

Oregon Department of Agriculture (ODA)					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	24,497,951	22,307,042	23,529,248	25,206,997	25,970,034
Lottery Funds	7,077,309	8,103,745	10,360,960	7,366,847	7,570,661
Other Funds	52,663,810	66,605,463	68,154,857	71,565,017	73,488,500
Federal Funds	12,712,955	17,452,844	17,615,623	15,857,812	17,371,337
Total Funds	96,952,025	114,469,094	119,660,688	119,996,673	124,400,532
Positions	527	489	505	475	495
FTE	378.48	370.46	376.86	359.09	378.53
* Includes Emergency Board and administrative actions through December 2018.					

Program Description

The Department of Agriculture’s mission is centered on three broad policy areas of ensuring food safety and providing consumer protection, protecting agricultural natural resources, and promoting economic development in the agricultural industry. The agency emphasizes public education and technical assistance in its provision of regulatory oversight on legislatively mandated programs. Oregon’s agricultural industry is on the of the state’s most important economic sectors.

CSL Summary and Issues

The 2019-21 current service level (CSL) total funds budget of \$119.9 million is less than 1% increase from the 2017-19 legislatively approved budget. While there is very little overall change between CSL and the legislatively approved budget, the amount of General Fund in CSL is a 7% increase due to one-time fund shifts in SB 5502 (2017) for the Pesticide Analytical Response Center and Insect Pest Prevention and Management within the natural resources program and a one-time shift from federal funds in the market access program for work on the Food Safety Modernization Act.

Policy Issues

Food Safety Program - Due to General Fund constraints, the 2017 Legislature approved a fund shift in the food safety inspection program of \$1,378,946 that reduced General Fund support and replaced it with Other Funds from fees. Included in this fund shift was two food safety inspector positions to help the program reduce its backlog of overdue inspections. Currently, the food safety program is funded with 21% General Fund, 64% Other Funds, and 15% Federal Funds. With the fund shift, ODA is projecting that the operating cash reserves of the program will fall below 3 months by the 2021-23 biennium. The Department has a policy option package request to shift that funding back to the General Fund, totaling \$1,470,431. Additionally, ODA has a proposed a 3% license fee increase for this program discussed below, however that proposal alone would not be enough to sustain an appropriate ending balance through 2021-23. The Department is also requesting a

permanent full-time food safety data analyst position at total cost of \$236,113 Other Funds. This position was part of the recommendation by the 2016 Secretary of State audit of the program to help address the backlog of inspections and would provide data analysis and auditing of inspection staff reports.

ODA is requesting \$1,266,050 total funds for laboratory equipment replacement, annual vendor hosting fees for the Lab Information Management System, and a new management position within the food safety lab. Of the \$1.2 million, \$846,224 would be General Fund. The package includes a PEM C Operations Manager (\$173,602 Other Funds) as the lab currently only has one manager for 21 staff. Laboratory equipment replacement includes \$600,000 for an LC Triple Quad and Dairy Scanner, \$193,648 for preventative maintenance, and \$49,800 for other equipment and supplies. The food safety lab received \$200,000 Other Funds in 2017 for one-time lab equipment purchases, and \$450,000 General Fund for a one-time purchase of equipment from the September 2018 Emergency Board related to cyanotoxin testing of manufactured food.

Summary of Fee Changes - the Department has administratively raised fees for the food safety program, weights and measures program, and certifications program since the 2018 session that must be ratified by the legislature. Additionally, ODA has proposals to increase the statutory cap or fee structure tied to budget requests in 2019-21 for the food safety program, weights and measures program, and the confined animal feeding operation (CAFO) program.

- Food Safety - HB 4003 (2012) provided for annual fee increases to the Food Safety program until July 1, 2019. ODA is requesting this annual 3% increase be continued. This is projected to provide \$107,233 Other Funds revenue in 2019-21. However, it should be noted that this fee increase is not projected to be substantial enough to provide for an appropriate operating cash balance within the program if the requested fund shift of some expenditures back to General Fund is not approved.
- Weights & Measures - ODA administratively increased fees by 5% on July 1, 2018 and is scheduled to increase fees by 5% again July 1, 2019. The July 2019 increase will put the current fee at the statutory cap and ODA is requesting the maximum limits be increased by 15% with the actual future fee increases done by administrative rule in the future to be capped at a maximum of 3% annually beginning July 1, 2021 through July 1, 2026.
- Certification Fees - the certification program provides a variety of third party verification and certification services. Among those are USDA certifications that, by cooperative agreement, are required to charge the fees set by the USDA. The fee changes have been implemented administratively and must be ratified. Estimated revenue is \$325,232 Other Funds for 2019-21.
- CAFO - current fees do not support the 1 FTE and associated costs and provide an appropriate operating balance. The Department is proposing increasing the statutory cap and then administratively increasing the annual fee for small, medium, and large CAFO. Estimated revenue is \$171,899 Other Funds in 2019-21.
- Hemp - currently industrial hemp growers are charged a flat registration fee regardless of the number of grow sites or size of the operation. A new proposed fee structure would reduce the application fee and then add a per grow site registration fee. This should provide more equity between small and large-scale growers while reducing the overall registration fee for small scale

growers with two or fewer sites. These fees have been administratively adopted and require ratification by the Legislature before implementation for December 2019.

Cannabis Funding - the Department has incorporated marijuana programs into its existing inspection and regulatory responsibilities and currently does not receive corresponding funding. Programs that have been impacted by this work include the Pesticides, Food Safety, Laboratory Services, and Weights and Measures. ODA has put a placeholder until funding has been identified but has not yet provided an estimate of the funding need.

Invasive Species - the Department is requesting \$2,403,742 M76 Lottery Funds for continued efforts to eradicate Japanese Beetle in NW Portland. ODA received some Lottery Funds in the 2017 session and another allocation from the September Emergency Board. Included in this funding request are 13 limited duration positions totaling 6.00 FTE. Additionally, ODA is requesting \$100,000 of Lottery Funds be used to fund the Invasive Species Council.

Water Quality Monitoring - the Department is requesting \$100,000 General Fund to collect water quality samples from Klamath Lake and support laboratory expenses to monitor the water for nutrients, including phosphorus. The data collected will help to gain understanding of the contribution local landowners have on the lake's water quality from pumping excess water from crop fields. Additionally, ODA is requesting \$250,000 General Fund to facilitate coordination between state agencies and an advisory group regarding the Lower Umatilla Basin Groundwater Management Area (GWMA). DEQ declared the GWMA designation for the area in 1990 due to elevated nitrate levels in groundwater. ODA and local partners hope to establish a strategic plan to remove the GWMA designation. Finally, ODA is requesting 4 positions dedicated to working with partner agencies and organizations to achieve water quality goals as part of a coordinated streamside management effort along with DEQ, ODFW, and OWEB. Costs of this package is \$1.7 million General Fund.

Noxious Weed Program - the current noxious weed program is supported primarily with Other Funds and Federal Funds. The Department is proposing to shift more of the program to General Fund, which would allow staff to work on higher priority projects for the state rather than lower priority projects that are federally funded. Additionally, some of these funds could be used to establish the county grant program allowed by statute. Under this proposal, \$949,495 General Fund would essentially replace \$106,040 Other Funds and \$581,060 Federal Funds, while enhancing the program to pursue non-federal projects.

Food Safety Modernization Act - ODA is requesting continuation of federal grant funds totaling \$1.4 million and four limited duration positions to conduct outreach and education to produce farmers and build an inventory of produce farms (as required by the grant) as part of the efforts to comply with the new federal laws.

Other Significant Issues and Background

Lab Consolidation Planning - ODA currently operates four separate laboratories in Salem and the fifth, and largest, is the Regulatory Lab at the Food Innovation Center in Portland. Except for the lab in Portland, the laboratories are in locations that were not originally intended for lab functions or analytical lab use, but the Department has made due with various modifications. ODA is requesting \$200,000 Other Funds to conduct a study to evaluate moving the labs into one consolidating lab building in Salem.

Merchant Fees - the Department is requesting \$200,000 Other Funds limitation to pay for increased merchant fees associated with online payments of license and permit fee renewals. Currently, approximately 90% of licensees opt to renew licenses online. This includes around 95 different license types with two major license renewal periods; 12,000 annually in December and 29,000 annually in June.

Administrative Overhead Parity - this request is an attempt to increase the amount of state support (General Fund) that is used to pay for the overall administration of the Department. Currently, the administration program of ODA is funded predominately with Other Funds and Federal indirect costs, while more General Fund is used for food safety, agriculture marketing, CAFO, and predator control. This policy option package would fund shift \$766,534 from Other Funds to General Fund, putting Administration at 24% funded with General Fund.

Summary of Program Staffing - ODA is requesting additional staffing support in the following areas:

- Market Development - \$371,983 General Fund and one position to work on identifying opportunities and develop activities for promotion of Oregon products, particularly in the emerging Asian markets.
- Fertilizer Registration - one position totaling \$202,741 Other Funds to conduct technical reviews of product registration and lab analyses. The program is funded through product registration and tonnage fees and revenue projections would support an additional position without a fee increase in 2019-21.
- Plant Program - adds five positions using \$370,196 Other Funds and shifting \$425,784 Federal Funds between budget categories for the Nursery Program, Hemp Program, and the Insect Pest Prevention and Management Program.
- Shipping Point Program - adds three assistant manager positions totaling \$569,822 Other Funds to the three largest shipping point districts for shipping point inspection services.
- Internal Auditor - the Department is requesting a permanent full-time internal auditor position to be funded between General Fund (\$60,913) and Other Funds (\$192,896) with a total cost of \$253,809.
- Other Position Changes - the Department is requesting abolishing of some positions across different programs and then re-establishing the position in a different classification. The most notable change would be the fund shift of a management position from Other Funds to General Fund, for an increase of \$188,943 General Fund.

IT Security - the Department is requesting three positions, split between General Fund (\$215,709) and Other Funds (\$683,083) for a total cost of \$898,792. The positions are an IT Security Analyst, Project Manager, and Business Analyst, however, SB 90 (2017) transferred IT security functions to the Office of the State Chief Information Officer executive branch agencies.

Legal Cost Limitation - ODA is requesting \$606,000 in total funds, including \$252,000 General Fund with the rest Other Funds, to address the rising legal costs incurred by the Department.

The Governor's Budget (GB) includes increases from CSL of around 3% for General Fund, Lottery Funds, and Other Funds, and a 9.5% increase in Federal Funds along with 20 positions and 19.44 FTE.

The GB includes approval of:

- All proposed fee increases and statutory cap changes
- Increases for merchant fees and Attorney General costs,
- Food Safety Modernization package,
- \$600,000 General Fund for laboratory equipment,
- \$200,000 for the lab consolidation planning
- \$1.7 million General Fund for water quality coordination
- \$141,278 Lottery Funds for Japanese Beetle eradication efforts and \$100,000 for the Invasive Species Council
- \$100,000 General Fund for Klamath water data collection
- \$250,000 General Fund for Umatilla Basin groundwater monitoring
- Internal auditor, market development specialist, fertilizer registration position, and additional shipping point staff
- Avian influenza LD position funded with federal grant
- State Grants Coordinator to leverage Federal Fund grants for NR agencies (\$294,099 GF)

It should be noted that the GB includes a Department proposed reduction of \$481,840 General Fund for the Predator Control Program and does not provide adequate funding to continue the Japanese Beetle eradication effort.