

**DEPARTMENT OF AGRICULTURE
FY 2012-13 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Monday, November 28, 2011
10:30 am – 12:00 pm**

10:30-10:50 INTRODUCTIONS AND OPENING COMMENTS

QUESTIONS COMMON TO ALL DEPARTMENTS

10:50-11:10 PERFORMANCE-BASED GOALS AND BUDGET REQUEST

1. Please describe the process the department used to develop its strategic plan.

***Response:** The Department has undertaken various strategic planning initiatives in recent years. Efforts dating back to 2006 included a collaborative process with industry to refine the Department's mission statement and identify opportunities aimed at enhancing Department business practices. Opportunities identified then, such as licensing consolidation, have since been mostly implemented and our work continues to be guided by the mission statement developed at that time. More recently, in 2009, the Department undertook a process to establish greater linkage between its mission statement and the more than 60 programs managed by the Department. This effort resulted in the creation of five strategic priorities that broadly encompass the Department's work and serve to guide the Department's near-term direction. Every program is directed toward supporting one or more of the strategic priorities. These priorities were then shared with industry leaders who assisted in helping the Department, through a survey, to determine the relative importance of each priority, as well as to assess the Department's effectiveness in working toward of each of the priorities. The ratings became a baseline measure for evaluating the Department performance.*

At the Department's strategic plan briefing to the Joint House and Senate Agriculture Committee in January of this year we noted that work in the current year would include enhancing performance measures at the Division level so as to establish greater measurability. Since then, the Department has worked to develop more "outcome" oriented Division-level performance and workload measures which complement the effectiveness ratings derived from the industry surveys and bringing about a new level of accountability to each of the Department's operating divisions. These new measures are aimed at drawing more direct correlations between the work of each Division (and as such, the Department) and broader, high-level goals relating to animal health, consumer protection, safety, conservation, and the agriculture economy. We intended for this effort to help move the Department away from "counting exercises" and rather focus on how the Department's efforts impacted the overall agricultural environment that the agency is trying to protect and enhance. While making significant progress, the Department recognizes there is still work to be done.

This process is most apparent in the Department Description section of the agency's November 1, 2011 budget request, where division level outcome measures are conveyed in tandem with division workload indicators. In this section of the agency's budget request, big picture statistics were calculated and new goals for future statistics were set – these were the described “performance measures”. Below each of these measures, two or three of the Department's ability to affect those statistics, listed as “workload indicators”, were also shown. While the Department's efforts are not the only factors influencing the big picture performance measure statistics, they are definitely representative of the Department's efforts and provide an additional means to demonstrating the impact of the Department's work and progress toward big picture goals.

To develop this new emphasis for division-level strategic planning to be more closely tied to big picture outcomes, the Department worked to identify and develop big picture statistics, or proxy statistics when actual statistics were not readily available, on the overall health of Colorado's livestock, compliance with regulation, status of agricultural markets, and conservation effectiveness.

2. Why are you using a survey for the Department's strategic plan? How is the strategic plan actionable?

Response: *Surveying serves as an effective vehicle for soliciting and receiving organized feedback, producing data that can be analyzed and interpreted by the Department, and ultimately provide assistance in understanding how Colorado's agricultural industry views the Department's priorities and efforts. Annually, this industry feedback provides insight into new or emerging challenges and opportunities in all areas of the industry, as well as providing feedback on opportunities for improving business practices. Based on the feedback received, the Department reviews and incorporates suggestions for business improvement practices, as well as evaluates recommendations for new initiatives and/or existing programs and, as appropriate, takes such recommendations to applicable oversight boards and/or committees. Besides providing actionable insights, the surveys have proven to be a very cost efficient means of gathering industry input.*

Of course, survey results in the Strategic Plan are predominately reflective of overall effectiveness for various divisions as a whole and do not go into detail regarding individual programs' effectiveness. Thus, the Department would stress the importance of evaluating the entire Strategic Plan as a whole, including its more granular division-level performance measures and workload indicators, to gauge how successful the agency is in affecting the primary objectives of each Division and of the Department as a whole.

It should be noted the survey most recently conducted by the Department targeted nearly 350 industry leaders representing every industry association and organization, all boards

and/or commissions of the Department, and others partners such as Colorado State University. Besides providing input relative to the importance of each strategic objective and the Department's effectiveness in performance against the strategic priorities, these leaders also helped provide information concerning current challenges and opportunities, as well as suggestions for program improvement and how any new resources might be directed.

3. How are the goals and objectives in your strategic plan measurable? How does the opinion of the Agriculture Industry show effectiveness or efficiency of the Department?

Response: *Measurability arises from the ability to track changes from year to year in key Division-level performance metrics (i.e., exports, animal health, regulatory compliance, etc.), as well as survey-derived metrics relating to the Department's overall effectiveness. Taken together, the Department believes the plan is both measureable and actionable.*

It is important to recognize that in some instances statistics may not exist that directly correlate to all Division-level performance measures. For example, the health of Colorado's livestock industry cannot be summed up in a single statistical figure. In these instances, the Department has established a proxy statistic that is reflective of the overall environment being evaluated. In the example above relating to the livestock industry, classification as "free" from of the most significant livestock diseases serves as a basis for measuring the impact of the Department's efforts.

Additionally, Division-level performance measures are intended to be a snapshot of the overall environment that the Department's efforts are attempting to influence; but in most cases, the Department does not have the only influence on these environments. For instance, the Department's Marketing Division contributes to the level of Colorado exports, but there are other local, national, and global economic influences that also affect Colorado's agricultural exports. Therefore, to further address the Department's effectiveness in these environments and communicate how it is attempting to affect big picture change, the Department included its Division-level workload indicators as a reflection of its efforts in these various environments.

Again, using the Markets Division and exports as an example. It is possible that exports could drop precipitously as they did in 2004 following the discovery of BSE in the U.S. cattle herd. Using exports statistics as the sole basis for measurement, one would conclude that the Markets Division had failed in its efforts to expand exports. However, if to also consider industry survey feedback, it may be found that the Division's efforts were deemed to be very effective. In such an instance, both statistics and survey data play a key role in determining whether the Department's goals and objectives might be achieved.

11:10—11:30 OTHER COMMON QUESTIONS

4. How does the Department define FTE? Is the Department using more FTE than are appropriated to the Department in the Long Bill and Special Bills? How many vacant FTE does the Department have for FY 2009-10 and FY 2010-11?

Response: *OSPB and DPA are working with all departments to provide quarterly reports on FTE usage to the JBC. These reports will ensure that all departments are employing the same definition of FTE. This definition comprises a backward-looking assessment of total hours worked by department employees to determine the total full-time equivalent staffing over a specific period. We intend for these reports to provide the JBC with a more clear linkage between employee head-count and FTE consumption. As it concerns FTE usage in excess of Long Bill 'authorizations,' departments will continue to manage hiring practices in order to provide the most efficient and effective service to Colorado's citizens within the appropriations given by the General Assembly.*

The Department has always maintained an FTE count below the aggregate number included in the Long Bill for Agriculture. However, the Department has staffed beyond FTE levels included in the Long Bill for a few individual line items, specifically the Federal Grants line item included in the Commissioner's Office and Administrative Services Long Bill group (up to 3.0 FTE more than noted in the Long Bill); the Alternative Livestock line item in the Brand Board Long Bill group (always less than 1.0 FTE); and the Federally funded Salinity Control line item in the Conservation Board Long Bill group (approximately 1.5 FTE annually). These latter line items do not have any noted FTE count included in the Long Bill, but do require staff resources to oversee and maintain.

Finally, the Department cannot provide a number of "vacant FTE" as an FTE is a tally of hours worked and do not reflect positions or individuals. However, based on the most recent budget submission, the Department did not utilize the equivalent of 36.1 FTE in FY 2009-10 and 24.0 FTE in FY 2010-11 relative to the aggregate FTE noted in each fiscal year's Long Bill and applicable special bills. These underutilizations transpired for various reasons that are specific to the individual programs where they occurred.

11:30-11:40 DECISION ITEM #1 SPENDING AUTHORITY FOR LEASE PURCHASE LAB EQUIPMENT

5. What is the source of the cash fund that will finance the five year lease purchase lab equipment request?

Response: *There are two cash funds that will contribute to the financing of the requested lease purchase laboratory equipment: the Inspection and Consumer Services Cash Fund*

(Fund 16R) and the Plant Health, Pest Control and Environmental Protection Cash Fund (Fund 23S). These two cash funds support the programs that will directly benefit from the requested equipment.

6. If there is a sufficient balance in the Inspection and Consumer Services cash fund, why does the spending authority request also include General Fund?

Response: *Based on current law, numerous programs within the Inspection and Consumer Services Division are scheduled to return to partial General Fund support following the anticipated sunset of H.B. 10-1377. Therefore, the original funding request for laboratory equipment (with priority number R2) assumes the statutory fund splits that would be in place following the June 30, 2012 sunset date.*

However, it is important to note that the Department's non-prioritized funding request to permanently refinance all ICS programs to 100% cash funding also includes a provision to eliminate all General Fund associated with renewed lease purchase laboratory equipment authority, replacing the original General Fund request with additional cash funds from Fund 16R.

For reference, programs within the Inspection and Consumer Services Division that historically have received some level of General Fund support include: Fertilizer, Feed, Metrology Laboratory, Measurement Standards and Large Scale, Farm Products, and Commodity Handlers programs.

11:40-11:50 CASH FUNDING OF INSPECTION AND CONSUMER SERVICES

7. Would the proposed cash funding of Inspection and Consumer Services programs require any raises in current fees?

Response: *Current fee schedules would be sufficient to maintain existing regulation and consumer safety oversight. Assuming no significant increases in expenses, no fee increases would be required as outlined on the Department's Schedule 9 for the Inspection and Consumer Services Cash Fund (Fund 16R).*

11:50-12:00 DEPARTMENT ORGANIZATION CHANGES DURING FY 2011-12

8. Please review the Department reorganization that occurred during FY 2011-12. Has the consolidation of lines in the Agricultural Services Division helped the Department? How has the Department benefited from this the flexibility granted?

Response: While it is very early in the fiscal year to assess what direct benefits have been achieved, we believe that the reorganization of the aggregate Agricultural Services Long Bill Group to smaller division-level line items will result in better communication to industry, the Legislature, and even internally, regarding the resources allocated to various programs and functions. Similarly, elimination of the Special Purpose Division and shifting the programs that had been included in that budget aggregation to the Divisions that have management responsibility for those programs will produce similar benefit. In an effort to bring further clarity to the total resources being spent on various programs, the Department has incorporated Federal funding expectations into its FY 2012-13 budget submission for these same smaller, division-level line items, rather than in one aggregated Grants line item in the Commissioner's Office as has been done previously.

Beginning with the Department's budget for FY 2010-11, the JBC has provided the Department greater flexibility to manage its budgets, granting authority at that time to roll-up certain Personal Services and Operating Expense budgets into broader Program Costs lines. However, we believed that one component of the common goal for continued flexibility was inadvertently lost in the final drafting of the FY 2011-12 Long Bill. That loss in flexibility pertains to cash funding and prior authorization from the General Assembly to balance cash expenditures on an aggregate level, rather than limiting expenditures from each cash fund. Prior to FY 2011-12, the Department's letternote on cash funds within the Agricultural Services Long Bill group did not specify caps on each contributing cash fund; rather it allowed for the Department to address unforeseen or emerging issues that required additional cash fund resources from any relevant fund, so long as the total aggregate cash fund spending authority was not exceeded. This allowed for the Department to react quickly and did not require unnecessary emergency supplemental requests to the Joint Budget Committee for a net zero cash fund authority adjustment. Therefore, the Department has submitted a zero dollar funding request (priority number R1) which requests modification to current letternote language, inserting the word "estimated" into the authority statement as a way to preserve communication of specific cash fund authority amounts, but without an absolute that they must be upheld if circumstances arise and flexibility is required. Note that this "estimated" language has also been used in other agencies' Long Bills (see the Public Utilities Commission budget in the Department of Regulatory Affairs Long Bill section for one such example).

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. What is the Department's entire Information Technology (IT) budget for FY 2011-12 and FY 2012-13? Does the Office of Information Technology (OIT) manage the Department's entire IT budget? If not, what IT activities is the Department managing separate from OIT and what percentage is that of the entire IT budget for the Department for FY 2011-12 and FY 2012-13? Of the IT activities the Department still manages outside of OIT, what could be moved to OIT?

Response: Nearly all IT-related personnel appropriations have been consolidated into the Governor's Office of Information Technology. IT-related professional services and operating expense budgets continue to reside in departments' individual appropriations, and have not been consolidated into OIT. At this time, it is expected that budgets for IT-related professional services and operating expenses will remain in the departments' individual appropriations. However, during this fiscal year, all IT procurements will be centralized through the OIT Storefront. For FY 2012-13, the Executive Branch believes this represents the most efficient division of IT-related appropriations to ensure that departments maintain appropriate discretion in making technology and program decisions. The Executive Branch will consider further consolidation of IT appropriations in future fiscal years.

More specific to the question, the Department's estimated IT budgets for FY 2011-12 and FY 2012-13 are as shown in the following table.

Item	FY 2011-12	FY 2012-13
Purchase of Services from Computer Center	\$520,491	\$635,437
Multi-Use Network Payments	\$182,691	\$196,283
Management & Administration of OIT	\$134,856	\$17,160
IT Asset Maintenance	\$153,031	\$153,031
Operating Expenses	\$26,000	\$26,000
Professional Services	\$134,500	\$134,500
Software Licensing/Set-Up/Maintenance	\$135,000	\$30,000
Totals	\$1,286,569	\$1,192,411

As noted above, certain items continue to reside in the departments' budgets and that is the case with Agriculture as well. Budgets for IT Asset Maintenance, Operating Expenses, and IT-related Professional Services are managed by the Department but is done so in close coordination with OIT staff assigned to the Department. For Agriculture, about 65 percent of total IT-related expenditures will flow through the consolidated OIT centralized appropriations process for FY 2011-12 and increasing to 70 percent for FY 2012-13.

Of the IT activities the Department continues to manage outside of OIT, it seems reasonable that the budget for IT-related Professional Services could be migrated to OIT in the future. The Department believes that management of the Operating Expense and IT Asset Maintenance budgets are best managed by the Department but with support and coordination from OIT staff. At present, the Department maintains two IT-related positions, which for timing reasons, were not transferred to OIT as part of the initial personnel consolidation. These positions support help-desk and program development functions.

2. What hardware/software systems, if any, is the Department purchasing independently of the Office of Information Technology (OIT)? If the Department is making such purchases, explain why these purchases are being made outside of OIT?

Response: *The Department currently is in the process of licensing software from USA Herds that will improve the Department's animal disease traceability capabilities. The initial outlay for licensing, set-up, and customization of this software is about \$135,000 and annual maintenance and licensing fees will be about \$30,000. This software is very industry specific and utilized by numerous states to comport with future Code of Federal Regulations relating to animal disease traceability. OIT was consulted and approved the acquisition of USA Herds software.*