

COLORADO

Department of Agriculture

HB23-1179 Agricultural Products Inspection Cash Fund Reserve

Senators Hinrichsen & Simpson / Representatives Mauro & Winter

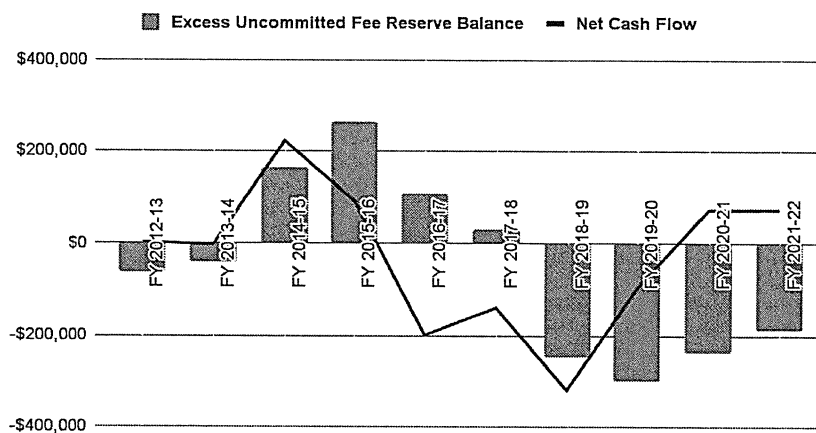
Stabilizing fees without increasing the cost to producers or program expenditures.

Program Overview: This fruit and vegetable inspection program provides a size and grade inspection service to the produce industry of Colorado. The inspection service ensures the shipment of high-quality fruits and vegetables and enhances Colorado's reputation as a supplier of superior produce.

Bill Summary: This request proposes a reserve balance increase of the Agricultural Products and Inspection Fund from 16.5% to 50% (C.R.S. 35-23-114). The fees are variable as they are based on the amount of produce inspected. Due to the unpredictability of the growing season (drought, early/late freezes, pests, variations in market prices) the fees collected for these inspections are also variable.

- Since 2013, the Fruit and Vegetable program has increased fees twice (2013 and 2020) and reduced fees twice (2016 and 2017), this averages to a fee change every 2.5 years.
- **This variability in fees is not ideal for the producer or the consumer and would not be necessary if the program had an increased reserve limit.**
- **This change will not result in increased fee revenue or increased spending by the department.**

Fruit & Vegetable Cash Fund Analysis



The chart provides a snapshot of the volatility that the Fruit and Vegetable Cash fund experiences when they incur either a fee increase or a fee reduction. For example, the fee increase in FY2014 (September 2013) was necessary to support the program and increase the cash flow, but then the program was soon out of compliance in regards to their cash limit of 16.5%. This prompted two sequential fee reductions (FY2017 and FY2018) that later put the program in a dire financial position. In order to counteract this, another fee increase was introduced in FY2021. It is evident that the volatility impacts both our producers and the department's ability to deliver the service that our consumers expect.

Cash Flow Summary									
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Revenue	\$2,119,482	\$2,450,077	\$2,270,629	\$2,017,772	\$2,079,649	\$1,890,275	\$2,080,026	\$2,306,837	\$2,459,747
Expenses	\$2,121,700	\$2,227,656	\$2,179,683	\$2,216,303	\$2,218,965	\$2,209,342	\$2,176,139	\$2,234,067	\$2,386,159
Net Cash Flow	-\$2,218	\$222,421	\$90,946	-\$198,530	-\$139,316	-\$319,067	-\$96,114	\$72,770	\$73,589

Cash Fund Reserve Balance									
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Uncommitted Fee Reserve Balance	\$307,731	\$531,969	\$622,914	\$474,334	\$397,872	\$119,163	\$58,971	\$131,741	\$205,330
Target/Alternative Fee Reserve Balance (16.5%)	\$350,081	\$367,563	\$359,648	\$365,690	\$366,129	\$364,541	\$359,063	\$368,621	\$393,716
Excess Uncommitted Fee Reserve Balance	-\$42,350	\$164,405	\$263,267	\$108,644	\$31,743	-\$245,378	-\$300,092	-\$236,880	-\$188,386
Fee Adjustments	Fee Increase			10% Fee Reduction	5% Fee Reduction			10% Fee Increase	