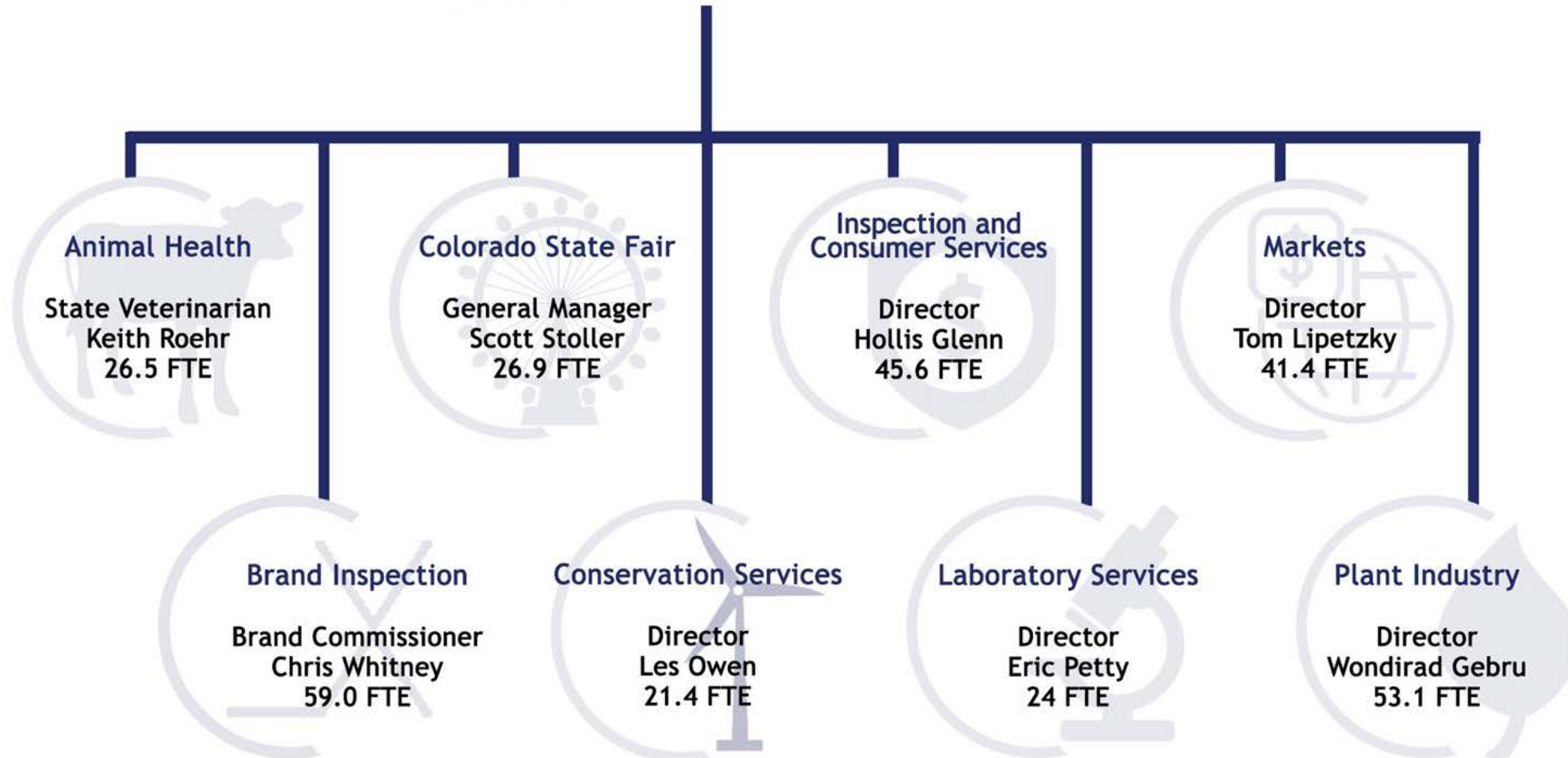




Commissioner's Office
(Executive Director)

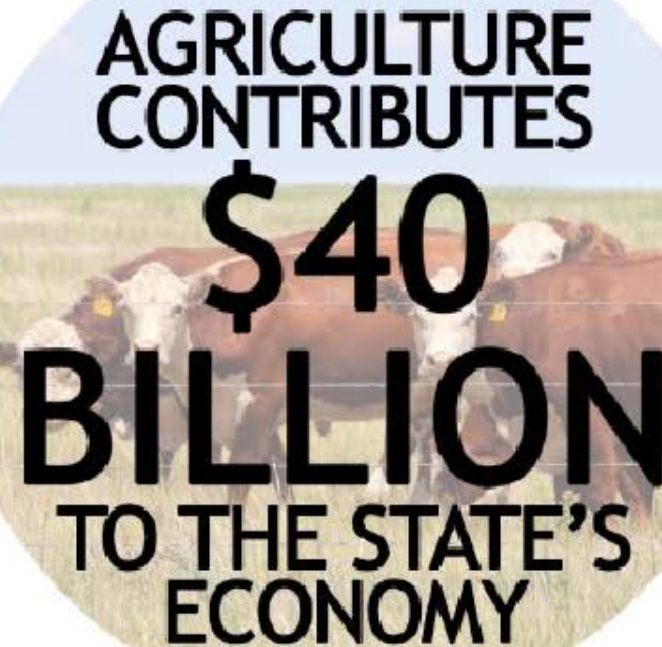
Commissioner
Kate Greenberg

18.7 FTE





**AGRICULTURE
PROVIDES
173,000
JOBS**



**AGRICULTURE
CONTRIBUTES
\$40
BILLION
TO THE STATE'S
ECONOMY**



**38,900
COLORADO
FARMS**

Our services including: Regulation and certification of the livestock industry, including brand inspection; certification of organic crop and livestock production; regulation of the use of pesticides and pesticide applicators; administration of inspection and consumer services programs; protection of animals and pet care facilities; provision of conservation stewardship services across the state; regulation of industrial hemp; promotion of Colorado's agricultural industries; and administration of the State Fair and fairgrounds.



Wildly Important Goals

- **Goal #1**- Support the Next Generation of Farmers and Ranchers
- **Goal #2** - Scale-Up High-Value Agriculture and Diverse Market Opportunities
- **Goal #3** - Promote and Incentivize Soil, Water, and Climate Stewardship





Points of Leadership

- Colorado Hemp Advancement and Management Plan (CHAMP)
- Mental Health Initiative
- Studying Blockchain Applications in Agriculture
- Animal Health - Managing Vesicular Stomatitis Virus (VSV) Outbreak



Budget Requests

- R-1 Renewable Energy and Energy Efficiency (ACRE3) - \$110,163 GF
- R-2 Organic Program Staff Expansion - \$168,566 GF
- R-3 Colorado Soil Health Program Funding - \$166,491 GF
- R-4 Sustainable Marijuana Certification - \$94,655 CF
- R-5 Pet Animal Care Facilities Licensing Requirements - \$171,741 GF/CF
- R-6 Lab Equipment Maintenance Agreement - \$48,000 CF
- R-7 Indirect Cost Recovery Adjustment - \$226,930 CF/Reappropriated
- R-8 Unused Spending Authority Adjustment - (\$382,528) CF/Reappropriated
- R-9 Implementing Budget Efficiencies - (\$214,143) GF/CF



Questions?

*Nearly half of the state's 66 million acres
are dedicated to farms and ranches*

*173,000 Jobs
38,900 Farms*

*\$40 Billion Contribution to
the State's Economy*

