

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2010-11 STAFF BUDGET BRIEFING
DEPARTMENT OF AGRICULTURE**

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

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**FY 2010-11 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

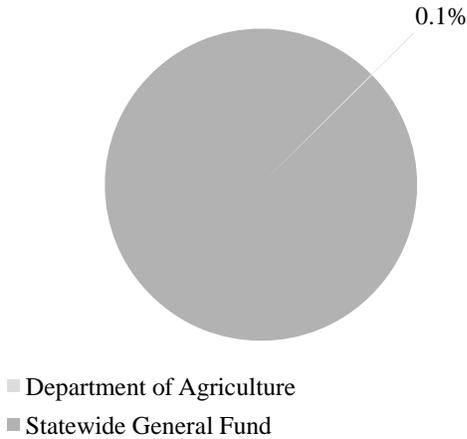
DEPARTMENT OF AGRICULTURE

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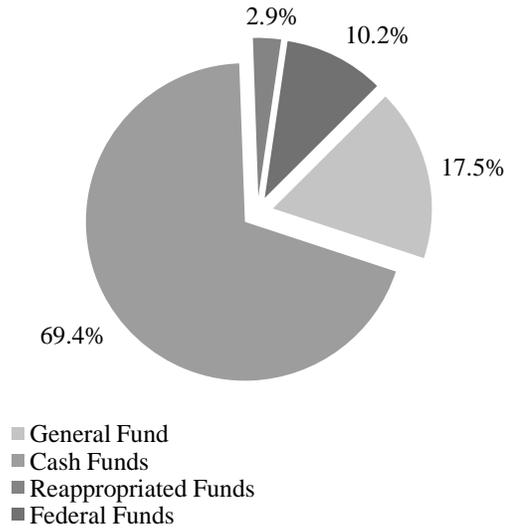
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GRAPHIC OVERVIEW**

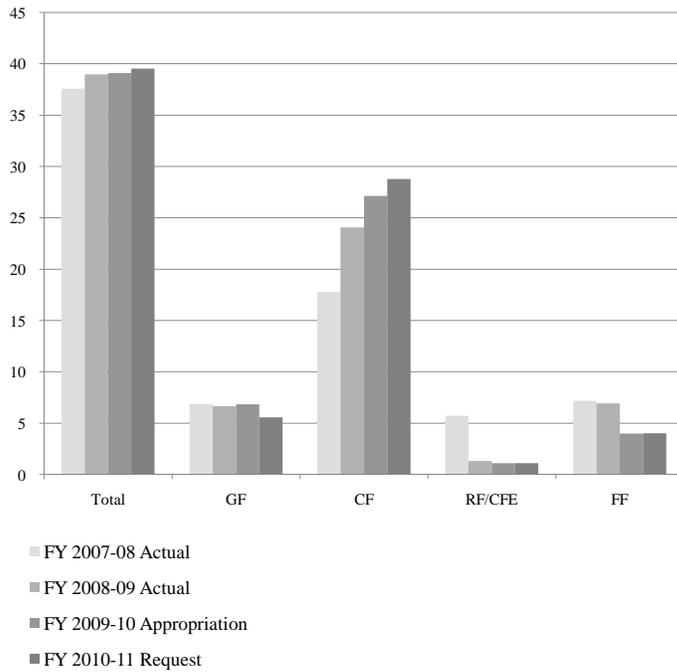
Department's Share of Statewide General Fund



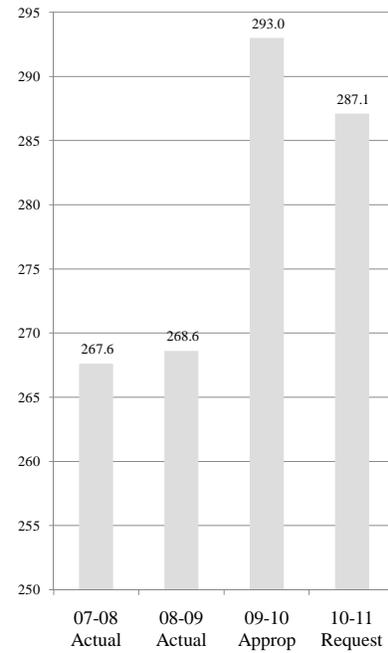
Department Funding Sources



**Budget History
(Millions of Dollars)**

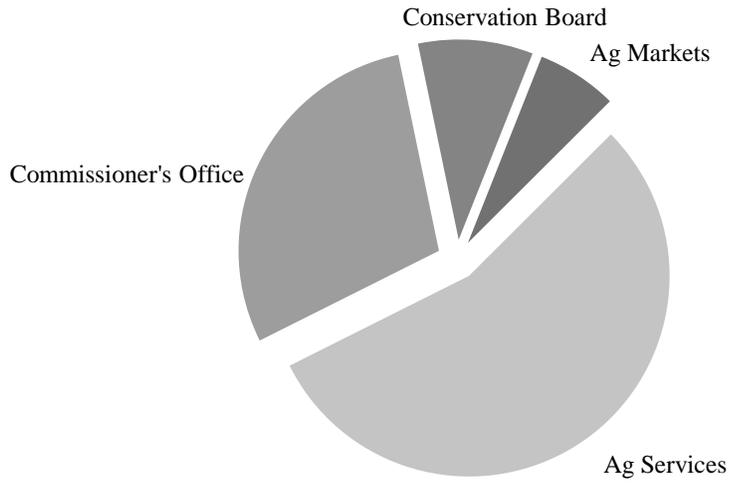


FTE History

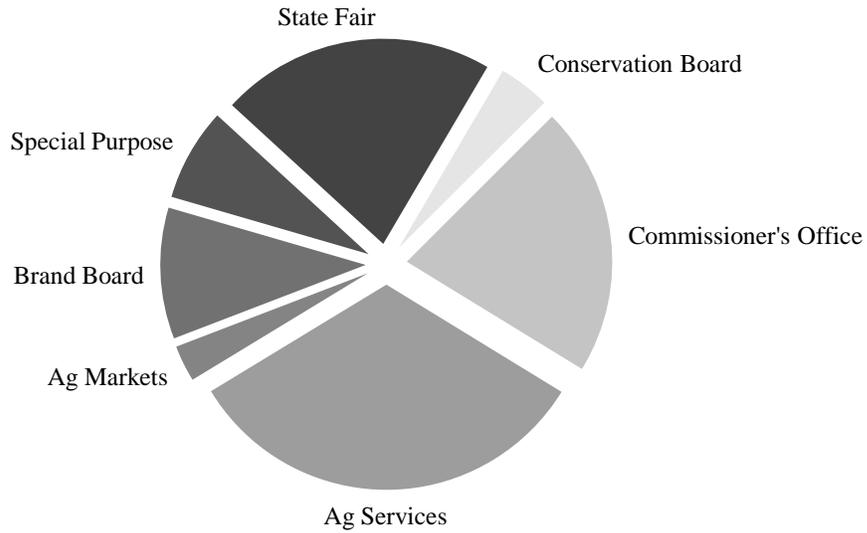


Unless otherwise noted, all charts are based on the FY 2009-10 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



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DEPARTMENT OVERVIEW

Key Responsibilities

- ❑ The **Agricultural Services Division** oversees the following programs:
 - ❑ **Animal Industry** oversees the prevention and control of livestock diseases, including laboratory services, rodent and predator control services, licensing of pet care facilities, and investigations of animal cruelty.
 - ❑ **Inspection and Consumer Services** inspects animal feed, fertilizer, anhydrous ammonia tanks, eggs, grain warehouses, and custom meat processors for quality and efficacy. Inspection and Consumer Services also inspects weighing and measuring devices, pesticide testing, and provides licenses to commodity handlers and dealers, and door to door sales companies.
 - ❑ **Plants Industry** is responsible for organic certification, nursery stock inspection, plant and seed export certificates, seed inspection, chemigation inspections, licensing and testing of pesticide applicators and products.
- ❑ The **Agricultural Markets Division** works to promote Colorado's agricultural products and services to domestic and international markets.
- ❑ The **Brand Board** inspects cattle and equine brands to protect producers and buyers from fraud and/or theft.
- ❑ The **Colorado State Fair** is responsible for the planning and execution of the 11-day state fair in August, as well as booking and overseeing other events that occur on the fairgrounds throughout the year.
- ❑ The **Conservation Board** works to ensure protection and conservation of Colorado's soil resources from contamination and erosion.

Factors Driving the Budget

Funding for this department in FY 2009-10 consists of 17.5 percent General Fund, 69.4 percent cash funds, 2.9 percent reappropriated funds, and 10.2 percent federal funds.

Funding from Unclaimed Property Moneys

House Bill 08-1399 reallocated the interest earned on the sale of unclaimed securities in the Unclaimed Property Tourism Trust Fund to the Colorado Travel and Tourism Promotion Fund once the debt on the state fair's Event Center was paid off. This was accomplished on February 27, 2009. Revenue from the interest on the sale of unclaimed securities is split three ways:

- ▶ 65.0 percent is transferred into the Agriculture Management Fund – for use by the Commissioner of Agriculture to fund the cost of agricultural programs and staff;
- ▶ 25.0 percent is transferred to the Colorado State Fair Authority Cash Fund – for use by the Colorado State Fair Authority to be used for the operation, maintenance, and support of the Colorado State Fair and fairgrounds; and,
- ▶ 10.0 percent remains in the Colorado Travel and Tourism Promotion Fund for use by the Governor's Colorado Tourism Office to promote agritourism in coordination with the Commissioner.

As a result of securing a steady funding source from unclaimed property moneys, the Department has been able to fully subsidize the State Fair's operational expenses and backfill some of the General Fund reductions taken during FY 2008-09 and proposed for FY 2009-10. This funding stream offers the Department latitude in either backfilling existing programs should their appropriations be reduced, or funding new programs it is statutorily permitted to administer.

State Economy

Due to the economic downturn, the Department has reduced General Fund appropriation every year since FY 2008-09. The Department has been able to backfill some of these reductions with money from the Agricultural Management Fund. The following table shows the Departments General Fund appropriation over the last five years.

Department of Agricultural Five Year GF Appropriation					
	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request
General Fund Appropriation	\$5,221,517	\$7,325,509	\$7,223,168	\$6,860,955	\$5,568,487
Change from Previous Year		40.3%	(1.4)%	(5.0)%	(18.8)%

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DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
1 Consolidate PS and Operating in the Commissioner's Office for Agricultural Services, Agricultural Markets and Conservation Board Commissioner's Office, Agricultural Services, Agricultural Markets and Conservation Board. The Department is requesting the personal services line items, and the operating expenses line items in the Agricultural Services, Agricultural Markets, and Conservation Board divisions be combined with the Commissioner's Office personal services line items, and operating expenses line items. <i>Statutory authority: Sections 35-1-104 (1) (b), 35-1-104 (1) (h), 35-1-104 (1) (n) and 35-1-104 (1) (o), C.R.S.</i>	0	0	0	0	0	0.0
2 Additional Spending Authority for Wine Promotion Board and Vaccine Service Fund Agricultural Markets. The Department requests an additional \$100,093 cash fund spending authority for the continuously appropriated Wine Promotion Board line item, and an additional \$115,107 cash fund spending authority for the continuously appropriated Vaccine and Service Fund line item. <i>Statutory Authority: Sections 35-29.5-105 and 35-50-106, C.R.S.</i>	0	215,200	0	0	215,200	0.0
NP-1 Statewide Information Technology Staff Consolidation Various Divisions. The Department is requesting 6.0 FTE and associated expenditures be transferred to the Governor's Office of Information Technology. This decision item will be addressed during the briefing on the Governor's Office. <i>Statutory authority: Section 24-37.5-110 (1) (a), C.R.S.</i>	(35,177)	(3,241)	(116,002)	(20,332)	(174,752)	(6.0)
NP-2 Annual Fleet Vehicle Replacements Commissioner's Office. The Department is requesting an increase to the vehicle lease payments line item to accommodate increases 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>	873	1,256	0	0	2,129	0.0
Total	(34,304)	213,215	(116,002)	(20,332)	42,577	(6.0)

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BASE REDUCTION ITEM PRIORITY LIST

Base Reduction	GF	CF	RF	FF	Total	FTE
1	(1,301,254)	1,301,254	108,229	0	108,229	0.0
<p>Refinance Inspection and Consumer Services to 100% Cash Fund</p> <p>Commissioner's Office and Agricultural Services. The Department is requesting a statutory change to six programs within Inspection and Consumer Services so that fees supporting these programs can be increased. Increased revenue from these fees will enable the programs to be fully cash funded and result in General Fund savings. <i>Statutory authority: Sections 35-12-104 (1), 35-12-106 (8), 35-14-127 (12.5) (a), 35-14-127 (12.5) (b), 35-14-128 (2) (a) (1), 35-14-128 (2) (c) (I), 35-60-104 (2) (a), 35-60-105 (c) (I), 12-16-105 (1) (b), 12-16-205 (1) (b) and 12-16-217 (2), C.R.S.</i></p>						
Total	(1,301,254)	1,301,254	108,229	0	108,229	0.0

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OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2009-10 appropriation and its FY 2010-11 request.

Total Requested Change, FY 2009-10 to FY 2010-11 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2009-10 Appropriation	\$6.9	\$27.1	\$1.1	\$4.0	\$39.1	293.0
FY 2010-11 Request	5.6	28.8	1.1	4.0	39.5	287.1
Increase / (Decrease)	(\$1.3)	\$1.7	\$0.0	\$0.0	\$0.4	(5.9)
Percentage Change	(18.8)%	6.3%	0.0%	0.0%	1.0%	(2.0)%

The following table highlights the individual changes contained in the Department's FY 2010-11 budget request, as compared with the FY 2009-10 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2009-10 to FY 2010-11

Category	GF	CF	RF	FF	Total	FTE
Commissioner's Office						
Personal Services - Consolidation of Personal Services Lines (DI #1)	\$2,991,134	\$7,287,027	\$6,391	\$526,405	\$10,810,957	156.2
Operating Expenses - Consolidation of Operating Expenses Lines (DI #1)	296,407	1,199,514	0	59,301	1,555,222	0.0
Purchase of Services from Computer Center - OIT Transfer	263,051	102,191	0	0	365,242	0.0
Multiuse Network Payments - OIT Transfer	51,540	79,830	0	0	131,370	0.0
Management and Administration of OIT - OIT Transfer	92,940	30,141	0	0	123,081	0.0
Payment to Risk Management Fund - OIT Transfer	(52,067)	(77,297)	0	(1,015)	(130,379)	0.0
Subtotal	\$3,643,005	\$8,621,406	\$6,391	\$584,691	\$12,855,493	156.2

Category	GF	CF	RF	FF	Total	FTE
Agricultural Services						
Personal Services - Consolidation of Personal Services Lines (DI #1)	(\$3,390,189)	(\$6,444,215)	\$0	(\$516,838)	(\$10,351,242)	(152.3)
Operating Expenses - Consolidation of Operating Expenses Lines (DI #1)	(352,830)	(1,113,818)	0	(59,301)	(1,525,949)	0.0
Subtotal	(\$3,743,019)	(\$7,558,033)	\$0	(\$576,139)	(\$11,877,191)	(152.3)
Agricultural Markets						
Personal Services - Consolidation of Personal Services Lines (DI #1)	(\$414,804)	\$0	\$0	\$0	(\$414,804)	(4.7)
Operating Expenses - Consolidation of Operating Expenses Lines (DI #1)	(32,123)	(50,454)	0	0	(82,577)	0.0
Subtotal	(\$446,927)	(\$50,454)	\$0	\$0	(\$497,381)	(4.7)
Brand Board						
Brand Inspections - Annualize 1.82% Personal Services Reduction	\$0	\$60,969	\$0	\$0	\$60,969	0.0
Special Purpose						
Wine Promotion Board - DI #2	\$0	\$99,941	\$0	\$0	\$99,941	0.0
Vaccine Service Fund - DI #2	0	115,107	0	0	115,107	0.0
Subtotal	\$0	\$215,048	\$0	\$0	\$215,048	0.0
State Fair						
Program Costs - - Annualize 1.82% Personal Services Reduction	\$0	\$70,927	\$0	\$0	\$70,927	0.0
Conservation Services						
Personal Services - Consolidation of Personal Services Lines (DI #1)	(\$378,862)	\$0	\$0	\$0	(\$378,862)	(5.2)
Operating Expenses - Consolidation of Operating Expenses Lines (DI #1)	(64,109)	0	0	0	(64,109)	0.0
Subtotal	(\$442,971)	\$0	\$0	\$0	(\$442,971)	(5.2)
Total Change	(\$989,912)	\$1,359,863	\$6,391	\$8,552	\$384,894	(6.0)

**FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

BRIEFING ISSUE

ISSUE: Elimination of Statutory Indirect Cost Caps and a Program Subsidy

The indirect costs for the Brand Board, Alternative Livestock, Chemigation Program, and Agricultural Products Program are capped in statute, and annually require additional General Fund dollars to meet the programs total indirect costs. The Agricultural Products Program, which is only required to inspect potatoes, receives a General Fund subsidy of \$200,000 per year.

SUMMARY:

- Indirect costs charged to the Brand Board, Alternative Livestock, Chemigation, and Agricultural Products Programs are capped in statute.
- For FY 2009-10, the statutory maximum amount of indirect costs for these programs is \$267,356 cash funds, but the actual indirect costs incurred by these programs are \$803,088 total funds, resulting in a General Fund backfill of \$535,732.
- An average of \$602,503 General Fund dollars can be saved annually if indirect cost caps are removed from statute. Additionally, \$200,000 can be saved if the program subsidy to the Agricultural Products Inspection Program is 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 Program. Staff also recommends that the legislation eliminating indirect cost caps, also eliminate the General Fund subsidy to the Agricultural Products Program.

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. 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. The Department's allocation recovery of its indirect costs is through a formula based on a 'per FTE' basis, or each FTE's share of recoverable expenses and then multiplies that amount by the total FTE within a specific program or division.

Statewide indirect costs are costs associated with services provided by the Department of Personnel and Administration, the Governor's Office, and the Treasury Department. Department wide indirect

costs are costs incurred when the Commissioner's Office or the State Fair provides services that benefit other divisions including, departmental accounting and budgeting, and maintenance on state owned buildings.

Legislative History of Indirect Costs and How Indirect Costs are Set:

The issue of indirect cost recovery caps was first addressed in H.B. 85-1232, which 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, the Department was required to inspect peaches and potatoes. Peaches were removed from the mandatory inspection list by S.B. 95-006. Indirect cost caps were again addressed during the 1988 Legislative Session by H.B. 88-1007 which capped the Chemigation Program indirect costs as a percentage of the program's FTE versus FTE for the entire department. Additionally, H.B. 88-1126 limited indirect cost recoveries under the Brand Inspection Program to 3.6 percent of the Board's total annual program 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 enabled the Department to collect the full amount of indirect costs applicable to a given division by removing the statutory cap on indirect costs. The bill included a three-year sunset provision reinstating the previous indirect cost recovery caps in FY 2006-07. While S.B. 03-169 was controversial in some industries, especially the Brand Board, it provided the state substantial General Fund savings during the last economic downturn. The following table shows the estimated General Fund savings due to the time out of the indirect cost caps from FY 2002-03 (by supplemental) to FY 2005-06.

Indirect Cost Assessment - GF Savings due to No Cap from FY 2002-03 to FY 2005-06					
	Enacting Legislation	Brand Board GF Savings	Chemigation GF Savings	Agricultural Products GF Savings	Annual Total GF Savings
FY 2002-03	S.B. 02-199	\$398,977	\$26,421	\$101,031	\$526,429
FY 2003-04	S.B. 03-169	340,660	23,432	172,309	536,401
FY 2004-05	S.B. 03-169	301,163	19,338	130,032	450,533

Indirect Cost Assessment - GF Savings due to No Cap from FY 2002-03 to FY 2005-06					
FY 2005-06	S.B. 03-169	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 2009-10

The General Assembly allowed S.B. 03-169 to sunset, and starting in FY 2006-07 the indirect cost caps were once again applicable. The following table details the required General Fund backfill required over the past four fiscal years because of the indirect cost caps.

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%
Four Year GF Backfill Avg.		\$399,039	\$0	\$24,842	\$178,622	\$602,504
Four Year Avg. GF Backfill as Percent of Actual Indirect Costs		74.7%	0.0%	97.9%	67.2%	59.9%

Policy Options

Staff requests the Committee provide staff direction on what action the Committee would like to take in regard to indirect cost caps. There are three policy options: 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.

Option 1: Leave Caps in Place:

Leaving the statutory caps in place will result in General Fund backfill of \$602,504 for FY 2009-10. This would not require any action by the Committee, and staff does not recommend this option.

Options 2 and 3

The following points outline the reasons why staff recommends removing indirect cost caps from statute.

1. *Beneficiaries of Caps.* The indirect cost caps for the Brand Board are for the benefit of the cattle and equine industries. The Chemigation Program ensures there are proper safety measures for farmers who use pesticides mixed into the water sprinkling systems to ensure that pesticides cannot contaminate the ground water. This program benefits the communities surrounding areas where chemigation is used. The potatoes are the only mandatory inspection for the Agricultural Products Inspection Program, all other fruits and vegetables are voluntary. Product inspections are for the benefit of the grower and buyers and staff believes these inspections are a cost of doing business which should be absorbed 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: the first was submitted in November 1989, the second in August 1994 and the most recent in February 2001. **Each time, the Department has disagreed with the State Auditor's recommendation to abolish these caps.** Additional information related to each performance audit can be found in Appendix D on page 33 of this document.

3. *Organic Certification Program.* The organic certification program, enacted into law by H.B. 02-1186, requires the program to recover the full amount of applicable indirect costs. By requiring this program collect the full direct and indirect costs of implementing the program, the General Assembly was making a policy decision not to limit indirect cost recoveries.

4. *Benefits to Revenue.* The TABOR time-out concludes on July 1, 2010, pursuant to Section 24-77-103.6, C.R.S. If the cost recovery caps were removed from statute, this action would increase the amount of cash-funded revenue collected by the state by approximately \$602,504, which could in turn grow the TABOR revenue limit, and thus could benefit health care, education, retirement plans for police and firefighters, and transportation projects. The inclusion of these fund sources within the TABOR revenue limit is prudent as the revenues received by these programs have been historically very stable, providing a stable cash fund source which would provide little threat to the TABOR revenue limit.

5. *Equity Among Department Programs.* When funding for the Commissioner's Office is only funded fully by some cash and federally-funded programs and not by others, an inequity is created. 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 that require supplementary General Fund receive support from all state taxpayers and also benefit from reduced fees. Industries without indirect cost recovery caps do not partake in these statutory benefits.

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	\$369,590	\$0.65	\$0.10	18.2%
Chemigation	Annual permit fee	\$35	24,626	\$42	\$7	20.0%
Agricultural Products	Fee per cwt. of potatoes	\$0.10	141,516	\$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 related to these various programs (estimated to be \$1.3 million for the Brand Inspection Fund, \$300,000 for the Agricultural Products Inspection Fund, and \$500,000 for the Plant Health, Pest Control and Environmental Protection Fund) could defray the initial impact of recovering the full amount of indirect costs and the immediate need to increase fees.

Program Subsidy

Agricultural Products Inspection Program. Prior to FY 2009-10 this program was known as the Mandatory Fruit and Vegetable Inspection Program. This program was initiated in 1931 and is *applicable to only one agricultural product, potatoes*, pursuant to Section 35-23-111 (a), C.R.S. Statute used to include other agricultural commodities such as apples, peaches, cantaloupes, green peas, cabbage, melons, spinach, onions, pears, and head lettuce. Inspectors check the condition and storage of potatoes prior to shipment and grade potatoes accordingly. Colorado is one of four states under federal U.S. Department of Agriculture regulation and the only one with state control. Colorado is one of the largest producers of fresh potatoes, as compared to potatoes grown frozen or other processing.

Potato Inspection Program Subsidy. The state presently pays \$200,000 of the program's operational costs, with the remainder paid with fund balance and through certificate fees assessed by the Department, pursuant to Section 35-23-114 (3) (a), C.R.S.

Mandatory Inspection Supported by Growers. In 2006, the Colorado potato growers voted to keep potato inspections mandatory. Of note, 97.0 percent of all eligible potato growers participated in the survey, of which 79.0 percent voted in favor of mandatory inspections.

Program Fee Analysis. As is exhibited in the following table, program fees have remained flat or decreased in recent years. In FY 2006-07, fees were decreased to reduce fund balance accumulated in the Agricultural Products fund and thus decreased the fees required to fund the program.

Fiscal Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10*	2010-11*
Fee per cwt.	\$0.110	\$0.110	\$0.095	\$0.100	\$0.095	\$0.100	\$0.100

* Estimates from the Department's FY 2010-11 budget request.

Impact of Removing the Program Subsidy. The impact of repealing the statutory \$200,000 General Fund subsidy in FY 2010-11 would require a 10.0 percent increase, or an additional \$0.01, in fees set by the Commissioner. It should be noted that if the program's indirect cost recovery is also removed, fees would need to be increased by 20.0 percent, or \$0.02, overall to offset the reduced General Fund subsidies received through indirect cost cap and the program subsidy. In the short-term, fund balance (estimated to be \$307,916) could mitigate the initial impact of recovering the full amount of indirect costs and the immediate need to increase fees.

Benefits to Revenue. As was mentioned above, the same is true here, the TABOR time-out concludes on July 1, 2010. If the \$200,000 subsidy is eliminated from statute, then the amount of cash-funded revenue collected by the state would increase by a like amount, and thus could benefit health care, education, retirement plans for police and firefighters, and transportation projects. The inclusion of the Agricultural Products Fund within the TABOR revenue limit is prudent, as the revenues received by this program fund has been historically very stable.

Cost of Doing Business. Staff recognizes the importance of these agricultural industries, but is not convinced that the General Fund moneys that currently subsidize these programs are for the "common good", but rather the good of a specific industry. The cost of an inspection is a cost of doing business in this state and as such should be funded by the industry the program serves. Further, while industry may strongly support the required inspection of the products they sell, this does not require the state to subsidize the inspection. Staff deems it necessary to identify these industry-specific state subsidies in contrast to the needs of K-12 education, corrections, human services, and other largely General Funded state agencies.

**FY 2010-11 Joint Budget Committee Staff Budget Briefing
Department of Agriculture**

INFORMATIONAL BRIEFING ISSUE

ISSUE: Summary of Department General Fund Reductions and Proposed Reductions

Due to economic downturn over the past two years, the Department has been required to reduce their General Fund appropriation for FY 2008-09 and FY 2009-10. The Department has also proposed additional reductions for FY 2009-10 and FY 2010-11.

SUMMARY:

- For FY 2008-09 General Fund reductions totaled \$477,348 GF or 6.7 percent of the Department's General Fund Appropriation.
- Senate Bill 09-259 (the Long Bill) included a 5.0 percent General Fund reduction to the Department. The Department submitted a FY 2009-10 supplemental to refinance General Fund dollars and associated FTE in the Agricultural Services Division with cash fund dollars from the Agricultural Management Fund.
- For FY 2010-11, the Department submitted a budget reduction to refinance six Inspection and Consumer Services programs with cash funds, saving approximately \$1.3 million General Fund in FY 2010-11.

DISCUSSION:

FY 2008-09 Reductions

The FY 2008-09 reductions were taken through the Department's annual supplemental bill, S.B. 09-183. Reductions included refinancing GF with cash funds, straight program appropriation reductions, and savings that resulted from the hiring freeze.

Summary FY 2008-09 Department of Agriculture General Fund Reductions				
Program Description	Division	GF	Other Funds	Total
Hiring Freeze Reduction	Commissioner's Office	(82,011)	(559,814)	(641,825)
Refinance Seed Inspection Program	Agricultural Services	(\$20,000)	\$20,000	\$0
Refinance of Phytosanitary Inspection Program	Agricultural Services	(14,366)	14,366	0
Reduction of Colorado Feed Program	Agricultural Services	(10,000)	0	(10,000)

Summary FY 2008-09 Department of Agriculture General Fund Reductions				
Program Description	Division	GF	Other Funds	Total
Reduction of uncommitted grant moneys for Matching Grants to District	Conservation Districts	(200,000)	0	(200,000)
Recalculate Indirect Costs	Multiple	(150,971)	301,942	150,971
Total		(477,348)	(223,506)	(700,854)

FY 2009-10 Reductions

The General Assembly reduced the Department's General Fund appropriation by 5 percent in the FY 2009-10 Long Bill. This reduction impacted three divisions and resulted in the elimination of 1.3 FTE. Any General Fund reductions that were backfilled, were backfilled with unencumbered funds from the Agricultural Management Fund.

Summary 5 Percent Reduction in the Long Bill (S.B. 09-259)				
Division	Program	GF Reduction	FTE Reduction	Moneys Backfilled?
Commissioner's Office	Agricultural Statistics Bulletin	(\$60,000)	0.0	No
Agricultural Services				
	Predator Control Grants	(48,349)	0.0	Yes
	Eliminate Administrative Position	(43,577)	(1.0)	No
Agricultural Services Subtotal		(91,926)	(1.0)	
Conservation Board				
	Direct Assistance to Soil Conservation Districts	(200,000)	0.0	Yes
	Eliminate Administrative Position	(9,177)	(0.3)	No
Conservation Board Subtotal		(209,177)	(0.3)	
Total Department Reductions		(361,103)	(1.3)	

FY 2009-10 Proposed Reduction

After the June economic forecast was presented, the Department submitted a negative supplemental for FY 2009-10. Prior to the June forecast the Department had outlined proposed expenditures from the Agricultural Management Fund, and following the forecast the Department revised this proposal, which is outlined in the following table. The supplement requested four major changes: 1) adding funding of \$50,000 for the Predator Control Grants, 2) not funding \$100,000 for the AGR Pump program for FY 2009-10, 3) eliminating cash reserves, and 4) budgeting \$679,867 for the Agricultural Services Division to backfill the General Fund reduction. For program descriptions see Appendix E on page 34.

Summary of Changes to Proposed Expenditures from Agricultural Management Fund for FY 2009-10			
Program	Proposed Expenditures	Revised Expenditures	Difference
CSU Contract for the Future of Agriculture Study	25,000	25,000	0
Contract for Analysis of Agriculture Census	25,000	25,000	0
Mass Spectrometer	135,000	135,000	0
ACRE Grant	50,000	50,000	0
Predator Control Grants	0	50,000	50,000
AGR Pump	100,000	0	(100,000)
Colorado Proud	200,000	200,000	0
Conservation - Matching Grants for Direct Assistance	200,000	175,000	(25,000)
Direct Assistance Grants - Conservation	200,000	175,000	(25,000)
Matching Grants - Noxious Weeds	100,000	100,000	0
State Fair Contingency and Emerging Issues	500,000	400,000	(100,000)
Indirect Cost Assessment	23,166	23,166	0
Cash Reserves	300,000	0	(300,000)
Agricultural Services Division	0	679,867	679,867
Total Expenditures	1,858,166	2,038,033	179,867
Estimated Total Revenues	2,045,187	2,045,187	
Unexpended Revenue	187,021	7,154	

Proposed FY 2010-11 General Fund Reduction

The Department's FY 2010-11 budget submission included a base reduction item to fully cash fund six programs within Inspection and Consumer Services. Currently the Fertilizer, Feed, Large Scales, Measurement Standards, Farm Products and Commodity Handlers Programs receive a percentage of the programs funding from the General Fund. The Department is proposing the Committee sponsor legislation to move the fees from statute to rule making, so the State Agricultural Commission has the ability to adjust fees to account for the decrease in General Fund.

History of Funding

Prior to July 1, 2003 these six programs received 100 percent General Fund. During the 2003 Session, the General Assembly passed S.B. 03-297 which refinanced these programs with 100 cash funds for two years. Senate Bill 05-167 continued the funding of these programs with cash funds for an additional two years. House Bill 07-1198 changed the funding for these programs to a percentage of General Fund based on the program's public good impact. The following table outlines the funding mixes implemented by H.B. 07-1198, and the proposed changes for FY 2010-11.

Funding Mix Changes Since FY 2007-08						
Program	Prior to July 1, 2007		H.B. 07-1198		Proposed as of July 1, 2010	
	GF	CF	GF	CF	GF	CF
Fertilizer	0.0%	100.0%	50.0%	50.0%	0.0%	100.0%
Feed	0.0%	100.0%	50.0%	50.0%	0.0%	100.0%
Large Device	0.0%	100.0%	25.0%	75.0%	0.0%	100.0%
Measurement Standards Lab	0.0%	100.0%	75.0%	25.0%	0.0%	100.0%
Farm Products	0.0%	100.0%	25.0%	75.0%	0.0%	100.0%
Commodity Handlers	0.0%	100.0%	25.0%	75.0%	0.0%	100.0%

Fee Impact

By fully cash funding these programs, program fees will need to be increased. The following table outlines the average percentage increase in fees for each of the six programs.

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

General Fund Savings for FY 2010-11 and FY 2011-12

The refinancing of these six programs for FY 2010-11 and FY 2011-12 will result in General Fund savings of \$1,301,256 and \$1,386,155, respectively. FY 2011-12 shows a greater General Fund savings than FY 2010-11 because of the pay date shift that affects General Fund funded positions. Additionally 12.5 FTE would be transferred from General Fund positions to cash fund positions.

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DEPARTMENT OF AGRICULTURE John Stulp, Commissioner

(1) COMMISSIONER'S OFFICE AND ADMINISTRATIVE SERVICES

Primary Function: Provides administrative and technical support for the divisions and programs within the Department, such as accounting, budgeting, human resources, and information technology. The source of cash funds is from fees collected by various cash funds within the Department. The source of reappropriated funds are from indirect cost recoveries.

Personal Services	1,572,327	1,536,209	1,715,866	12,526,823	
FTE	<u>19.2</u>	<u>16.9</u>	<u>18.7</u>	<u>174.9</u>	
General Fund	734,680	383,190	640,260	3,631,394	DI #1, BR #1
FTE	19.2	16.9	18.7	55.7	
Cash Funds	134,522	0	0	7,287,027	DI #1
FTE	0.0	0.0	0.0	116.2	DI #1, BR #1
Reappropriated Funds/Cash Funds Exempt	703,125	1,153,019	1,075,606	1,081,997	BR #1
Federal Funds	0	0	0	526,405	DI #1
FTE	0.0	0.0	0.0	3.0	DI #1
Health, Life, and Dental	<u>649,500</u>	<u>823,266</u>	<u>1,609,102</u>	<u>1,475,821</u>	
General Fund	225,000	150,400	431,350	233,919	BR #1, NP: OIT
Cash Funds	349,500	672,866	1,128,878	1,163,494	BR #1, NP: OIT
Federal Funds	75,000	0	48,874	78,408	
Short-Term Disability	<u>0</u>	<u>13,585</u>	<u>20,847</u>	<u>22,652</u>	
General Fund	0	0	5,988	5,202	BR #1, NP: OIT
Cash Funds	0	13,585	14,277	15,781	BR #1, NP: OIT
Federal Funds	0	0	582	1,669	

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SB 04-257 Amortization Equalization					
Disbursement	<u>50,000</u>	<u>210,205</u>	<u>281,829</u>	<u>350,738</u>	
General Fund	25,000	43,000	81,502	80,562	BR #1, NP: OIT
Cash Funds	25,000	167,205	192,163	244,343	BR #1, NP: OIT
Federal Funds	0	0	8,164	25,833	
SB 06-235 Supplemental Amortization					
Equalization Disbursement	<u>0</u>	<u>78,377</u>	<u>175,279</u>	<u>255,751</u>	
General Fund	0	0	50,076	58,743	BR #1, NP: OIT
Cash Funds	0	78,377	120,101	178,171	BR #1, NP: OIT
Federal Funds	0	0	5,102	18,837	
Salary Survey and Senior Executive Service	<u>342,987</u>	<u>424,546</u>	<u>0</u>	<u>0</u>	
General Fund	127,987	177,500	0	0	
Cash Funds	215,000	247,046	0	0	
Performance-based Pay Awards	<u>171,000</u>	<u>220,805</u>	<u>0</u>	<u>0</u>	
General Fund	106,000	114,884	0	0	
Cash Funds	65,000	105,921	0	0	
Workers' Compensation	<u>179,678</u>	<u>229,157</u>	<u>185,949</u>	<u>194,119</u>	
General Fund	52,174	66,541	53,995	46,530	BR #1
Cash Funds	86,817	160,586	130,307	145,868	BR #1
Reappropriated Funds/Cash Funds Exempt	39,096	0	0	0	
Federal Funds	1,591	2,030	1,647	1,721	
Operating Expenses - GF	103,552	115,713	117,348	<u>1,672,570</u>	
General Fund	103,552	115,713	117,348	413,755	DI #1
Cash Funds	0	0	0	1,199,514	DI #1
Federal Funds	0	0	0	59,301	DI #1

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Legal Services	285,799	114,869	350,366	350,366	
<i>Hours Equivalent</i>	<u>3,968</u>	<u>1,593</u>	<u>4,648</u>	<u>4,665</u>	
General Fund	106,583	75,091	90,460	83,608	BR #1
Cash Funds	157,291	22,778	247,449	254,301	BR #1
Reappropriated Funds/Cash Funds Exempt	6,392	0	0	0	
Federal Funds	15,533	17,000	12,457	12,457	
Purchase of Services from Computer Center	644	24,086	24,086	<u>389,328</u>	
General Fund	644	24,086	24,086	287,137	NP: OIT
Cash Funds	0	0	0	102,191	NP: OIT
Multiuse Network Payments (New Line Item)	n/a	n/a	n/a	<u>131,370</u>	
General Fund				51,540	NP: OIT
Cash Funds				79,830	NP: OIT
Management and Administration of OIT	n/a	11,107	11,657	<u>134,738</u>	
General Fund		11,107	11,657	104,597	NP: OIT
Cash Funds		0	0	30,141	NP: OIT
Payment to Risk Management Fund	<u>130,460</u>	<u>187,542</u>	<u>167,913</u>	<u>37,534</u>	
General Fund	49,608	71,313	63,849	11,782	BR #1
Cash Funds	48,192	114,768	102,756	25,459	BR #1
Reappropriated Funds/Cash Funds Exempt	31,645	0	0	0	
Federal Funds	1,015	1,461	1,308	293	
Vehicle Lease Payments	<u>134,770</u>	<u>168,436</u>	<u>226,932</u>	<u>231,499</u>	
General Fund	42,270	50,043	94,437	73,212	BR #1, NP: OIT
Cash Funds	69,005	92,980	127,810	153,602	BR #1, NP: OIT
Federal Funds	23,495	25,413	4,685	4,685	
Information Technology Asset Maintenance	<u>107,562</u>	<u>153,031</u>	<u>153,031</u>	<u>153,031</u>	
General Fund	35,881	42,041	42,041	34,705	BR #1
Cash Funds	66,055	110,990	110,990	118,326	BR #1
Reappropriated Funds/Cash Funds Exempt	5,626	0	0	0	

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Leased Space	<u>102,457</u>	<u>104,171</u>	<u>116,689</u>	<u>119,810</u>	
General Fund	51,004	49,779	48,440	48,142	
Cash Funds	8,000	54,392	68,249	71,668	
Reappropriated Funds/Cash Funds Exempt	43,453	0	0	0	
Capital Complex Leased Space	<u>170,848</u>	<u>169,975</u>	<u>172,409</u>	<u>166,973</u>	
General Fund	139,366	138,654	140,639	136,205	
Cash Funds	31,482	31,321	31,770	30,768	
Communications Services Payments	<u>14,151</u>	<u>14,781</u>	<u>14,781</u>	<u>13,732</u>	
General Fund	9,069	9,473	9,473	8,801	
Cash Funds	0	5,308	5,308	4,931	
Reappropriated Funds/Cash Funds Exempt	5,082	0	0	0	
Utilities	<u>136,413</u>	<u>136,094</u>	<u>146,318</u>	<u>146,318</u>	
General Fund	82,046	85,141	91,051	66,939	BR #1
Cash Funds	52,240	50,953	55,267	79,379	BR #1
Reappropriated Funds/Cash Funds Exempt	2,127	0	0	0	
Agriculture Statistics	<u>75,000</u>	<u>73,527</u>	<u>15,000</u>	<u>15,000</u>	
General Fund	60,000	60,000	0	0	
Cash Funds	15,000	13,527	15,000	15,000	
Grants - FF	3,760,084	3,332,572	2,707,674	2,707,089	
FTE	15.0	16.8	13.0	13.0	
Indirect Cost Assessment - FF	154,827	174,695	100,386	83,806	NP: OIT

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					<i>Request Appropriation</i>
TOTAL - (1) COMMISSIONER'S OFFICE	8,142,059	8,316,749	8,313,462	21,179,068	154.8%
FTE	<u>34.2</u>	<u>33.7</u>	<u>31.7</u>	<u>187.9</u>	492.7%
General Fund	1,950,864	1,667,956	1,996,652	5,376,773	169.3%
FTE	19.2	16.9	18.7	55.7	197.9%
Cash Funds	1,323,104	1,942,603	2,350,325	11,199,794	376.5%
	0.0	0.0	0.0	116.2	n/a
Reappropriated Funds/Cash Funds Exempt	836,546	1,153,019	1,075,606	1,081,997	0.6%
Federal Funds	4,031,545	3,553,171	2,890,879	3,520,504	21.8%
FTE	15.0	16.8	13.0	16.0	23.1%

(2) AGRICULTURAL SERVICES DIVISION

Primary Function: The division is divided into three distinct programs: (1) Inspection and Consumer Services; (2) Plant Industry; and (3) Animal Industry. The source of cash funds is from fees collected by various cash funds within the Division.

Personal Services	9,455,221	9,671,989	10,351,242	0	
FTE	<u>143.2</u>	<u>141.6</u>	<u>152.3</u>	<u>0.0</u>	
General Fund	3,148,690	3,356,984	3,390,189	0	DI #1, BR #1, NP: OIT
FTE	44.1	42.0	43.9	0.0	DI #1, BR #1, NP: OIT
Cash Funds	5,971,506	5,994,333	6,444,215	0	DI #1, BR #1, NP: OIT
FTE	96.1	96.6	105.4	0.0	DI #1, BR #1, NP: OIT
Federal Funds	335,025	320,672	516,838	0	DI #1
FTE	3.0	3.0	3.0	0.0	DI #1
Operating Expenses	<u>1,354,218</u>	<u>1,314,402</u>	<u>1,525,949</u>	<u>0</u>	
General Fund	403,990	333,780	352,830	0	DI #1, BR #1
Cash Funds	862,449	937,870	1,113,818	0	DI #1, BR #1
Federal Funds	87,779	42,752	59,301	0	DI #1
Noxious Weed Management Grants - CF	187	0	15,000	15,000	

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Diseased Livestock Fund - CF	45,300	10,000	25,000	25,000	
Cervidae Disease Revolving Fund - CF	18	660	25,000	25,000	
Operating Expenses for Aquaculture - CF	21,727	33,291	43,437	43,437	
Lease Purchase Lab Equipment	<u>85,992</u>	<u>66,099</u>	<u>85,992</u>	<u>85,992</u>	
General Fund	39,672	22,033	39,672	0	BR #1
Cash Funds	46,320	44,066	46,320	85,992	BR #1
Indirect Cost Assessments	<u>539,710</u>	<u>670,942</u>	<u>662,428</u>	<u>675,231</u>	
Cash Funds	478,166	614,570	639,262	656,468	BR #1, NP: OIT
Federal Funds	61,544	56,372	23,166	18,763	NP: OIT
					<i>Request vs. Appropriation</i>
TOTAL - (2) AGRICULTURAL SERVICES	11,502,373	11,767,383	12,734,048	869,660	(93.2%)
FTE	<u>143.2</u>	<u>141.6</u>	<u>152.3</u>	<u>0.0</u>	(100.0%)
General Fund	3,592,352	3,712,797	3,782,691	0	(100.0%)
FTE	44.1	42.0	43.9	0.0	(100.0%)
Cash Funds	7,425,673	7,634,790	8,352,052	850,897	(89.8%)
FTE	96.1	96.6	105.4	0.0	(100.0%)
Federal Funds	484,348	419,796	599,305	18,763	(96.9%)
FTE	3.0	3.0	3.0	0.0	(100.0%)

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(3) AGRICULTURAL MARKETS DIVISION					
Primary Function: Provides marketing assistance and related support to Colorado agricultural-based businesses competing in local, national, and international arenas. The source of cash funds is from the Agricultural Value-added Cash Fund. The The reappropriated funds are from a transfer from the Economic Development Commission, in the Office of the Governor.					
Personal Services - GF	370,376	391,162	414,804	0	DI #1
FTE - GF	4.4	4.7	4.7	0.0	DI #1
Operating Expenses	<u>64,196</u>	<u>68,297</u>	<u>82,577</u>	<u>0</u>	
General Fund	29,861	32,123	32,123	0	DI #1
Cash Funds	34,335	36,174	50,454	0	DI #1
Economic Development Grants - RF/CFE	124,797	177,354	45,000	45,000	
Ag Value Added Development Board - CF	348,204	385,454	574,837	574,837	
FTE - CF	0.5	0.5	0.5	0.5	
Indirect Cost Assessments - CF	0	3,966	3,861	3,127	NP: OIT <i>Request vs. Appropriation</i>
TOTAL - (3) AGRICULTURAL MARKETS	907,573	1,026,233	1,121,079	622,964	(44.4%)
FTE	<u>4.9</u>	<u>5.2</u>	<u>5.2</u>	<u>0.5</u>	(90.4%)
General Fund	400,237	423,285	446,927	0	(100.0%)
FTE	4.4	4.7	4.7	0.0	(100.0%)
Cash Funds	382,539	425,594	629,152	577,964	(8.1%)
FTE	0.5	0.5	0.5	0.5	0.0%
Reappropriated Funds/Cash Funds Exempt	124,797	177,354	45,000	45,000	0.0%

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(4) BRAND BOARD					
Primary Function: Inspects cattle, horse, and alternative livestock brands to verify ownership at the time of sale, transport, or slaughter. The source of funding is fee-for-service. The Brand Board constitute an enterprise for the purposes of Section 20 of Article X of the Colorado Constitution (TABOR).					
Brand Inspections	3,619,609	3,601,804	3,798,341	3,859,310	
FTE	<u>57.4</u>	<u>56.9</u>	<u>66.3</u>	<u>66.3</u>	
Cash Funds	0	3,601,804	3,798,341	3,859,310	
FTE	0.0	56.9	66.3	66.3	
Reappropriated Funds/Cash Funds Exempt	3,619,609	0	0	0	
FTE	57.4	0.0	0.0	0.0	
Alternative Livestock	<u>14,555</u>	<u>13,448</u>	<u>95,662</u>	<u>95,662</u>	
Cash Funds	0	13,448	95,662	95,662	
Reappropriated Funds/Cash Funds Exempt	14,555	0	0	0	
Indirect Cost Assessments	<u>134,522</u>	<u>137,241</u>	<u>142,379</u>	<u>142,379</u>	
Cash Funds	0	137,241	142,379	142,379	
Reappropriated Funds/Cash Funds Exempt	134,522	0	0	0	
					<i>Request vs. Appropriation</i>
TOTAL - (4) BRAND BOARD	3,768,686	3,752,493	4,036,382	4,097,351	1.5%
FTE	57.4	56.9	66.3	66.3	0.0%
Cash Funds	0	3,752,493	4,036,382	4,097,351	1.5%
FTE	0.0	56.9	66.3	66.3	0.0%
Reappropriated Funds/Cash Funds Exempt	3,768,686	0	0	0	n/a
FTE	57.4	0.0	0.0	0.0	n/a

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(5) SPECIAL PURPOSE					
Primary Function: This section is comprised of the Wine Promotion Board, Vaccine and Service Fund, and the Brand. Estray Fund. Once debt on the Events Center on the State Fair Grounds is paid in full, the Agriculture Mangement Fund will receive sixty-five percent of the interest derived from the deposit and investment of moneys in the Unclaimed Property Tourism Promotion Trust Fund, pursuant to H.B. 08-1399.					
Agriculture Management Fund - CF	n/a	n/a	2,098,540	2,098,540	
FTE	n/a	n/a	<u>3.0</u>	<u>3.0</u>	
Personal Services	n/a	n/a	274,458	570,000	<i>informational purposes only</i>
Operating	n/a	n/a	1,800,916	1,505,374	<i>informational purposes only</i>
Indirects	n/a	n/a	23,166	23,166	<i>informational purposes only</i>
Wine Promotion Board - CF	575,281	584,774	472,317	572,258	DI #2
FTE - CF	1.0	1.0	1.5	1.5	
Vaccine and Service Fund - CF	301,600	272,612	162,713	277,820	DI #2
FTE - CF	n/a	n/a	0.9	1.0	
Brand Estray Fund	<u>63,963</u>	<u>53,145</u>	<u>94,050</u>	<u>94,050</u>	
Cash Funds	0	53,145	94,050	94,050	
Reappropriated Funds/Cash Funds Exempt	63,963	0	0	0	
Indirect Cost Assessment - CF	8,588	59,490	34,749	34,398	NP: OIT <i>Request vs. Appropriation</i>
TOTAL - (5) SPECIAL PURPOSE	949,432	970,021	2,862,369	3,077,066	7.5%
FTE	<u>1.0</u>	<u>1.0</u>	<u>5.4</u>	<u>5.5</u>	1.9%
Cash Funds	885,469	970,021	2,862,369	3,077,066	7.5%
FTE	1.0	1.0	5.4	5.5	1.9%
Reappropriated Funds/Cash Funds Exempt	63,963	0	0	0	n/a

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APPENDIX A: NUMBERS PAGES

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	DI/Notes
(6) COLORADO STATE FAIR					
Primary Function: Administering the State Fair under the guidance of the State Fair Authority. The source of funding is fees collected by the State Fair during its 11-day run and from non-fair events held at the State Fairgrounds in Pueblo, Colorado, throughout the remainder of the year.					
Program Costs - CF	8,171,749	8,192,273	8,329,073	8,400,000	
FTE	21.8	24.3	26.9	26.9	
Indirect Cost Assessment - CF	n/a	106,685	131,803	143,055	NP: OIT <i>Request vs. Appropriation</i>
TOTAL - (6) COLORADO STATE FAIR - CF	8,171,749	8,298,958	8,460,876	8,543,055	1.0%
 FTE	21.8	24.3	26.9	26.9	0.0%

(7) CONSERVATION BOARD

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

Personal Services - GF	346,901	366,963	378,862	0	DI #1
FTE	5.1	5.5	5.2	0.0	DI #1
Operating Expenses - GF	59,223	62,415	64,109	0	DI #1
Distributions to Soil Conservation Districts - GF	391,714	391,714	191,714	191,714	
Matching Grants to Districts	<u>622,065</u>	<u>25,135</u>	<u>450,000</u>	<u>450,000</u>	
General Fund	150,000	25,000	0	0	
Cash Funds	0	135	450,000	450,000	
Reappropriated Funds/Cash Funds Exempt	472,065	0	0	0	
Salinity Control Grants - FF	2,738,557	2,969,999	500,000	500,000	
FTE	0.7	0.9	0.0	0.0	

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	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	DI/Notes
					<i>Request vs. Appropriation</i>
TOTAL - (7) CONSERVATION BOARD	3,686,395	3,816,226	1,584,685	1,141,714	(28.0%)
FTE	<u>5.8</u>	<u>6.4</u>	<u>5.2</u>	<u>0.0</u>	(100.0%)
General Fund	947,838	846,092	634,685	191,714	(69.8%)
FTE	5.1	5.5	5.2	0.0	(100.0%)
Cash Funds	0	135	450,000	450,000	0.0%
Reappropriated Funds/Cash Funds Exempt	472,065	0	0	0	n/a
Federal Funds	2,738,557	2,969,999	500,000	500,000	0.0%
FTE	0.7	0.9	0.0	0.0	n/a
					<i>Request vs. Appropriation</i>
DEPARTMENT OF AGRICULTURE					
TOTALS	37,128,267	37,948,063	39,112,901	39,530,878	1.1%
FTE	<u>210.9</u>	<u>269.1</u>	<u>293.0</u>	<u>287.1</u>	(2.0%)
General Fund	6,891,291	6,650,130	6,860,955	5,568,487	(18.8%)
FTE	72.8	69.1	72.5	55.7	(23.2%)
Cash Funds	18,188,534	23,024,594	27,141,156	28,796,127	6.1%
FTE	119.4	179.3	204.5	215.4	5.3%
Reappropriated Funds/Cash Funds Exempt	4,793,992	1,330,373	1,120,606	1,126,997	0.6%
FTE	57.4	0.0	0.0	0.0	n/a
Federal Funds	7,254,450	6,942,966	3,990,184	4,039,267	1.2%
FTE	18.7	20.7	16.0	16.0	0.0%

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APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **S.B. 09-118 (Gibbs/Fischer): Sunset PACFA and Animal Advisory Committee.** Continues the Pet Animal Care and Facilities Act (PACFA) until July 1, 2014, and the Pet Animal Advisory Committee indefinitely. The act changes the regulation of pet animal care and facilities by the PACFA program in the Department of Agriculture as well as authorizes the Commissioner of Agriculture to set fees and dates for licensing. Appropriates \$49,653 cash funds from the Pet Animal Care and Facility Fund and 1.0 FTE to the Agricultural Services Division.
- ❑ **S.B. 09-124 (Isgar/Roberts): Extend Agriculture Energy-related Projects.** Extends the transfer of \$500,000 (prior to proportionate reductions to Tier 2 programs, pursuant to H.B. 08-1398) from the Operational Account of the Severance Tax Trust Fund to the continuously appropriated Agricultural Value-Added Cash Fund to promote the feasibility and development of agricultural energy-related projects and research until FY 2011-12.
- ❑ **S.B. 09-154 (Hodge/Curry): Funding Livestock Health Act Personnel.** Authorizes the Commissioner of Agriculture to use the continuously appropriated Veterinary Vaccine and Service Fund to hire staff, in addition to other permissible expenditures including the purchase of supplies, laboratory expenses, and expenses incidental to the infectious or contagious disease control and eradication program. Further the act prevents moneys in the veterinary vaccine and service fund from being transferred or reverting to the General Fund or to any other fund. Appropriates 0.9 FTE to be funded with moneys from the continuously appropriated Veterinary Vaccine and Service Fund.
- ❑ **S.B. 09-259 (Keller/Pommer): Long Bill.** General appropriations act for FY 2009-10.
- ❑ **S.B. 09-280 (Keller/Pommer): Supplemental Appropriation Capital Construction.** Supplemental appropriation modifying previous appropriations for capital construction. Decreases the appropriation for controlled maintenance at the state Insectary in Palisade by \$483,770 for FY 2007-08. Eliminates the \$1.5 million appropriation for the repair of infrastructure at the State Fair for FY 2008-09.
- ❑ **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 sale of unclaimed securities from the Unclaimed Property Tourism Trust Fund 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. Appropriates \$1.3 million and 6.0 FTE to the Department of Agriculture, Special Purpose Division, and reduces the federal funds appropriation in the Commissioner's Office by 3.6 FTE. Increases the cash funds appropriation to the Office of the Governor, Economic Development Programs, Colorado Promotion - Other Promotion Programs by 1.0 FTE to administer state agritourism. The appropriation of said moneys were contingent upon full repayment of the outstanding debt incurred by the Colorado State Fair Authority to build the Events Center in Pueblo, which was completed on February 27, 2009.

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**APPENDIX C: UPDATE OF FY 2009-10
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, 2009, information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that are applied for or received during FY 2009-10, and that are not otherwise included in the Long Bill.

Comment: The Department does not anticipate receiving any additional federal or private grants during FY 2009-10. The Department shows all federal grants received for FY 2009-10 on the Grants line item in the Commissioner's Office.

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**APPENDIX D: INDIRECT COST RECOVERY CAPS:
LAST THREE PERFORMANCE AUDIT FINDINGS**

Findings of the last three Performance Audits and the Department's Response. The issue of indirect cost recovery caps has been addressed in each of the Department's last three performance audits: the first was submitted in November 1989, the second in August 1994 and the most recent in February 2001. Each time, the Department has disagreed with the State Auditor's recommendation to abolish these caps.

- *November 1989.* The November 1989 Performance Audit specifically brought up the indirect cost recovery shortfall pertaining to the Brand Board and stated that the General Assembly should consider amending the applicable statutes to allow for full recovery of indirect costs. The Department's response referred to H.B. 88-1126 as evidence of negotiations reached between the Joint Budget Committee, the Office of State Planning and Budgeting, the Brand Board, and the Colorado Department of Agriculture. The response goes on to say ' . . . the auditors should have raised their concerns . . . during the legislative review-and-hearing process.'
- *August 1994.* In response to the August 1994 Performance Audit, the Department stated that S.B. 93-77 originally included sections to eliminate the indirect cost recovery caps relating to the Brand Board and Chemigation as well as the Mandatory Fruit and Vegetable Inspection program, but were not part of the final legislation. Furthermore, H.B. 94-1096 instituted yet another indirect cost recovery cap of 3.6 percent when the Alternative Livestock Cash Fund was created. The Department's response to the audit findings asserted that the General Assembly had affirmed the value of statutory program caps toward the betterment of the agricultural community and thus the recommendation had already been addressed.
- *February 2001.* The Department's response to the February 2001 Performance Audit echoes many of these same arguments stating that indirect cost recovery caps were 'put in statute by the General Assembly for the benefit of these programs and these caps are adhered to with the full knowledge of the Joint Budget Committee . . . significant increases in fees to raise indirect costs would jeopardize these programs and the benefits they bring to Colorado's agriculture.'

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**APPENDIX E: PROGRAM DESCRIPTIONS FOR
PROGRAMS SUPPORTED BY THE AGRICULTURAL MANAGEMENT FUND**

- ▶ **CSU Contract for the Future of Agriculture Study** - The Department has a contract with Colorado State University (CSU) to establish quantitative and qualitative forecasts for future agricultural issues. Potential areas of study include: consumer demand, production and marketing, food safety, environmental issues, labor and infrastructure, and animal welfare.
- ▶ **Contract for Analysis of Agriculture Census** - Contract with an institution of higher education to analyze data from the latest five year agricultural census that is conducted by the USDA National Agricultural Statistics Services.
- ▶ **Mass Spectrometer** - Laboratory equipment for the biochemistry lab used specifically for water and pesticide analysis.
- ▶ **ACRE Grant** - Advancing Colorado's Renewable Energy (ACRE) Grant program provides funds to promote energy-related projects beneficial to Colorado's agriculture industry such as micro-hydro, small-wind, solar, biomass and biofuel projects.
- ▶ **Predator Control Grants** - Grants to counties and livestock associations to help address costs incurred while minimizing the impacts of predatory animals on livestock.
- ▶ **AGR Pump** - Program that promotes of Agricultural products, utilization, and markets.
- ▶ **Colorado Proud** - Department's marketing campaign to promote Colorado's agricultural products to Coloradans, and is responsible for printing the farm directory.
- ▶ **Conservation - Matching Grants for Direct Assistance** - Funds are used to fund cost-share programs with private landowners to initiate or maintain various conservation practices that protect natural resources. Grants are also awarded through the Colorado State Conservation Board to fund conservation projects or programs in their communities.
- ▶ **Direct Assistance Grants - Conservation** - Grants are awarded to conservation districts to be used for implementing and maintaining soil and water conservation efforts.
- ▶ **Matching Grants - Noxious Weeds** - Grants provided to districts and regions to fight the spread, and maintain control of noxious weeds.
- ▶ **State Fair Contingency and Emerging Issues** - Funds to be used in the event revenues are lower than expected and for issues that may develop during fiscal year.