

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2011-12 STAFF BUDGET BRIEFING
DEPARTMENT OF AGRICULTURE**

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

**Prepared By:
Megan Davisson, JBC Staff
November 10, 2010**

For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

**FY 2011-12 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

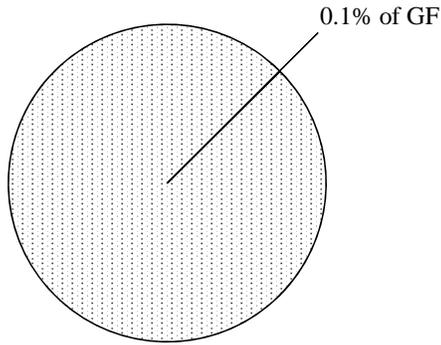
DEPARTMENT OF AGRICULTURE

Table of Contents

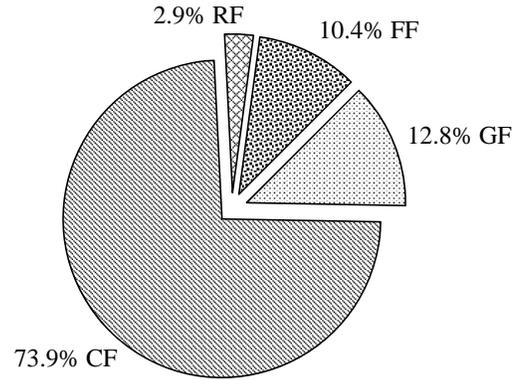
Graphic Overview	1
Department Overview	4
Decision Items	8
Base Reduction Item	10
Overview of Numbers Pages	11
Issues:	
Significant Actions Taken from FY 2007-08 to FY 2010-11 to Balance the Budget ...	12
Elimination of Statutory Indirect Cost Caps	16
Funding for the Conservation Board's Matching Grants to Districts	21
Reorganization of Certain Department Divisions and Line Items	24
Appendices:	
A - Numbers Pages	28
B - Summary of Major Legislation from 2010 Legislative Session	38
C - Update on Long Bill Footnotes and Requests for Information	40

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
 Department of Agriculture
 GRAPHIC OVERVIEW**

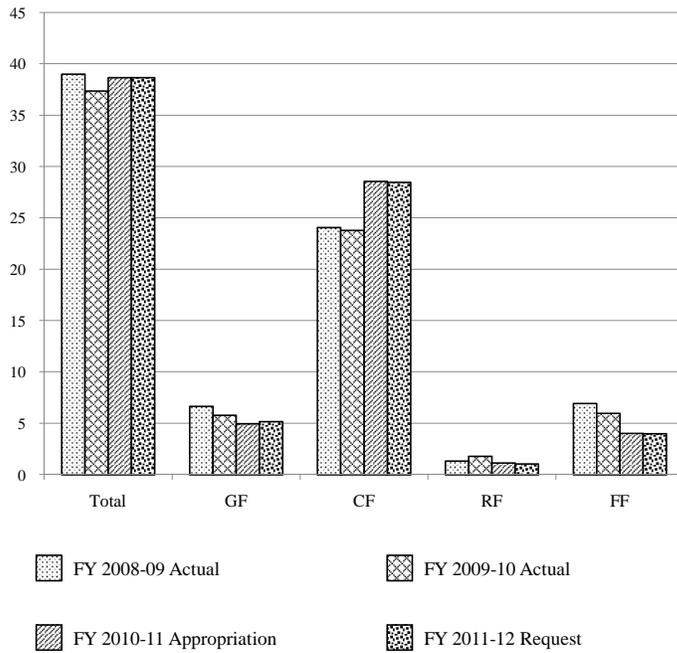
Department's Share of Statewide General Fund



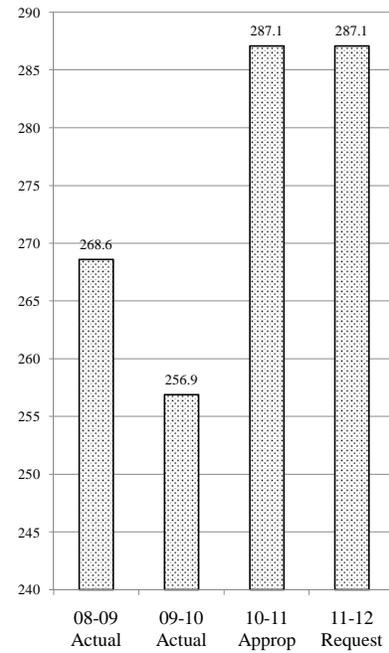
Department Funding Sources



**Budget History
 (Millions of Dollars)**

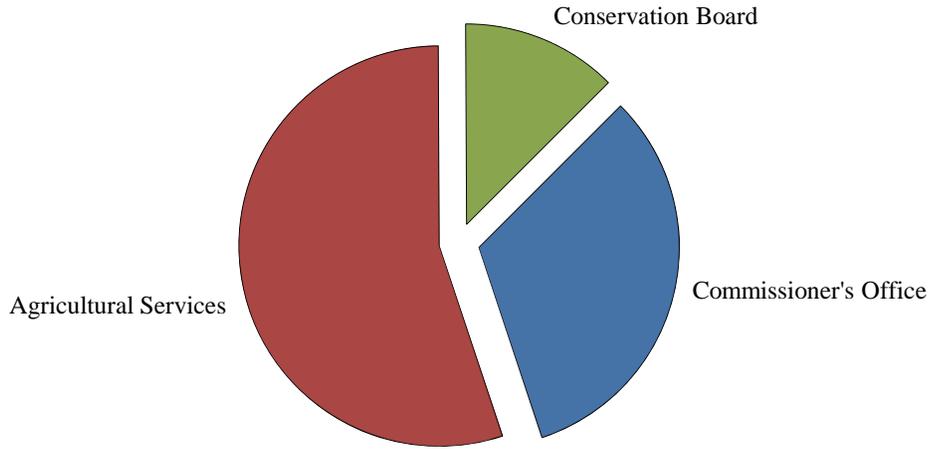


FTE History

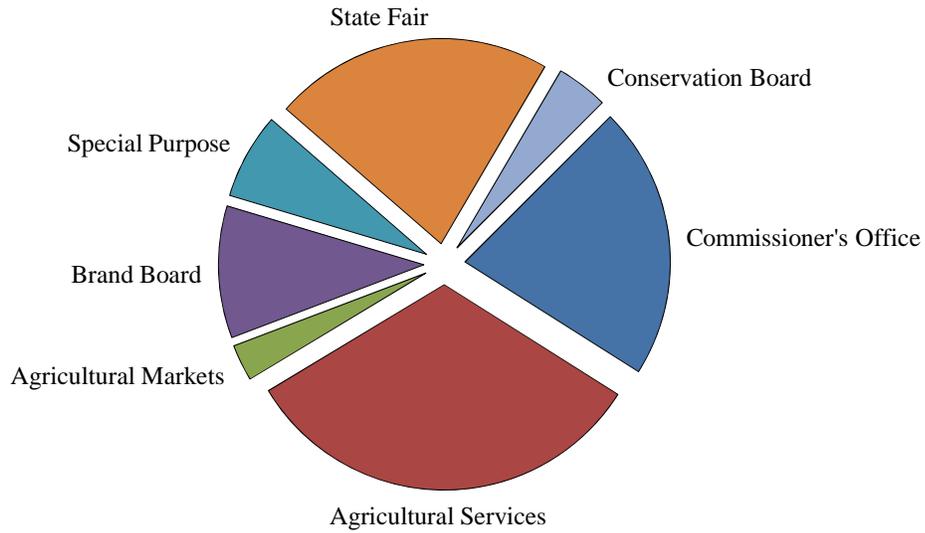


Unless otherwise noted, all charts are based on the FY 2010-11 appropriation.

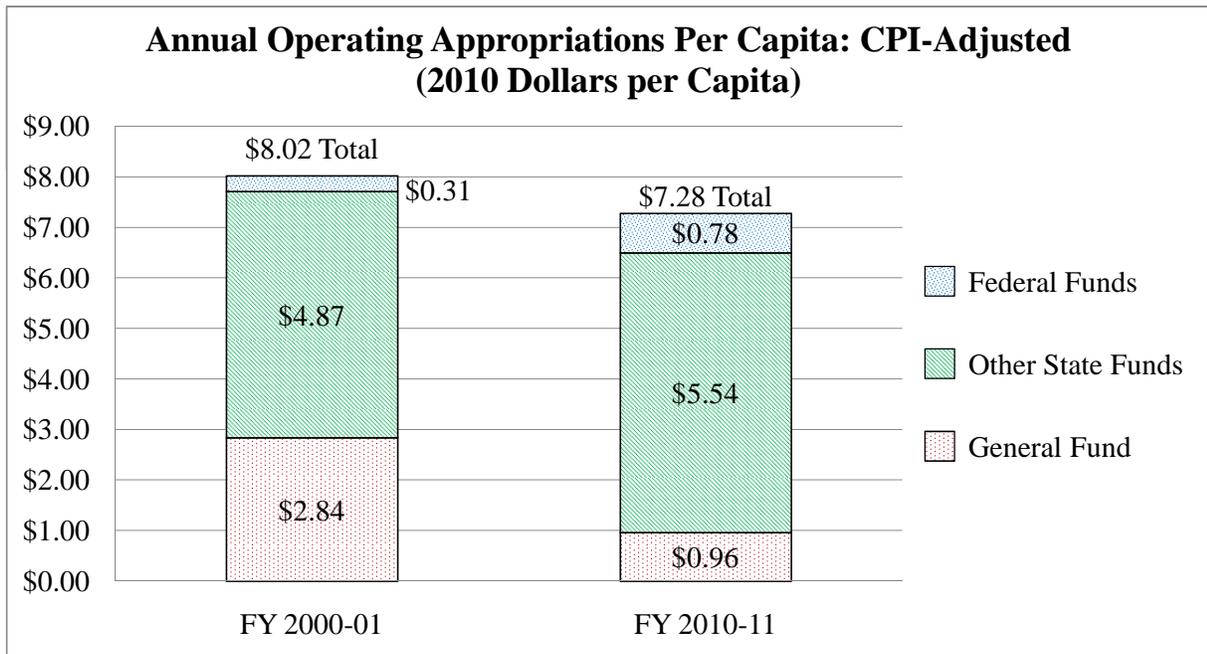
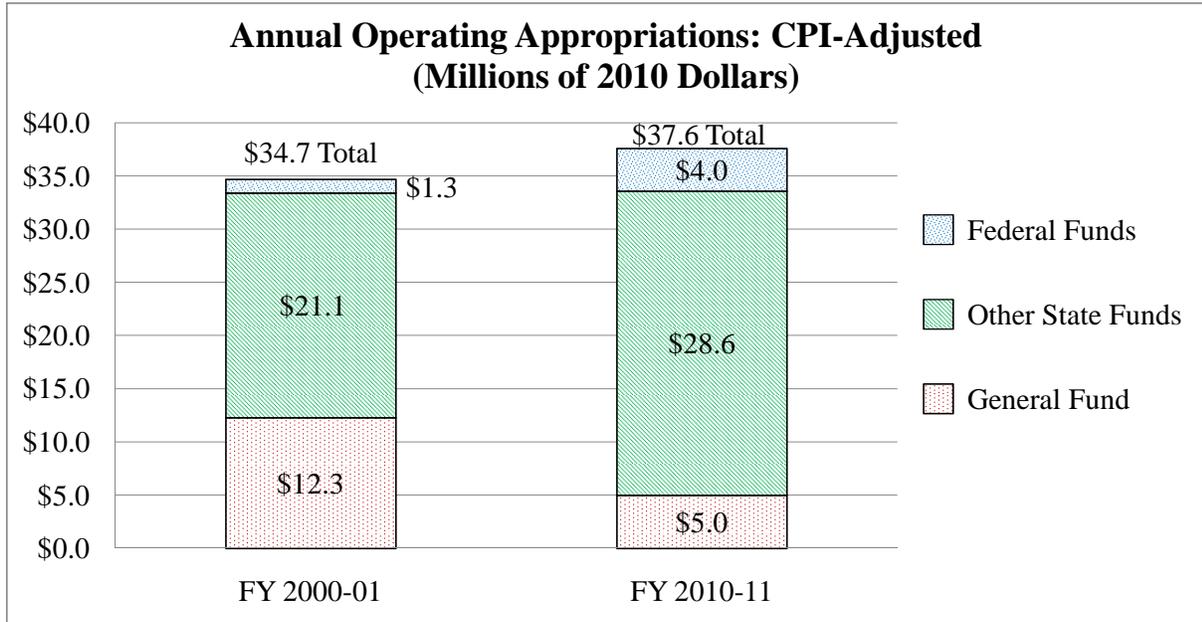
Distribution of General Fund by Division



Distribution of Total Funds by Division



FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture
COMPARISON OF FY 2000-01 AND FY 2010-11 APPROPRIATIONS



NOTES: (1) All appropriations above *exclude* duplicate appropriations (i.e., these appropriations exclude reappropriated funds for FY 2010-11 and, for FY 2000-01, exclude amounts that would have been classified as reappropriated funds). For this department, these excluded amounts primarily reflect transfers from the Office of the Governor, Department of Local Affairs, and transfers from all divisions to the Commissioner's Office for the provision of central services.

(2) For the purpose of providing comparable figures, FY 2000-01 appropriations are adjusted to reflect changes in the Denver-Boulder-Greeley consumer price index (CPI) from 2000 to 2010. Based on the Legislative Council Staff September 2010 Economic and Revenue Forecast, the CPI is projected to increase 21.9 percent over this period.

(3) In the per capita chart, above, appropriations are divided by the Colorado population (for 2000 and 2010, respectively). Based on the Legislative Council Staff September 2010 Economic and Revenue Forecast, Colorado population is projected to increase by 18.9 percent over this period.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

DEPARTMENT OVERVIEW

Key Responsibilities

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

- ❑ The **Colorado State Fair** is responsible for the planning and execution of the eleven day state fair in August, as well as booking and overseeing other events that occur on the fairgrounds throughout the year.
- ❑ The **Conservation Board** provides administrative and financial assistance to the seventy-six state conservation districts. The Conservation Board also works with districts on noxious weed management, groundwater protection, biological pest control, and erosion prevention projects.

Factors Driving the Budget

Funding for this department in FY 2010-11 consists of 12.8 percent General Fund, 73.9 percent cash funds, 2.9 percent reappropriated funds, and 10.4 percent federal funds.

Agricultural Services Division

Funding appropriated to the Agricultural Services Division (ASD) is expended on four program areas: animal industry, plant industry, inspection and consumer services, and agricultural products inspection (note that this program is administered by the Agricultural Markets Division). In FY 2010-11 ASD accounted for 32.4 percent of the department's total appropriation (55.0 percent of the Department's total General Fund appropriation and 32.2 percent of the Department's total cash fund appropriation). The following table outlines the Agricultural Services Division's share of the Department's total appropriation since FY 2007-08.

Agricultural Services Division Appropriation Since FY 2007-08					
	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request
Agricultural Services Division	\$11,502,373	\$11,771,337	\$12,265,063	\$12,525,339	\$12,473,458
Total Dept. Appropriation	37,128,267	38,871,128	37,400,374	38,678,877	38,671,956
Agriculture Services as Percent of Total Department	31.0%	30.3%	32.8%	32.4%	32.3%

The primary source of funding for ASD is cash funds from license and inspection fees. It should be noted that while funding for the Agricultural Products Inspection Program is appropriated to the Agricultural Services Division the program is administered by the Agricultural Markets Division. The following table outlines some of the major workload measures driving the ASD budget.

Agricultural Services Division Workload Measures Driving the Budget					
	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Estimated
Animal Industry					
Exported Livestock	2,425,000	2,005,299	2,456,001	1,793,141	1,950,000
Animal Abuse Investigations	9,100	11,571	9,400	12,345	11,000
Number of Lab Tests	155,035	149,359	143,758	140,000	140,000
Inspection and Consumer Services					
Small & large Devices Tested	22,339	19,986	25,623	23,855	25,000
Egg Inspections (by the dozen)	210,939	198,219	261,959	131,176	220,000
Plant Industry					
Pounds of seed sampled	1,608,799	1,844,389	1,819,885	988,741	1,000,000
Volume of nursery stock inspected	690,456	647,477	790,244	549,806	650,000
Agricultural Products Inspection					
No. cwts of Potatoes Inspected	17,011,752	14,259,797	16,670,718	17,660,290	17,500,000
No. cwts of Other Fruit and Vegetables Inspected	2,132,439	3,258,067	1,279,523	1,630,286	2,500,000

Agriculture Management Fund

The Agriculture Management Fund was created by House Bill 08-1399 (Buescher/Isgar) which, once the debt on the State Fair Events Center was repaid, allocated the interest earned on the sale of unclaimed securities in the following ways:

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

The debt on the Events Center was repaid on February 27, 2009, which enabled the interest to be transfer to these funds midway through FY 2008-09. The funding of the Agriculture Management Fund has enabled the Department to limit the number of cuts taken by backfilling General fund reductions with Agriculture Management Fund dollars. The following table outlines the use of funds in the Agriculture Management Fund.

Use of Agriculture Management Funds since FY 2008-09				
	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 11-12 Request
Beginning Balance	\$0	\$61,120	\$1,138,047	\$992,820
Revenue	841,552	2,231,325	2,000,000	2,000,000
Expenditures				
Agriculture Management Fund Line item	732,605	510,217	1,645,761	1,651,884
Refinance a portion of Inspection and Consumer Services	0	621,015	0	0
Refinance the Agriculture Markets Division	0	0	480,703	440,054
Indirect Costs	47,827	23,166	18,763	18,669
Subtotal - Expenditures	780,432	1,154,398	2,145,227	2,110,607
Ending Balance	\$61,120	\$1,138,047	\$992,820	\$882,213

State Economy

Due to the economic downturn, the Department has reduced General Fund appropriation from FY 2008-09 through FY 2010-11. The Department has been able to backfill the majority of these General Fund reductions with moneys from the Agricultural Management Fund and increased Inspection and Consumer Services fees. The requested FY 2011-12 General Fund increase is due primarily to adjustments to indirect cost allocations and statutory increases in state contributions to employee benefits. The following table shows the Department's General Fund appropriation since FY 2007-08. The reductions in General Fund will be address in more detail in the first briefing issue.

Department of Agricultural GF Expenditures/Appropriation Since FY 2007-08					
	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request
General Fund Appropriation	\$7,325,509	\$6,650,130	\$5,785,123	\$4,956,274	\$5,151,053
Increase/(Decrease) from Previous Year	n/a	(9.2)%	(13.0)%	(14.3)%	3.9%

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
1 Brand Assessment Brand Board. The Department requests an increase of \$61,197 cash funds from the Brand Inspection Fund to pay for the one-time costs associated with conducting the FY 2011-12 brand assessment. <i>Statutory authority: Section 35-43-115 (1) (b), C.R.S.</i>	0	61,197	0	0	61,197	0.0
2 Leased Space Commissioner's Office. The Department requests an increase of \$36,107 cash funds from various department cash funds and a decrease of \$5,116 General Fund for the Brand Board's lease renewal at 4701 Marion Street and for changes related to leased space operating expenses and escalations at 710 Kipling Street. <i>Statutory authority: Section 35-1-104, C.R.S.</i>	(5,116)	36,107	0	0	30,991	0.0
NP-1 2.0% Across the Board Personal Services Reduction Various Divisions. The Department requests a 2.0 percent General Fund reduction to personal services line items funded with General Fund. <i>Statutory authority: Section 24-75-201.1 (1) (a) (II.5), C.R.S.</i>	(63,321)	0	0	0	(63,321)	0.0
NP-2 Statewide PERA Adjustment Various Divisions. The Department requests a continuation of the state's Public Employees Retirement Association (PERA) contribution reduction of 2.5 percent in FY 2011-12. This decision item will be addressed during the Department of Personnel and Administration briefing. <i>Statutory authority: Section 24-75-401 (1.7) (f) (I), C.R.S.</i>	(77,249)	(254,242)	0	(26,137)	(357,628)	0.0
NP-3 Pro-Rated Benefits Commissioner's Office. The Department request a reduction of \$27,583 cash funds from the Brand Inspection Fund to pro-rate benefits for Brand Board employees who work less than half time. This decision item will be addressed during the Department of Personnel and Administration briefing. <i>Statutory authority: Section 24-50-104 (1), C.R.S.</i>	0	(27,583)	0	0	(27,583)	0.0
NP-4 Annual Fleet Vehicle Replacement Commissioner's Office. The Department is requesting a reduction to the vehicle lease payments line item for changes in statewide vehicle costs. This decision item will be addressed during the Department of Personnel and Administration briefing. <i>Statutory authority: Section 24-30-1104 (2), C.R.S.</i>	1,010	(10,181)	0	(1,781)	(10,952)	0.0

Decision Item	GF	CF	RF	FF	Total	FTE
NP-5	1,071	0	0	0	1,071	0.0
<p>Printing of Statewide Warrants and Mainframe Documents</p> <p>Commissioner's Office. The Department is requesting an increase to the operating expenses line item for increases in printing costs of warrants and other mainframe documents incurred by the Department of Personnel and Administration (DPA). This decision item will be addressed during the DPA briefing. <i>Statutory authority: Sections 24-30-1101 and 24-30-1102 (4), C.R.S.</i></p>						
Total	(143,605)	(194,702)	0	(27,918)	(366,225)	0.0

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

BASE REDUCTION ITEM PRIORITY LIST

Base Reduction	GF	CF	RF	FF	Total	FTE
1	(446,656)	0	0	0	(446,656)	0.0
Temporary Refinance of Markets Division						
Agricultural Markets Division. The Department requests the General Fund portion of the Agricultural Markets Division be refinanced with Agriculture Management Fund dollars for FY 2011-12, and the Agriculture Management Fund line item be reduced by an equal amount. <i>Statutory authority: Section 35-1-106.9, C.R.S.</i>						
Total	(446,656)	0	0	0	(446,656)	0.0

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2010-11 appropriation and the FY 2011-12 request.

Total Requested Change, FY 2010-11 to FY 2011-12 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2010-11 Appropriation	\$5.0	\$28.6	\$1.1	\$4.0	\$38.7	287.1
FY 2011-12 Request	5.2	28.5	1.0	4.0	38.7	287.1
Increase / (Decrease)	\$0.2	(\$0.1)	(\$0.1)	\$0.0	\$0.0	0.0
Percentage Change	4.0%	(0.4)%	(9.1)%	0.0%	0.0%	0.0%

The following table highlights the individual changes contained in the Department's FY 2011-12 budget request, as compared with the FY 2010-11 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2010-11 to FY 2011-12

Category	GF	CF	RF	FF	Total	FTE
Sunset of H.B. 06-1393 - Matching Grants to Districts funding	\$0	(\$450,000)	\$0	\$0	(\$450,000)	0.0
Indirect cost allocation adjustment	\$84,247	\$0	(\$84,247)	\$0	\$0	0.0
Adjustments to employee benefits	110,005	200,082	0	(12,116)	297,971	0.0
Adjustments to common policies	112,575	141,526	0	1,091	255,192	0.0
2.0 percent reduction to General Fund personal services line items	(63,321)	0	0	0	(63,321)	0.0
Total Change	\$243,506	(\$108,392)	(\$84,247)	(\$11,025)	\$39,842	0.0

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

BRIEFING ISSUE

ISSUE: Significant Actions Taken from FY 2007-08 to FY 2010-11 to Balance the Budget

Total appropriations to the Department of Agriculture have increased since FY 2007-08 primarily due funding the Agriculture Management Fund and the Conservation District Grant Fund. Since the most recent economic downturn started in 2008, the General Assembly has taken several actions to reduce General Fund expenditures in this department. As a result, the General Fund appropriation to the Department of Agriculture decreased by \$2.4 million (32.3 percent) from FY 2007-08 to FY 2010-11.

SUMMARY:

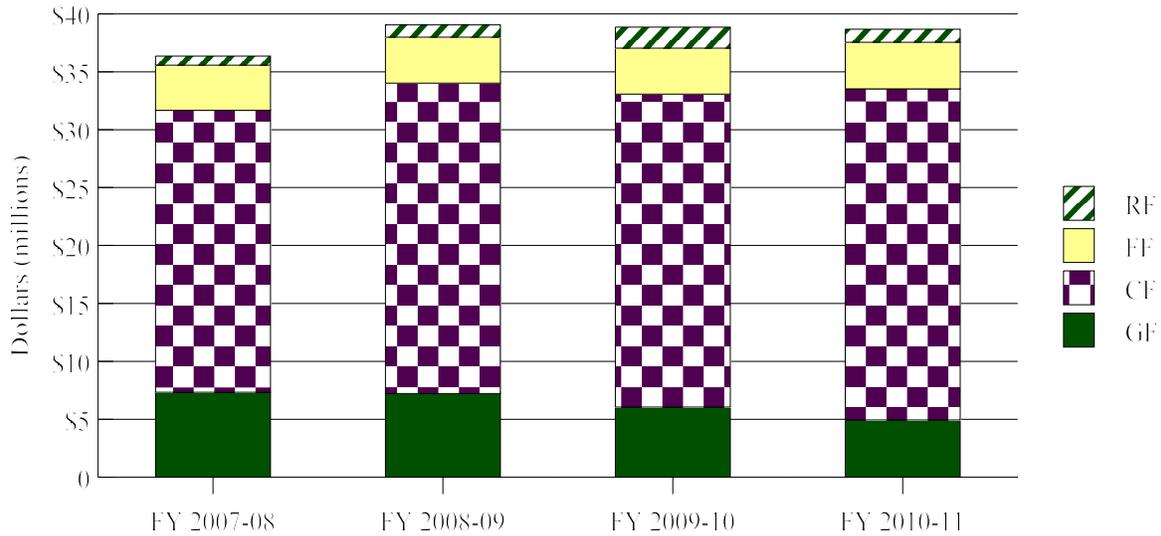
- ❑ The General Assembly refinanced certain programs in the Agricultural Services Division resulting in General Fund savings of \$44,366 in FY 2008-09, \$621,000 in FY 2009-10, and \$1.3 million in FY 2010-11.
- ❑ The General Assembly refinanced \$437,548 General Fund in the Agricultural Markets Division with moneys in the Agriculture Management Fund in FY 2010-11.
- ❑ The General Assembly reduced the General Fund appropriation for direct assistance to conservation districts in FY 2008-09 and FY 2009-10 saving approximately \$200,000 General Fund in each fiscal year. In FY 2010-11 the General Assembly did not appropriate any General Fund for this purpose.

DISCUSSION:

From FY 2007-08 to FY 2010-11, total appropriations to the Department of Agriculture increased by 6.4 percent (\$2.3 million). The cash fund appropriation is the primary source of the increase in the department's appropriation and this increase is due to funding for the Agriculture Management Fund starting in FY 2009-10 (an increase of \$2.0 million cash funds) pursuant to 38-13-116.7 (3) (a), C.R.S., and the transfer of funds from the Operational Account of the Severance Tax Trust Fund to the Conservation District Grant Fund (an increase of \$0.5 million cash funds).

Appropriations to the Department of Agriculture for FY 2007-08 through FY 2010-11 are illustrated in the bar chart and detailed in the table below.

Department Appropriations FY 2007-08 to FY 2010-11



Department of Agriculture Appropriations FY 2007-08 to FY 2010-11					
	Total Funds	General Fund	Cash Funds	Federal Funds	Reappropriated Funds
FY 2007-08 /a	\$36,343,350	\$7,325,509	\$24,350,746	\$3,907,991	\$759,104
FY 2008-09	39,050,930	7,223,168	26,796,487	3,965,969	1,065,306
FY 2009-10	38,843,498	6,055,836	27,018,443	3,968,746	1,800,473
FY 2010-11	38,678,877	4,956,274	28,575,452	4,020,154	1,126,997
Increase/(Decrease) /b	\$2,335,527	(\$2,369,235)	\$4,224,706	\$112,163	\$367,893
Percent Change /b	6.4%	(32.3)%	17.3%	2.9%	48.5%

a/ FY 2007-08 appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09. Source: Page 22 of the FY 2008-09 Appropriations Report.

b/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

As illustrated in the bar chart above, the total appropriations to the Department have increased slightly since FY 2007-08. The decreasing amount of General Fund appropriated since FY 2007-08 has been offset by an increasing cash fund appropriation. This is primary due to refinancing General Fund with cash funds, funding the Agriculture Management Fund, and funding the Conservation District Grant Fund.

Beginning in January of 2009 and continuing through the 2010 Session, the General Assembly has taken a number of actions to reduce General Fund expenditures to this department. These actions are discussed in more detail below.

Major Budget Balancing Actions from FY 2007-08 to FY 2010-11

Agricultural Services Division

Agricultural Services Division Appropriations FY 2007-08 to FY 2010-11					
	Total	GF	CF	RF	FF
FY 2007-08 /a	\$11,729,470	\$3,639,163	\$7,537,213	\$0	\$553,094
FY 2008-09	12,262,530	3,755,353	7,934,492	0	572,685
FY 2009-10	12,629,938	3,132,907	8,272,645	621,015	603,371
FY 2010-11	12,525,339	2,727,380	9,197,498	0	600,461
Increase/(Decrease) /b	\$795,869	(\$911,783)	\$1,660,285	\$0	\$47,367
Percent Change /b	6.8%	(25.1)%	22.0%	n/a	8.6%

a/ FY 2007-08 appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09. Source: Page 26 of the FY 2008-09 Appropriations Report.

b/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

1. The total FY 2008-09 appropriation increased from the FY 2007-08 total appropriation primarily due to an increase of \$604,229 total funds (\$198,882 General Fund) for operating adjustments and salary and benefit increases. This increase was partially offset by the refinancing \$34,366 General Fund with cash funds for the Seed Inspection and Phytosanitary Inspection Programs, and reducing the Feed Program by \$10,000 General Fund.
2. The total FY 2009-10 appropriation increased from the total FY 2008-09 appropriation because of the increase of \$500,690 total funds (\$177,862 General Fund) for the second year impact of salary and benefit adjustments and an increase of \$100,069 cash funds for a new measurement standards truck. These increases were offset by reductions to personal services lines totaling \$284,495 (\$156,382 General Fund) and refinancing a portion of the Inspection and Consumer Services Program with cash funds from the Agriculture Management Fund (a reduction of \$621,015 General Fund).
3. The FY 2010-11 General Fund appropriation decreased from the FY 2009-10 General Fund appropriation due to entirely cash funding the Inspection and Consumer Services Program for FY 2010-11 (a net General Fund savings of \$393,175).

Agricultural Markets Division

Agricultural Markets Division Appropriations FY 2007-08 to FY 2010-11					
	Total	GF	CF	RF	FF
FY 2007-08 /a	\$1,079,794	\$409,620	\$625,174	\$45,000	\$0
FY 2008-09	1,099,731	425,474	629,257	45,000	0
FY 2009-10	1,107,786	434,425	628,361	45,000	0
FY 2010-11	1,110,390	0	1,065,390	45,000	0
Increase/(Decrease) /b	\$30,596	(\$409,620)	\$440,216	\$0	\$0
Percent Change /b	2.8%	(100.0)%	70.4%	0.0%	n/a

a/ FY 2007-08 appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09. Source: Page 28 of the FY 2008-09 Appropriations Report.

b/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

For FY 2010-11 the General Assembly refinanced all of the General Fund dollars in the Agriculture Markets Division with cash funds from the Agriculture Management Fund, resulting in a General Fund savings of \$437,548.

Conservation Board

Conservation Board Appropriations FY 2007-08 to FY 2010-11					
	Total	GF	CF	RF	FF
FY 2007-08 /a	\$1,452,833	\$952,833	\$0	\$0	\$500,000
FY 2008-09	1,798,522	848,522	450,000	0	500,000
FY 2009-10	1,571,387	623,152	450,000	0	498,235
FY 2010-11	1,572,397	623,681	450,000	0	498,716
Increase/(Decrease) /b	\$119,564	(\$329,152)	\$450,000	\$0	(\$1,284)
Percent Change /b	8.2%	(34.5)%	n/a	n/a	(0.3)%

a/ FY 2007-08 Appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09. Source: Page 33 of the FY 2008-09 Appropriations Report.

b/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

In January 2009 the General Assembly reduced the FY 2008-09 appropriation to the Matching Grants To Districts line item by \$200,000 General Fund. In FY 2009-10 and FY 2010-11 the General Assembly did not appropriate any General Fund for the Matching Grants to Districts line item and the Department used Agriculture Management Fund dollars to provide these grants in FY 2009-10 and FY 2010-11.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

BRIEFING ISSUE

ISSUE: Elimination of Statutory Indirect Cost Caps

The indirect costs for the Brand Board, Alternative Livestock, Chemigation Program, and Agricultural Products Inspection Program are capped in statute, and these programs annually require General Fund dollars to cover the programs total indirect costs.

SUMMARY:

- For FY 2011-12, the statutory maximum amount of indirect costs for these programs is \$267,546 cash funds, but the actual indirect costs incurred by these programs will be \$634,746 total funds, resulting in a General Fund backfill of \$367,200.

- An average of \$602,504 General Fund dollars can be saved annually if indirect cost caps are removed from statute.

RECOMMENDATION: Staff recommends the Committee sponsor legislation to remove all statutory caps on indirect costs for the Brand Board, Alternative Livestock, Chemigation Program, and the Agricultural Product Inspection Program. Removing these caps will save General Fund dollars that can be used by other departments to address the FY 2011-12 General Fund shortfall.

DISCUSSION:

What Indirect Costs Are

Indirect costs are the overhead costs associated with the operation of general government functions and departmental administrative duties. Indirect costs paid by cash and federal funds are intended to offset overhead costs that otherwise would have been supported by the General Fund. The indirect cost recoveries from cash and federal funds are calculated for statewide and departmental overhead costs and shown on the indirect cost assessment line item in applicable divisions. Statewide indirect costs are those costs associated with services provided by the Department of Personnel and Administration, the Governor's Office, and the Treasury Department.

This issue deals only with departmental indirect costs, which are incurred when the Commissioner's Office or the State Fair provides services that benefit other divisions including accounting, budgeting, and maintenance on state owned buildings. Departmental indirect costs are calculated on a 'per FTE' basis, or each FTE's share of recoverable expenses and multiplied by the total FTE within a specific program or division.

Legislative History of Indirect Costs

House Bill 85-1232 instituted a 5.0 percent restriction on appropriations made from the Agricultural Products Inspection Cash Fund (formerly known as the Mandatory Fruit and Vegetable Inspection Fund) to cover indirect costs of the peach and potato inspection programs (prior to 1995 peach inspections were mandatory). House Bill 88-1007 capped the Chemigation Program indirect costs as a percentage of the program's FTE versus FTE for the entire department, and H.B. 88-1126 limited the Brand Board's indirect cost recoveries to 3.6 percent of the Brand Board's annual appropriation.

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

Senate Bill 03-169

Senate Bill 03-169 (Teck/Plant) removed the statutory cap on indirect costs for these programs for three years, providing the state with substantial General Fund savings during the last downturn. The following table shows the estimated General Fund savings due to the temporary removal of indirect cost caps from FY 2002-03 to FY 2005-06.

General Fund Savings Resulting from Temporary Elimination of Indirect Cost Caps				
	Brand Board GF Savings	Chemigation GF Savings	Agricultural Products GF Savings	Annual Total GF Savings
FY 2002-03	\$398,977	\$26,421	\$101,031	\$526,429
FY 2003-04	340,660	23,432	172,309	536,401
FY 2004-05	301,163	19,338	130,032	450,533
FY 2005-06	309,726	22,299	176,076	508,101
Estimated 4 Year Total	\$1,350,526	\$91,490	\$579,448	\$2,021,464

Indirect Costs from FY 2006-07 to FY 2010-11

The General Assembly allowed S.B. 03-169 to sunset at the end of FY 2006-07, thereby reinstating the caps and requiring General Fund backfill of indirect cost recoveries. The following table details the amount of General Fund backfill for indirect cost recoveries since FY 2006-07.

Indirect Costs from FY 2006-07 to FY 2009-10						
Fiscal Year		Brand Inspection	Alternative Livestock	Chemigation	Agricultural Products	Total
FY 2006-07	Assessment	\$126,480	\$8,133	\$1,834	\$79,055	\$215,502
	Actual	539,218	0	24,399	264,323	827,940
	GF Backfill	412,738	0	22,565	185,268	620,571
	GF Backfill as % of Actual Indirects	76.5%	0.0%	92.5%	70.1%	75.0%
FY 2007-08	Assessment	137,241	0	98	69,779	207,118
	Actual	569,384	0	27,482	279,110	875,976
	GF Backfill	432,143	0	27,384	209,331	668,858
	GF Backfill as % of Actual Indirects	75.9%	0.0%	99.6%	75.0%	76.4%
FY 2008-09	Assessment	133,797	3,444	86	74,315	211,642
	Actual	515,483	3,444	24,880	252,688	796,495
	GF Backfill	381,686	0	24,794	178,373	584,853
	GF Backfill as % of Actual Indirects	74.0%	0.0%	99.7%	70.6%	73.4%
FY 2009-10	Assessment	142,379	0	84	124,893	267,356
	Actual	511,969	0	24,710	266,409	803,088
	GF Backfill	369,590	0	24,626	141,516	535,732
	GF Backfill as % of Actual Indirects	72.2%	0.0%	99.7%	53.1%	66.7%
Five Year GF Backfill Avg.		\$399,039	\$0	\$24,842	\$178,622	\$602,504
Five Year Avg. GF Backfill as Percent of Actual Indirect Costs		74.7%	0.0%	97.9%	67.2%	72.9%

Policy Options

The Committee has three policy options relating to indirect cost caps: 1) leave the indirect cost caps in statute and continue to backfill with General Fund, 2) temporarily remove the indirect cost caps, or 3) permanently remove the indirect cost caps from statute. **Staff recommends option 3 to permanently remove the indirect cost caps.**

Option 1: Leave Caps in Place:

Leaving the statutory caps in place will result in General Fund backfill of \$370,645 for FY 2011-12. This options does not require the Committee to take any action. Staff does not recommend this option because staff does not believe that providing General Fund for these programs is the best use of General Fund dollars in FY 2011-12.

Options 2 and 3

1. *Beneficiaries of Caps.* It is unclear if the average taxpayer receives a direct benefit from any of the programs that receive a General Fund subsidy for indirect costs. For example the Brand Board inspects the brands on livestock for the primary benefit of the cattle and equine industries. The Agricultural Products Inspection program is only required to inspect potatoes, all other fruit and vegetable inspections are optional. Staff believes the cost of these inspections is a cost of doing business that should be paid by the industry.

2. *Findings of the last three Performance Audits and the Department's Response.* The issue of abolishing the indirect cost recovery caps has been addressed in each of the Department's last three performance audits by the State Auditor's Office. In each audit the Department has disagreed with the State Auditor's recommendation to abolish indirect cost caps citing the fact that the General Assembly has reaffirm the value of the caps by not passing legislation to remove them. It should be noted that during the last downturn the General Assembly did remove these caps in 2002, despite the Department arguing in the February 2001 audit that removing the indirect cost caps would jeopardize these programs.

3. *Organic Certification Program.* The General Assembly passed H.B. 02-1186 which created the organic certification program and required the program to recover the full amount of applicable indirect costs. Requiring the organic certification program to collect the full amount of it's indirect costs, the General Assembly made a policy decision to not limit indirect cost recoveries, which is inconsistent with the policies approved by the General Assembly in H.B. 85-1232, H.B. 88-1007, H.B. 88-1126 and H.B. 94-1096.

5. *Equity Among Department Programs.* When funding for the Commissioner's Office is only funded fully by certain cash funded and federally-funded programs an inequity is created between the programs. Cash and federally-funded programs that fully fund their indirect costs limit their costs to the industry it serves, whereas programs with indirect cost caps are supported by the general tax payer. Additionally, programs with indirect cost caps allow the program's fee payers to enjoy artificially low fees.

Impact of Repealing Indirect Cost Caps

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

Fee Impacts of Repealing Indirect Cost Caps						
Program	Fee Description	Current Fee	Additional Revenue Needed	New Fee	Actual Fee Change	Fee Percent Change
Brand Board	Fee per head for brand inspection	\$0.55	\$273,650	\$0.62	\$0.07	12.7%
Chemigation	Annual permit fee	\$35	11,155	\$37.22	\$2.22	6.3%
Agricultural Products	Per Hour Inspection Fee	\$0.10	85,840	\$0.11	\$0.01	10.0%

It is important to note that the Chemigation Program's increase is augmented by the low program to department FTE ratio used to calculate its indirect cost recovery cap. In the short-term, fund balances for the Brand Inspection Fund (FY 2011-12 projected reserve of \$1.2 million) and the FY 2011-12 projected reserve of \$387,000 in the Plant Health, Pest Control and Environmental Protection Fund (used by the Chemigation Program) could defray the initial impact of recovering the full amount of indirect costs and the immediate need to increase fees. The Agricultural Products Inspection Fund could have difficulty with the increased costs due to eliminating the indirect cost cap because the projected reserve in FY 2011-12 which is estimated to be \$26,000.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

BRIEFING ISSUE

ISSUE: Funding for the Conservation Board's Matching Grants to Districts

The Matching Grants to Districts line item in the Conservation Board division is funded by the transfer of \$450,000 cash funds from the Operational Account of the Severance Tax Trust Fund. The annual transfer of these funds is scheduled to sunset after FY 2010-11, eliminating the funding for the District Conservation Technician Program and the Natural Resources Matching Grants Program.

SUMMARY:

- House Bill 06-1393 (Curry/Isgar) established the transfer of \$450,000 cash funds from the Operational Account of the Severance Tax Trust Fund to the Conservation District Grant Fund. The Department was able to create the District Conservation Technician Program and the Natural Resources Matching Grants Program with these funds.

- The annual transfer of the \$450,000 is scheduled to sunset after FY 2010-11 and without these funds the Department will not have a reliable funding source for these two programs.

- The Conservation District Grant Fund is statutorily scheduled to sunset at the end of FY 2010-11, giving the Department only six months to pay the grants awarded in calendar year 2011.

RECOMMENDATION: Staff recommends the Committee allow the transfer of funds from the Operational Account of the Severance Tax Trust Fund to the Conservation District Grant Fund to sunset after FY 2010-11. Staff recommends that the Committee sponsor legislation to delay the sunset of the Conservation District Grant Fund to December 31, 2011.

DISCUSSION:

The funding provided to the Colorado State Conservation Board (Board) through H.B. 06-1393 (Curry/Isgar) enabled the Board to establish the District Conservation Technician Program (Technician Program) and the Natural Resources Matching Grants Program (Grants Program).

District Conservation Technician Program

The Technician Program receives state funding from the Conservation District Grant Fund and/or the Agriculture Management Fund (AMF) depending on the amount of funds available in the AMF. Conservation districts that received grants through the Technician Program are required to provide matching local funds, and are able to draw down federal funds. The following table outlines the funding mix for most Technician Programs.

Funding Mix of Technician Programs	
Funding Source	Percent of Total Costs
State Funds (Conservation District Grant Fund and/or Agriculture Management Fund)	25.0%
Local Funds	25.0%
Federal Funds from the U.S. Department of Agriculture Natural Resources Conservation Service Funds	50.0%

Conservation districts use these funds to employ conservation technicians who conduct research, write technical pieces for educational or grant purposes, and work with private landowners on conservation planning. The following table shows the number of conservation districts employing a technician and the average grant amount of state funds award through the Technician Program.

Conservation District Grant Technician Funding		
	No. of Districts Receiving Funds	Avg. Dollar Amount
FY 2009-10	23	\$7,288
FY 2010-11	24	\$8,164

Natural Resources Matching Grants Program

Grants awarded through the Natural Resources Matching Grants Program (Grants Program) provide conservation districts the opportunity to assist private landowners with the implementation of conservation projects on their land. Grants range in size from \$2,000 to \$30,000, and districts must provide matching funds from either local and/or federal sources. Grants are awarded on a calendar year basis and the following table provides information on the number and total amount of grants awarded since FY 2006-07. Grants for FY 2010-11 will be awarded in January 2011.

Natural Resources Matching Grants Since FY 2006-07				
	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Actual
Total requested dollar amount	\$673,501		\$1,200,000	
Total number of applications	29		57	29
Approved number applications	17	25	28	22
Total approved grant amount	\$422,501	\$491,000	\$448,446	\$352,000
In-kind matching dollars	\$422,501	\$491,000	\$631,525	n/a
Ratio of state funds to matching fund	\$1.00	\$1.00	\$1.41	n/a

Grants can be used for a variety of conservation projects including erosion prevention activities, water quality improvement projects, or projects aimed at controlling/eradicating noxious weeds. The following table outlines the general categories of completed projects.

Types of Projects Funded with Natural Resources Matching Grants						
	FY 2006-07 Projects	FY 2007-08 Projects	FY 2008-09 Projects	FY 2009-10 Projects	FY 2010-11 Projects	Total
Conservation Practice	4	6	5	0	9	24
Noxious Weeds & Pest Control	4	10	10	8	7	39
Water Quality & Salinity Control	6	5	1	6	0	18
Windbreak or Fence Repair & Installation	1	2	1	0	3	7
Re-vegetation & grazing land improvements	1	0	1	0	0	2
Education	1	1	0	2	2	6
Erosion Prevention	0	1	0	6	0	7
Total Number of Projects	17	25	18	22	21	103

Issue with Spending Authority for FY 2010-11

The grants are awarded on a calendar year basis and paid out upon completion of the project. Therefore grants awarded for calendar year 2011 will only have six months to complete and submit their reports to the Department because the Conservation District Grant Fund is repealed effective July 1, 2011. The repeal of the Fund will prevent the Department from expending any money left in the fund after June 30, 2010. The Department estimates that the shortened time frame may affect approximately 20 projects. **Staff recommends that the Committee sponsor legislation to delay the repeal of the Grant Fund until December 31, 2011 to allow for the full use of the moneys within the Fund.**

Conclusion

While the projects completed with the grants made available by H.B. 06-1393, **staff does not recommend the continuation of the transfers from the Operational Account of the Severance Tax Trust Fund after FY 2010-11 because of the FY 2011-12 General Fund shortfall.** The General Assembly made the policy decision when passing H.B. 06-1393 to transfer these funds for four years only. Based on the amount of cuts the General Assembly will need to make to balance the FY 2011-12 budget, staff is recommending allowing these transfers to sunset after FY 2010-11.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

INFORMATIONAL BRIEFING ISSUE

ISSUE: Reorganization of Certain Department Divisions and Line Items

The current organization of the Department's Long Bill section does not accurately reflect the administrative and functional activities of certain divisions. Reorganizing certain divisions and associated line items will enable the Department's budget to accurately reflect division responsibilities and program funding.

SUMMARY:

- ❑ Eliminating the Special Purpose Division and moving the associated line items to the Commissioner's Office, Agricultural Services Division, or Agricultural Markets will enable the Department's Long Bill to reflect which divisions are responsible for the administration of these programs currently funded in the Special Purposes Division.
- ❑ The Agricultural Services Division is comprised of three specific industries that are not differentiated in the Long Bill. Splitting out the Agricultural Services Division into three subdivisions will enable the Long Bill to provide transparency and accountability for these industries.
- ❑ Funding for the Agricultural Products Inspection Program is appropriated to the Agricultural Services Division but the Agricultural Products Inspection Program is administered by the Agricultural Markets Division. Moving the funding for this program to the Markets Division will align the Long Bill with the administrative duties of both divisions.

RECOMMENDATION: Staff recommends the following three changes to the organization of the Department's Long Bill section: (1) the Agricultural Services Division be broken down into three subdivision: (1) Animal Industry, (2) Plant Industry, and (3) Inspection and Consumer Services; (2) funding for the agricultural products inspection program be moved into the Markets Division as a separate subdivision; and (3) the line items within the Special Purpose Division be moved to the division responsible for the administration of the programs supported by these line items and the Special Purpose Division be eliminated.

DISCUSSION:

Special Purpose Division

History of the Special Purpose Division

Prior to FY 1987-88 the Special Purpose Division did not exist and the Department's Long Bill consisted of the following divisions: (1) Administrative and Agricultural Services, (2) Brand Inspection, (3) Predatory Animal Control, (4) Beef Promotion, and (5) Sheep and Wool Board. In

the FY 1987-88 Long Bill the Special Purpose Division was created and consisted of the Brand Inspection, Predatory Animal Control, Beef Board and Sheep and Wool Board line items. Staff was unable to determine what motivated the creation of the Special Purpose Division, but was able to determine that the four line items within the Special Purpose Division did not fit under the duties and responsibilities of the Administration and Agricultural Services Division (AASD) which was the only other division at the time. The AASD was charged with performing the administrative functions of the Department and administering the Inspection and Consumer Services Program, laboratory services and marketing programs. In FY 1990-91 the Department's Long Bill was again modified to include the Commissioner's Office, Agricultural Services, Agricultural Markets, Brand Board, and Special Purpose. The FY 1990-91 Special Purpose Division consisted of the Beef Council and the Sheep and Wool Board.

FY 2010-11 Special Purpose Division

For FY 2010-11 Special Purpose Division is appropriated funds for the following programs: (1) Agriculture Management Fund, (2) Wine Promotion Board, (3) Vaccine and Service Fund, and (4) Brand Estray Fund. The following is a brief description of the programs funded by these line items.

- The Agriculture Management Fund receives revenue from the interest earned on the proceeds of the sale of unclaimed securities, and is used by the Commissioner for agricultural programs and staff. Moneys in the fund have been used to provide grants to conservation districts and renewable energy projects and to support predator control activities.
- Funding for the Wine Promotion Board is from wine and grape taxes and is used to assist the Wine Promotion Board with the development of Colorado's wine industry through research and marketing.
- Funding for the Vaccine and Service Fund line item is from the proceeds on the sale of vaccines and laboratory services, and is used to pay for the Rocky Mountain Regional Animal Health Laboratory, costs associated with the vaccination heifer calves against brucellosis, and the testing, and if needed, disposal of livestock with brucellosis.
- Funding for the Brand Stray Fund is from the proceeds earned on the sale of stray animals held by the Brand Board. The Brand Board maintains an escrow to compensation the owners of stray animals sold by the Brand Board who present proof of ownership within six years of the sale.

Each of these line items fund programs administered by other divisions and staff is recommending that the Special Purposes Division be eliminated and the associated line items be moved to the applicable division. This will enable the Long Bill to accurately which division responsibilities and funding. This recommendation does not have fiscal impact and is outlined in the following table.

Proposed Changes to the Special Purpose Division			
Line Item	FY 2010-11 Long Bill Division	Recommended Division for FY 2011-12	Notes
Agriculture Management Fund (AMF)	Special Purpose	Commissioner's Office	
Wine Promotion Board	Special Purpose	Agricultural Markets	
Vaccine and Service Fund	Special Purpose	Animal Industry	
Brand Stray Fund	Special Purpose	Brand Board	
Indirect Costs	Special Purpose	Commissioner's Office	These costs are associated with the FTE funded by the AMF.

Agricultural Services and Markets Divisions

The appropriation for the Agricultural Services Division (ASD) includes the appropriation for the Animal Industry, Plant Industry, Inspection and Consumer Services Program, and Agricultural Products Inspection Program. Staff's recommendation regarding the reorganization of the ASD has two components: (1) create three subdivisions within the ASD for the Animal Industry, Plant Industry and Inspection and Consumer Services, and (2) create a new subdivision within the Agricultural Markets Division for the Agricultural Inspection Program. The following table outlines staff's recommended changes to the ASD and Markets Division. Note that the following table includes the recommended changes associated with eliminating the Special Purpose Division.

Recommended Changes to the Organization of the Agricultural Services Division and the Markets Division	
Division/Subdivision Title	Line Item
(2) Agriculture Services	
(2) (A) Animal Industry	
	Program Costs
	Diseased Livestock Fund
	Cervidae Disease Revolving Fund
	Operating Expenses for Aquaculture
	Vaccine and Service Fund
	Indirect Costs
(2) (B) Plant Industry	
	Program Costs
	Noxious Weed Management Grant Program
	Indirect Costs

Recommended Changes to the Organization of the Agricultural Services Division and the Markets Division	
Division/Subdivision Title	Line Item
(2) (C) Inspection and Consumer Services	
	Program Costs
	Lease Purchase Lab Equipment
	Indirect Costs
(3) Agricultural Markets Division	
(3) (A) Markets Division	
	Program Costs
	Economic Development Grants
	Agricultural Development Board
	Wine Promotion Board
	Indirect Costs
(3) (B) Agriculture Products Inspection	
	Program Costs
	Indirect Costs

Reasoning for Changes to the Agricultural Services Division

Staff's basis for the reorganization of the ASD is to provide the General Assembly greater detail about the responsibilities of the three programs in the ASD and their associated funding. Creating the three subdivisions will enable the General Assembly to easily identify the costs of specific programs. If the Committee approves staff's recommendation, staff will work with the Department to identify the costs of each subdivision and present a recommendation on funding at figure setting.

Reason for Changes to the Agricultural Markets Division

Staff is recommending the appropriation for the Agricultural Products Inspection Program be moved the Agricultural Markets Division from the Agricultural Services Division to enable the Long Bill to accurately reflect the administrative responsibilities of each division. Currently, funding for the Agricultural Inspection Program is appropriated to the Agricultural Services Division, while the administrative responsibilities reside within the Agricultural Markets Division. Staff's recommendation includes the creation of a new subdivision with the Markets Division because of the unique nature of the Agricultural Inspection Program in relation to the other responsibilities of the Markets Division.

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture
Appendix A: Numbers Pages

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	DI/Notes
DEPARTMENT OF AGRICULTURE					
John Stulp, Commissioner					
(1) COMMISSIONER'S OFFICE AND ADMINISTRATIVE SERVICES					
This division provides administrative and technical support for department divisions and programs, including accounting budgeting, and human resources. Cash funds are from various fees and the reappropriated funds are from departmental and statewide indirect cost recoveries. Federal funds are from federal grants are agricultural purposes.					
Personal Services	1,536,209	1,665,658	1,280,178	1,265,150	
FTE - GF	<u>17.4</u>	<u>16.7</u>	<u>14.7</u>	<u>14.7</u>	
General Fund	383,190	423,509	198,181	267,400	NP-1, NP-2
Reappropriated Funds	1,153,019	1,242,149	1,081,997	997,750	
Health, Life, and Dental	<u>823,266</u>	<u>715,894</u>	<u>1,504,542</u>	<u>1,603,924</u>	
General Fund	150,400	388,000	253,085	285,788	
Cash Funds	672,866	294,000	1,173,753	1,257,183	NP-3
Reappropriated Funds	0	33,894	0	0	
Federal Funds	0	0	77,704	60,953	
Short-Term Disability	<u>13,585</u>	<u>3,565</u>	<u>20,760</u>	<u>25,319</u>	
General Fund	0	3,000	3,525	5,936	
Cash Funds	13,585	0	15,435	17,533	
Reappropriated Funds	0	565	0	0	
Federal Funds	0	0	1,800	1,850	
SB 04-257 Amortization Equalization					
Disbursement	<u>210,205</u>	<u>180,693</u>	<u>319,824</u>	<u>400,531</u>	
General Fund	43,000	69,000	52,959	93,911	
Cash Funds	167,205	105,000	238,987	277,350	
Reappropriated Funds	0	6,693	0	0	
Federal Funds	0	0	27,878	29,270	

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture
Appendix A: Numbers Pages

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	DI/Notes
SB 06-235 Supplemental Amortization					
Equalization Disbursement	<u>78,377</u>	<u>98,465</u>	<u>236,116</u>	<u>321,856</u>	
General Fund	0	39,530	41,525	75,464	
Cash Funds	78,377	55,000	174,263	222,871	
Reappropriated Funds	0	3,935	0	0	
Federal Funds	0	0	20,328	23,521	
Salary Survey and Senior Executive Service	<u>535,546</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	177,500	0	0	0	
Cash Funds	358,046	0	0	0	
Performance-based Pay Awards	<u>220,805</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	114,884	0	0	0	
Cash Funds	105,921	0	0	0	
Workers' Compensation	<u>229,157</u>	<u>175,559</u>	<u>178,095</u>	<u>213,737</u>	
General Fund	66,541	50,978	41,877	50,258	
Cash Funds	160,586	123,026	134,639	161,584	
Federal Funds	2,030	1,555	1,579	1,895	
Operating Expenses - GF	115,713	115,172	112,622	113,693	NP-5
Legal Services	320,869	295,205	341,929	341,401	
<i>Hours Equivalent</i>	<u>4,450</u>	<u>3,916</u>	<u>4,660</u>	<u>4,653</u>	<u>4,468</u>
General Fund	75,091	103,643 /1	81,196	81,196	
Cash Funds	228,778	187,312	248,608	248,080	
Federal Funds	17,000	4,250	12,125	12,125	
Purchase of Services from Computer Center	<u>24,086</u>	<u>21,811</u>	<u>384,926</u>	<u>438,309</u>	
General Fund	24,086	21,811	283,890	323,261	
Cash Funds	0	0	101,036	115,048	

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture
Appendix A: Numbers Pages

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	DI/Notes
Multiuse Network Payments	<u>n/a</u>	<u>n/a</u>	<u>129,317</u>	<u>181,390</u>	
General Fund			50,735	71,165	
Cash Funds			78,582	110,225	
Management and Administration of OIT	<u>11,107</u>	<u>10,005</u>	<u>132,976</u>	<u>135,763</u>	
General Fund	11,107	10,005	103,229	105,393	
Cash Funds	0	0	29,747	30,370	
Payment to Risk Management Fund	<u>187,542</u>	<u>156,144</u>	<u>46,910</u>	<u>146,221</u>	
General Fund	71,313	59,374	15,347	47,837	
Cash Funds	114,768	95,554	31,197	97,243	
Federal Funds	1,461	1,216	366	1,141	
Vehicle Lease Payments	<u>168,436</u>	<u>188,672</u>	<u>229,445</u>	<u>218,493</u>	NP-4
General Fund	50,043	57,103	72,367	73,377	
Cash Funds	92,980	104,068	152,435	142,254	
Federal Funds	25,413	27,501	4,643	2,862	
Information Technology Asset Maintenance	<u>153,031</u>	<u>152,964</u>	<u>153,031</u>	<u>153,031</u>	
General Fund	42,041	42,041	34,705	34,705	
Cash Funds	110,990	110,923	118,326	118,326	
Leased Space	<u>104,171</u>	<u>102,514</u>	<u>119,810</u>	<u>110,751</u>	DI-2
General Fund	49,779	48,275	48,142	43,026	
Cash Funds	54,392	54,239	71,668	67,725	
Capital Complex Leased Space	<u>169,975</u>	<u>170,084</u>	<u>166,973</u>	<u>178,705</u>	
General Fund	138,654	138,747	136,205	145,775	
Cash Funds	31,321	31,337	30,768	32,930	

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture
Appendix A: Numbers Pages

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	DI/Notes
Communications Services Payments	<u>14,781</u>	<u>14,781</u>	<u>13,550</u>	<u>13,814</u>	
General Fund	9,473	9,473	8,684	8,853	
Cash Funds	5,308	5,308	4,866	4,961	
Utilities	<u>136,094</u>	<u>145,292</u>	<u>146,318</u>	<u>146,318</u>	
General Fund	85,141	91,051	66,939	66,939	
Cash Funds	50,953	54,241	79,379	79,379	
Agriculture Statistics	<u>73,527</u>	<u>9,273</u>	<u>15,000</u>	<u>15,000</u>	
General Fund	60,000	0	0	0	
Cash Funds	13,527	9,273	15,000	15,000	
Grants - FF	3,332,572	3,630,113	2,690,748	2,686,127	NP-2
FTE	16.8	13.7	13.0	13.0	
Indirect Cost Assessment - FF	174,695	217,997	83,806	80,899	
					<i>Request vs. Appropriation</i>
TOTAL - (1) COMMISSIONER'S OFFICE	8,633,749	8,069,861	8,306,876	8,790,432	5.8%
FTE	<u>34.2</u>	<u>30.4</u>	<u>27.7</u>	<u>27.7</u>	0.0%
General Fund	1,667,956	1,670,712	1,605,213	1,893,977	18.0%
FTE	17.4	16.7	14.7	14.7	0.0%
Cash Funds	2,259,603	1,229,281	2,698,689	2,998,062	11.1%
Reappropriated Funds	1,153,019	1,287,236	0	997,750	(7.8%)
Federal Funds	3,553,171	3,882,632	2,920,977	2,900,643	(0.7%)
FTE	16.8	13.7	13.0	13.0	0.0%

/1 - This line increased by \$13,183 GF which was transferred from the Agricultural Services personal services line item.

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture
Appendix A: Numbers Pages

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	DI/Notes
(2) AGRICULTURAL SERVICES DIVISION					
The division is divided into four distinct programs: (1) Inspection and Consumer Services; (2) Plant Industry; (3) Animal Industry; and (4) Fruit and Vegetable Inspections.					
Personal Services	9,675,943	10,016,006	n/a	n/a	
FTE	<u>141.6</u>	<u>137.7</u>			
General Fund	3,356,984	2,813,660 /1			
FTE	42.0	41.5			
Cash Funds	5,998,287	6,290,771			
FTE	96.6	84.7			
Reappropriated Funds	0	484,068			
FTE	0.0	6.3			
Federal Funds	320,672	427,507			
FTE	3.0	5.2			
Operating Expenses	<u>1,314,402</u>	<u>1,450,703</u>	n/a	n/a	
General Fund	333,780	240,925			
Cash Funds	937,870	1,057,615			
Reappropriated Funds	0	33,214			
Federal Funds	42,752	118,949			
Program Costs	n/a	n/a	11,655,679	11,632,997	NP-2
FTE			<u>150.3</u>	<u>150.3</u>	
General Fund			2,727,380	2,641,966	NP-1
FTE			43.4	43.4	
Cash Funds			8,346,601	8,408,815	
FTE			103.9	103.9	
Federal Funds			581,698	582,216	
FTE			3.0	3.0	
Noxious Weed Management Grants - CF	0	0	15,000	15,000	

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture
Appendix A: Numbers Pages

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	DI/Notes
Diseased Livestock Fund - CF	10,000	0	25,000	25,000	
Cervidae Disease Revolving Fund - CF	660	10	25,000	25,000	
Operating Expenses for Aquaculture - CF	33,291	23,848	43,437	43,437	
Lease Purchase Lab Equipment	<u>66,099</u>	<u>63,136</u>	<u>85,992</u>	<u>85,992</u>	
General Fund	22,033	21,045	0	0	
Cash Funds	44,066	42,091	85,992	85,992	
Indirect Cost Assessments	<u>670,942</u>	<u>711,360</u>	<u>675,231</u>	<u>646,032</u>	
Cash Funds	614,570	639,262	656,468	627,363	
Federal Funds	56,372	72,098	18,763	18,669	
					<i>Request vs. Appropriation</i>
TOTAL - (2) AGRICULTURAL SERVICES	11,771,337	12,265,063	12,525,339	12,473,458	(0.4%)
FTE	<u>141.6</u>	<u>137.7</u>	<u>150.3</u>	<u>150.3</u>	<u>0.0%</u>
General Fund	3,712,797	3,075,630	2,727,380	2,641,966	(3.1%)
FTE	42.0	41.5	43.4	43.4	0.0%
Cash Funds	7,638,744	8,053,597	9,197,498	9,230,607	0.4%
FTE	96.6	84.7	103.9	103.9	0.0%
Reappropriated Funds	0	517,282	0	0	n/a
FTE	0.0	6.3	0.0	0.0	n/a
Federal Funds	419,796	618,554	600,461	600,885	0.1%
FTE	3.0	5.2	3.0	3.0	0.0%

/1 This line item decreased by \$13,183 General Fund due to an unforeseen need of additional GF dollars in the legal services line.

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture
Appendix A: Numbers Pages

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	DI/Notes
(3) AGRICULTURAL MARKETS DIVISION					
This division provides marketing assistance and related support to Colorado agricultural-based businesses competing in local, national, and international arenas. The reappropriated funds are from a transfer from the Economic Development Commission, in the Office of the Governor.					
Personal Services - GF	391,162	389,187	n/a	n/a	
FTE - GF	4.7	4.2			
Operating Expenses	<u>68,297</u>	<u>44,042</u>	<u>n/a</u>	<u>n/a</u>	
General Fund	32,123	32,015			
Cash Funds	36,174	12,027			
Program Costs - CF	n/a	n/a	488,002	490,508	BR-1, NP-2
FTE - CF			4.7	4.7	
Economic Development Grants - RF	177,354	41,884	45,000	45,000	
Ag Value Added Development Board - CF	385,454	541,678	574,261	574,261	NP-2
FTE - CF	0.5	0.5	0.5	0.5	
Indirect Cost Assessments - CF	3,966	3,861	3,127	<u>3112</u>	
					<i>Request vs. Appropriation</i>
TOTAL - (3) AGRICULTURAL MARKETS	1,026,233	1,020,652	1,110,390	1,112,881	0.2%
FTE	<u>5.2</u>	<u>4.7</u>	<u>5.2</u>	<u>5.2</u>	0.0%
General Fund	423,285	421,202	0	0	n/a
FTE	4.7	4.2	0.0	0.0	n/a
Cash Funds	425,594	557,566	1,065,390	1,067,881	0.2%
FTE	0.5	0.5	5.2	5.2	0.0%
Reappropriated Funds	177,354	41,884	45,000	45,000	0.0%

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture
Appendix A: Numbers Pages

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	DI/Notes
(4) BRAND BOARD					
The Brand Board is responsible for inspecting cattle, horse, and alternative livestock brands to verify ownership at the time of sale, transport, or slaughter, and constitutes an enterprise for the purposes of Section 20 of Article X of the Colorado					
Brand Inspections - CF	3,484,308	3,571,294	3,785,750	3,850,516	DI-1, NP-2
FTE - CF	56.9	54.2	66.3	66.3	
Alternative Livestock - CF	13,448	11,262	95,662	95,662	
Indirect Cost Assessments - CF	137,241	142,379	142,379	142,379	
					<i>Request vs. Appropriation</i>
TOTAL - (4) BRAND BOARD - CF	3,634,997	3,724,935	4,023,791	4,088,557	1.6%
FTE - CF	56.9	54.2	66.3	66.3	0.0%

(5) SPECIAL PURPOSE

This division is comprised of the Agriculture Mangement Fund, the Wine Promotion Board, the Vaccine and Service Fund, and the Brand Estray Fund.

Agriculture Management Fund - CF	732,605	1,131,232	1,645,761	1,651,884	BR-1
FTE	<u>0.0</u>	<u>0.0</u>	<u>3.0</u>	<u>3.0</u>	
Wine Promotion Board - CF	584,774	635,311	570,049	569,613	NP-2
FTE - CF	1.0	1.3	1.5	1.5	
Vaccine and Service Fund - CF	272,612	341,332	276,867	276,867	NP-2
FTE - CF	0.0	0.7	1.0	1.0	
Brand Estray Fund - CF	53,145	32,257	94,050	94,050	

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture
Appendix A: Numbers Pages

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	DI/Notes
Indirect Cost Assessment - CF	59,490	34,749	34,398	34,227	<i>Request vs. Appropriation</i>
TOTAL - (5) SPECIAL PURPOSE - CF	1,702,626	2,174,881	2,621,125	2,626,641	0.2%
FTE - CF	1.0	2.0	5.5	5.5	0.0%

(6) COLORADO STATE FAIR

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

Program Costs - CF	8,179,275	7,517,283	8,375,904	8,375,326	NP-2
FTE	24.3	22.7	26.9	26.9	
Indirect Cost Assessment - CF	106,685	131,803	143,055	91,101	<i>Request vs. Appropriation</i>
TOTAL - (6) COLORADO STATE FAIR - CI	8,285,960	7,649,086	8,518,959	8,466,427	(0.6%)
FTE	24.3	22.7	26.9	26.9	0.0%

(7) CONSERVATION BOARD

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

Personal Services - GF	366,963	364,772	n/a	n/a	
FTE - GF	5.5	5.2			
Operating Expenses - GF	62,415	61,093	n/a	n/a	
Program Costs - GF	n/a	n/a	431,967	423,396	NP-1, NP-2
FTE - GF			5.2	5.2	

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
 Department of Agriculture
 Appendix A: Numbers Pages**

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	DI/Notes
Distributions to Soil Conservation Districts - GF	391,714	191,714	191,714	191,714	
Matching Grants to Districts	<u>25,135</u>	<u>400,597</u>	<u>450,000</u>	<u>0</u>	
General Fund	25,000	0	0	0	
Cash Funds	135	400,597	450,000	0	
Salinity Control Grants - FF	2,969,999	1,477,720	498,716	498,450	NP-2
					<i>Request vs. Appropriation</i>
TOTAL - (7) CONSERVATION BOARD	3,816,226	2,495,896	1,572,397	1,113,560	(29.2%)
FTE - GF	<u>5.5</u>	<u>5.2</u>	<u>5.2</u>	<u>5.2</u>	<u>0.0%</u>
General Fund	846,092	617,579	623,681	615,110	(1.4%)
Cash Funds	135	400,597	450,000	0	(100.0%)
Federal Funds	2,969,999	1,477,720	498,716	498,450	(0.1%)
					<i>Request vs. Appropriation</i>
DEPARTMENT OF AGRICULTURE TOTALS	38,871,128	37,400,374	38,678,877	38,671,956	(0.0%)
FTE	<u>268.7</u>	<u>256.9</u>	<u>287.1</u>	<u>287.1</u>	<u>0.0%</u>
General Fund	6,650,130	5,785,123	4,956,274	5,151,053	3.9%
FTE	69.6	67.6	63.3	63.3	0.0%
Cash Funds	23,947,659	23,789,943	28,575,452	28,478,175	(0.3%)
FTE	179.3	164.1	207.8	207.8	0.0%
Reappropriated Funds	1,330,373	1,846,402	1,126,997	1,042,750	(7.5%)
FTE	0.0	6.3	0.0	0.0	n/a
Federal Funds	6,942,966	5,978,906	4,020,154	3,999,978	(0.5%)
FTE	19.8	18.9	16.0	16.0	0.0%

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **S.B. 10-038 (Hodge/Fischer): Organic Certification Act.** Allows the Commissioner to contract with qualified independent inspectors to conduct inspections and to promulgate minimum qualifications for those inspectors. Increases the size of the organic certification advisory board from nine to twelve members.
- ❑ **S.B. 10-72 (Schwartz/Vigil): Colorado Seed Potato Act.** Creates the Colorado Seed Potato Act which requires potato growers who plant one or more acres of potatoes to use certified seed potatoes, with some exceptions. Requires growers to maintain records, which may be reviewed by an independent auditor. Authorizes the Commissioner of Agriculture to set fees, conduct inspections, issue subpoenas, impose civil penalties, and sue in court. Establishes Colorado State University as the certifying authority for Colorado grown seed potatoes. Seed potatoes grown outside of Colorado must be certified by the certifying authority for the location of origin. Creates the nine member Seed Potato Advisory Committee and the Seed Potato Cash Fund.
- ❑ **S.B. 10-106 (Bacon/Looper): Food Systems Advisory Council.** Creates the thirteen member Colorado Food Systems Advisory Council (Council) for the purpose of identifying best practices in the food system, developing recommendations for local food economies and for food access, collaborating with local and regional food councils, and promoting the "Colorado Proud" marketing program. Requires the Council to meet four times per year and submit a report to the General Assembly. Creates the Food Systems Advisory Council Fund.
- ❑ **H.B. 10-1376 (Pommer/Keller): Long Appropriations Bill.** General appropriations act for FY 2010-11.
- ❑ **H.B. 10-1377 (Lambert/Tapia): Cash Fund Agriculture Program 2 Years.** Refinances the Inspection and Consumer Services Programs (ICS) entirely with cash funds for FY 2010-11 and FY 2011-12. The following are all the subprograms in ICS that are affected:
 - Commercial fertilizers, plant amendments, and soil conditioners;
 - Measurement standards;
 - Large and small scales;
 - Commercial feeding; and
 - Farm products and farm commodity handlers.
- ❑ **H.B. 08-1399 (Buescher/Isgar): Moneys Benefitting Various Agricultural Programs from the Unclaimed Property Tourism Promotion Trust Fund.** Changes the allocation of interest earned on the Unclaimed Property Tourism Trust Fund from the sale of securities determined to be abandoned property which are then credited to the Colorado Travel and

Tourism Promotion Fund. Under the bill, the earned interest will be distributed as follows: (1) 10.0 percent will remain in the Colorado Travel and Tourism Promotion Fund for use by the Colorado Tourism Office in the Office of Economic Development and International Trade to promote agritourism in coordination with the commissioner; (2) 65.0 percent to the newly created Agriculture Management Fund – for use by the Commissioner of Agriculture to fund both program and employee costs of agricultural efforts; and (3) 25.0 percent to the Colorado State Fair Authority Cash Fund – for use by the Colorado State Fair Authority towards the operation, maintenance, and support of the Colorado State Fair.

- ❑ **H.B. 06-1393 (Curry/Isgar): Severance Tax Match Federal Funds Conservation District.** Creates the Conservation District Grant Fund (Fund) which is continuously appropriated for Natural Resources Conservation Matching Grants Program. Annually transfers \$450,000 from the Operational Account of the Severance Tax Trust Fund to the Fund starting in FY 2006-07 and ending in FY 2010-11.
- ❑ **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.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

**APPENDIX C: UPDATE OF FY 2010-11
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Long Bill Footnotes

None.

Requests for Information

- 1 All Departments, Totals** -- Every department is requested to submit to the Joint Budget Committee, by November 1, 2010, information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2009-10. The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2010-11.

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