

Department of Agriculture

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	24,476,536	33,818,652	80,505,340	31,868,878	31,532,966
Lottery Funds	8,674,081	10,375,039	11,588,227	8,859,764	8,802,247
Other Funds	67,997,962	81,365,433	123,504,515	86,735,866	89,856,981
Federal Funds	12,049,488	18,411,423	18,626,329	17,293,002	18,987,748
Total Funds	113,198,067	143,970,547	234,224,411	144,757,510	149,179,942
Positions	514	518	536	500	522
FTE	385.77	397.60	407.50	384.09	402.40

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The mission of the Oregon Department of Agriculture (ODA) is to ensure healthy natural resources, a sustainable environment, and a thriving economy for Oregonians now and in the future through inspection and certification, regulation, and promotion of agriculture and food. ODA's vision is to serve the changing needs of Oregon's diverse agricultural and food sectors to maintain and enhance a healthy natural resource base and strong economy in rural and urban communities across the state. ODA implements the Agency's mission and vision through a five-year strategic plan adopted in 2018. The strategic plan includes short and long-term tactics for seven key objectives that generally focus on fostering excellence in employees and the agency; promoting compliance through support, collaboration and excellent customer service; recognizing the diversity of Oregon agriculture; connecting and promoting Oregon food and agriculture, and providing clear, concise, and inclusive communication.

ODA receives input on policy and rule development from the 10-member State Board of Agriculture. Nine members are appointed by the Governor; the 10th member is the chair of Oregon's Soil and Water Conservation Commission. The Board advises ODA regarding the implementation, administration and enforcement of programs, and the development of policies. The Department consists of the following four policy areas:

- **Administration and Support Services** manages the executive functions of ODA and provides business, accounting, and technical support for programs. Additionally, the division manages the Farm Mediation Program, Wolf Depredation Compensation and Financial Assistance Grant program, and Bovine Manure Tax Credit program, and coordinates cannabis policy.
- **Food Safety** inspects all facets of Oregon's food distribution system, excluding restaurants, to ensure food is safe for consumption. Programs in this policy area include the Food Safety, Shellfish, Animal Health, Feeds, Livestock, Predator Control, Weights and Measures, Motor Fuel Quality, and Laboratory Services.

- **Natural Resources** protects Oregon’s natural resources and maintains agriculture’s economic sustainability. Programs in this policy area include Ag Water Quality, Confined Animal Feeding Operations, Soil and Water Conservation Districts, Pesticides, the Pesticide Analytical Response Center, Pesticide Stewardship Partnership, Fertilizers, Noxious Weed and Integrated Pest Prevention, the Nursery and Christmas Tree Section, the Hemp program, Plant Conservation Biology programs, Land Use, and the Invasive Species Council.
- **Market Access, Development, and Certification/Inspection** assists Oregon’s agricultural producers to sell and ship products and works to promote and create demand for Oregon agricultural products. Programs include the Shipping Point, Seed, Ag Development, Hops/Hay/Grain/Hemp, Commodity Commission Oversight, Produce, Smoke Management, and Plant Health and Certifications programs.

To support these programs, ODA receives all funding types. Other Funds revenues primarily come from fees, licenses, and charges for services. ODA also receives Lottery Funds, which are generally limited to efforts to protect and improve water quality, secure and restore habitats for native fish and wildlife, and maintain Oregon’s diverse plants, animals, and ecosystems. The Department receives Federal Funds revenue from the U.S. Department of Agriculture as well as various other federal agencies focused on issues impacting the environment, land use, fish and wildlife, natural resources, and consumable goods. State match levels vary based on the specific grant or granting agency.

In the 2023-25 current service level (CSL) budget, ODA would receive approximately 22% of total revenue from the General Fund, 7% from Lottery Funds, 58% from Other Funds, and the remaining 13% from federal funding sources.

CSL Summary

The 2023-25 CSL budget for ODA totals nearly \$145 million and supports 500 positions (384.09 FTE). This represents a decrease of \$89 million total funds, or 38%, from the Department’s 2021-23 legislatively approved budget (LAB). This reduction is due to the net impact of a vacancy adjustment, inflationary increases, and the phase-out of one-time expenditures. The primary factor in the decrease is the removal of \$89 million in one-time funds, including \$48 million General Fund, \$1 million Lottery Funds, \$40 million Other Funds, and less than \$1 million Federal Funds expenditure limitation. These one-time investments include the following, by program:

- Administration and Support Services:
 - \$40 million General Fund for the Oregon Agricultural Disaster Relief Fund appropriated in SB 5561 (2021 Second Special Session)
 - \$0.4 million General Fund for the Wolf Depredation Compensation and Financial Assistance program granted in SB 5502 (2021)
 - \$39 million Other Funds expenditure limitation for delivering the Oregon Agricultural Disaster Relief Fund
- Food Safety:
 - \$2 million General Fund provided for the State Meat Inspection program in HB 2785 (2021)
 - \$0.2 million General Fund provided for the Predator Control program in HB 5006 (2021)
 - \$0.2 million General Fund appropriated for the Animal Rescue Entity program in HB 5202 (2022)
- Natural Resources:

- \$1 million in Measure 76 Lottery Funds for Japanese beetle eradication, provided in SB 5502 (2021)
- \$4 million General Fund for grasshopper and cricket suppression, provided in SB 5561 (2021 Second Special Session)
- \$0.5 million General Fund for projects in the Lower Umatilla Basin Groundwater Management Area, granted in HB 5006 (2021)
- \$0.5 million General Fund for the Weed Control Program, provided in HB 5006 (2021)
- \$0.1 million General Fund for Klamath water quality work, provided in SB 5502 (2021)
- \$0.1 million Other Funds expenditure limitation to discontinue a transfer from the Oregon Liquor and Cannabis Commission
- \$0.2 million Federal Funds was phased-out for a limited duration Soil Health position granted in SB 5502 (2021)

Revenue Shortfall: In four out of the past five biennia, ODA has included a revenue shortfall package to balance CSL expenditures with the available Other Funds resources for one program or another. These shortfalls average approximately \$378,000 and may be coupled with a fee increase and/or a request for General Fund backfill. The shortfall included in ODA’s 2023-25 CSL totals just over \$84,000 and includes balancing reductions to select services and supplies for the Smoke Management program, with no need for additional funds or a fee increase.

Exceptional Inflation: CSL also includes above standard inflation to increase the special payment to the Department of Environmental Quality for the Pesticide Stewardship Partnership Program. Nearly \$71,000 General Fund and an equal amount of Other Funds expenditure limitation reflect the program costs above standard inflation.

Measure 76 Lottery Funds: Article 15, section 4b(2) of the Oregon Constitution dictates the percentage of lottery proceeds that shall be distributed as grants for fish and wildlife, watershed and habitat protection, and that which may be used for agency operations. This percentage split for grants and operations is required to adjust from 65%/35% to 70%/30% when the proceeds deposited in the Parks and Natural Resources Fund exceed the amount deposited in the fund during the 2009-11 biennium by 50%. Based on recent revenue forecasts, this constitutional threshold is projected to be met in both the 2021-23 and the 2023-25 biennia. This effectively means at least a 5% reduction in available funding for agencies that use Measure 76 funds for operational purposes, like ODA. This means more funding must be made available as grants during the 2021-23 biennium than was originally allocated, and less funding will be available for agency operations in 2023-25, indicating the likelihood of a revenue shortfall at CSL. The state’s Measure 76 Lottery Fund grant program is implemented by the Oregon Water Enhancement Board. Additional agencies that receive operational Measure 76 Lottery Funds include ODA, the Department of Environmental Quality, Department of Fish and Wildlife, and Department of State Police. ODA currently has approximately \$12 million Measure 76 Lottery Funds included for operations in their 2021-23 biennial budget, and nearly \$9 million included in the 2023-25 CSL. The amount of CSL shortfall is not yet known and will depend on the 2021-23 ending balances, but current estimates are up to \$9 million across all agencies that receive Measure 76 Lottery Funds.

Policy Issues

Increasing Operational Cost - Since 2021, the price of fuel and fertilizer has increased by 74% and 133%, respectively. The rate of inflation in the same period peaked at 9%, impacting all aspects of local agricultural production. The impacts of increased costs are not unique to the agrarian economy, but challenges of cost recovery and pyramiding impacts can compound the effects of the rising costs of operations.

Disaster Response - Agriculture is a climate-dependent business, sensitive to long- and short-term changes. Drier climates, increased frequency and duration of droughts, volatility in weather patterns, changing seasons, pressure from insect pests and noxious weeds, and other effects necessitate adaptive management, new crop varieties, and technologies.

After extreme heat in 2021, and during a historic drought, ODA received \$40 million to establish a state disaster assistance program. Partnering with local lending institutions for the program's administration, the Oregon Disaster Assistance Program (ODAP) was an emergency program to help farmers and ranchers remain solvent until federal assistance was realized, or to serve as assistance where federal programs fell short. After two separate four-week application periods, the program directly administered nearly \$20 million in assistance to Oregon farmers and ranchers.

In addition to ODAP, ODA revitalized a grasshopper and Mormon cricket program to conduct biological surveys and cost share suppression efforts. The grasshopper and Mormon cricket populations thrive in drought conditions and, when they exceed their biological population limits, can be destructive to native plants, wildlife forage, and crops. The overall efforts are shared between state, federal, and local partners. Additionally, the state investments allow control measures to be utilized on private lands.

These challenges are causing ODA to investigate ways to support the agricultural community in finding more climate-smart commodities. ODA put in a comprehensive grant request to USDA to pursue that goal, however USDA has alerted the agency that the grant will not be funded.

Invasive Species - ODA and their partners continuously address invasive species threatening Oregon native species, habitat, and agriculture. This has included the Japanese beetle, the light brown apple moth, and the Spongy moth. In June 2022, a new long feared pest, the Emerald Ash Borer Beetle, was confirmed in Oregon. This is the first detection on the West Coast, and this new threat is responsible for an almost total elimination of ash trees in parts of the Midwest and Northeast. During the September 2022 meeting of the Emergency Board, the Department requested and received funding aimed at detection and initial response. However, future budget requests are likely.

Hemp - The cannabis industry includes both hemp and marijuana. While the Oregon Health Authority and Oregon Liquor and Cannabis Commission (OLCC) regulate the medical and recreational cannabis markets, ODA administers the Oregon Hemp program, requiring all growers and handlers to be registered and follow rules for testing and recordkeeping. Over the past several years, the Hemp program has grown and 2021 saw a marked increase in illegal activity, including registered and licensed hemp growers producing marijuana crops.

The 2021 Oregon Legislature passed HB 3000, which included product standards and addressed various issues within the cannabis industry. One focus of the bill was to bring growers into compliance with the law and established rules. During 2021, in partnership with OLCC and the Oregon State Police, the Department conducted focused sampling and testing of licensed hemp farms in Southern Oregon, including Jackson

and Josephine counties. For the 2022 growing season, ODA implemented an application deadline to establish a known universe of hemp growers going into the harvest season, and the testing continued around the state. Out of 284 statewide growers registered in 2022, 76 were tested and 7% were illegally growing plants that met the definition of marijuana. The program has matured over the past few seasons, which has led to increased product testing, and the need for additional laboratory resources.

Governor's Budget Summary

The 2023-25 Governor's Budget includes over \$149 million total funds, comprised of approximately \$32 million General Fund, \$9 million Lottery Funds, \$90 million Other Funds, \$19 million Federal Funds, and 522 positions (402.40 FTE). The total funds budget represents an increase of over \$4 million, or 3%, above CSL, and includes 22 additional positions (18.31 FTE). The Governor's Budget recommends net reductions to General Fund and Lottery Funds of \$0.3 million and \$0.1 million, respectively, and net increases for Other Funds and Federal Funds expenditure limitation in the amounts of \$3 million and \$2 million, respectively. To support some of the increases, over \$2 million in additional fee revenue from fees administratively adopted during the 2021-23 biennium is also included. Additional package details including investments, reductions and adjustments follow:

- Packages 090, 091, 092, and 093 - Package 090 increased the vacancy savings reduction by nearly \$2 million General Fund and \$0.2 million Lottery Funds across all divisions. Package 091 made various analyst recommended reductions, fund shifts, and adjustments netting a reduction of \$0.7 million General Fund, an increase of \$0.2 million Lottery Funds, an increase of \$0.2 million Other Funds expenditure limitation, and an increase of \$0.1 million Federal Funds expenditure limitation. Package 092 included a statewide adjustment to Attorney General rates, representing a nominal reduction across all fund types. Package 093 included a reduction of \$0.3 million General Fund, under \$0.1 million Lottery Funds, \$0.4 million Other Funds, and a nominal amount of Federal Funds expenditure limitation driven by adjustments to charges and assessments from the Department of Administrative Services.
- Package 210 - This package establishes one position (0.92 FTE) and provides approximately \$0.3 million General Fund to conduct a review and develop changes to ODA's Food Safety program to provide better support for BIPOC and immigrant-owned businesses.
- Package 310 - This package continues nine limited duration positions (5.75 FTE) and provides \$2 million General Fund to continue the Department's work on Japanese Beetle eradication.
- Package 461 - This package establishes three permanent positions to resolve long-standing double fills, and includes several reclassifications to clean up agency positions. The funding includes \$29,812 General Fund, \$4,974 Lottery Fund and \$0.8 million Other Funds expenditure limitation.
- Packages 230, 270, and 462 - These packages are all supported by the Department's Other Funds revenue sources, such as fees and charges for service. Collectively, they establish three permanent positions (2.64 FTE) and provide approximately \$3 million Other Funds expenditure limitation to increase lab capacity for cannabis testing; increase expenditure limitation and ratify the associated fee for the Weights and Measures program; and provide expenditure limitation for deferred maintenance.
- Packages 260 and 440 - These packages are supported by Federal Funds revenue and represent an increase of approximately \$2 million Federal Funds expenditure limitation as well as six limited duration positions (6.00 FTE). Package 260 continues ongoing work

with the USDA regarding the Avian Influenza program and Package 440 continues implementation of the Food Safety Modernization Act.

Other Significant Issues and Background

Lower Umatilla Basin Ground Water Management Area (LUBGWMA) - During the 2021 legislative session, HB 5006 provided ODA a one-time investment of \$500,000 General Fund for groundwater research in the Lower Umatilla Basin. This funding was divided evenly between two ODA programs for separate efforts. The Natural Resources program received \$250,000 for nitrates research and data collection by a postdoctoral scholar through Oregon State University (OSU). The Fertilizer program received another \$250,000 for a fertilizer research project, or projects, intended to improve efficiency in fertilizer use, reduce nutrient loss to groundwater, or look at relationships between irrigation water management and nutrient leaching. Unfortunately, due to circumstances beyond the Department's control, both program efforts have been delayed significantly, preventing the one-time funds from being spent in the current biennium. Due to the timing of the delays, ODA was not able to include a package in its Agency Request Budget for carrying forward the one-time funding. Therefore, the Department requested consideration re-appropriating the unspent General Fund in 2023-25 for the same purpose. Details for the delays are as follows:

- Nitrates research: OSU failed the first recruitment for a postdoctoral scholar due to the lack of qualifications in the candidate pool. A second recruitment selected a candidate currently waiting on a U.S. visa. This candidate is working with OSU Human Resources through the process of remote work capabilities; however, this contract will not be executed in time for the 2021-23 biennium close.
- Fertilizer research: The Fertilizer program staff and Fertilizer Research Committee developed a request for proposal (RFP) and advertised it to the public from March 2022 through May 2022. ODA received one proposal which was reviewed by the Fertilizer Research Committee and unanimously rejected for failing to meet requirements. ODA staff inquired of OSU researchers and others what changes the Department should consider in the next RFP to attract more quality proposals. ODA is currently in the process of incorporating that feedback and drafting a new RFP.

Key Performance Measures

A copy of the Oregon Department of Agriculture Annual Performance Progress Report can be found on the LFO website:

https://www.oregonlegislature.gov/lfo/APPR/APPR_ODA_2022-08-22.pdf