

Department of Agriculture (ODA)					
	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	23,393,923	25,991,367	24,535,085	26,580,755	26,998,831
Lottery Funds	9,439,215	10,568,358	10,866,818	8,554,981	8,837,118
Other Funds	59,882,893	74,372,889	78,590,027	81,162,267	80,246,238
Federal Funds	11,662,188	17,472,153	17,797,207	16,664,830	17,389,246
Total Funds	104,378,219	128,404,767	131,789,137	132,962,833	133,471,433
Positions	503	509	514	484	501
FTE	375.82	383.77	385.36	368.09	381.60
* Includes Emergency Board and administrative actions through January 2021.					

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 one of the state's most important economic sectors.

CSL Summary and Issues

The 2021-23 current service level (CSL) total funds budget of \$133.0 million is a 4.2% increase from the 2019-21 legislatively approved budget largely due to one-time reductions taken during the 2020 2nd Special Session and increases to personal services costs, services and supplies inflation and State assessments. The General Fund CSL is 12.1% higher and Other Funds are 7.1% higher, while Lottery Funds (-19.1%) and Federal Funds (-5.0%) are below 2019-21 legislatively approved levels.

Policy Issues

Food Safety Program - Over the past two biennia the Food Safety Policy Area has seen its reliance on Other Funds from fee revenues increase as General Fund constraints have impacted the program. For the 2021-23 CSL, the food safety program is funded with 24% General Fund, 73% Other Funds, and 3% Federal Funds. With the 2017 Legislature's fund shift in the food safety inspection program from General Fund to Other Funds, and despite a 3% license fee increase approved during the 2019 session, the program will not have an appropriate ending balance through the 2021-23 biennium. As a result, the Department is requesting a fee increase of approximately 30% to its food safety license fees. The Department has a policy option package request to reverse the 2017 fund shift, which would reduce the amount of the fee increase, but not eliminate the need for some level of fee increase in the program. Additionally, the program continues to deal with a backlog of overdue inspections in the program, however efforts to make progress on the backlog have been severely hampered by COVID-19.

Summary of Fee Changes - The Department has administratively raised fees for the Certifications Program, and has legislative concepts proposing to raise the statutory fee caps or fee structures tied to budget requests in the Food Safety Program, Livestock Program, and Feeds Program, and another legislative concept to establish a new license type in the Pesticides Program.

- Food Safety - HB 2059 (2019) continued the ability of the program to increase fees annually by 3% in the program, however this amount is not sustainable, and the program is proposing a 30% increase to its food safety licenses in SB 33 absent any additional GF. This 30% increase is projected to provide around \$1.6 million additional Other Funds revenue in 2021-23. This reflects one year of revenue as generally ODA implements most fee increases to coincide with even numbered years, due to the timing of session and license renewals. A 30% increase is the estimated need in order to fund the program and reestablish an appropriate ending fund balance for the program.
- Livestock Program - SB 32 would increase the statutory caps for the Livestock Identification Program (brands) allowing the Department to increase the fee levels administratively and then return for ratification of those new amounts. Without a fee increase, the program is estimated to have a negative balance by May 2022. The Department estimates the program needs an additional \$300,000 to fund current service level.
- Feeds Program - SB 36 would increase the statutory caps for the Commercial Feed Manufacturers allowing the Department to increase the fee levels administratively and then return for ratification of those new amounts. Without a fee increase, the program is estimated to have a negative balance by August 2022. The Department estimates the program needs an additional \$200,000 to fund the current service level.
- Pesticides Program - HB 2031 would create a new license type for the pesticide program through a modification of the statutes around pesticides, allowing for an individual (or their employer) to obtain an appropriate pesticide license without requiring the business itself to obtain an operator's license. Currently, the business and individual must both have a valid operator license. This new license type would slightly reduce revenue to the Department as it would eliminate the need for some dual licensure.
- Certifications Program - 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 \$21,000.
- Animal Rescue Program - The program established in SB 883 (2019) filed final fee rules in December 2020, which will need ratification during the 2021 session. The initial fee estimate for each entity was \$584 per year, however the number of animal rescue entities in the state was significantly higher than anticipated and therefore the fee estimate has been reduced to \$375 per entity per year.

Revenue Shortfalls - The Department has a revenue shortfall within the regulatory lab and the animal health lab with neither being addressed through proposed fee increases. Rather the lab intends to eliminate a position in the animal health lab and the PEM C position approved during the 2019 session that has been held vacant due to revenue concerns. The regulatory lab has rising costs related to cannabis work that cannot be covered by increases to other license or registration fee revenue and the Department believes that the animal health lab fees could not be raised substantially enough to fund the work of the lab without losing a significant level of volume via sampling or customers.

Other Significant Issues and Background

State Meat Inspection Program - HB 4206 (2020 1st Special Session) established a State Meat Inspection program for Oregon. SB 5711 during that session provided permanent positions and funding. Roll-up costs for this program are \$926,195 General Fund and three positions. ODA is requesting an additional \$670,656 General Fund and three more positions (phased-in at 1.75 FTE) to work as site inspectors for meat processing establishments around the state. However, this second request is contingent on processing sites coming online and USDA timelines for certification of those sites.

Cannabis Funding - The Department has incorporated cannabis programs into its existing inspection and regulatory responsibilities and currently does not receive any corresponding funding from the cannabis programs at OLCC or OHA. This includes laboratory work on testing samples directly from those other agencies. The Department and OLCC reported in the 2020 session around the need for cannabis funding, and ODA included a placeholder policy package in their requested budget, however OLCC did not include a corresponding package to transfer revenue to ODA for their work on behalf of OLCC. Currently, pesticide fees are covering the laboratory work. Other programs besides the Lab and Pesticides Program have also been impacted by the state's cannabis programs, including Food Safety and Weights and Measures. Discussions between ODA and OLCC are ongoing but cost estimates range from \$1.5 to \$3.0 million including setup of a lab with more dedicated resources to cannabis testing. An additional need outside of the lab is for on-the-ground resources that have consumed the Pesticide program staff. ODA estimates the need for two investigators and one case reviewer position specific to cannabis issues. The cost for this work is estimated to be around \$750,000 Other Funds.

Invasive Species - The Department is requesting \$1,924,461 M76 Lottery Funds for continued efforts to eradicate Japanese Beetle in NW Portland. ODA has received Lottery Funds in the 2017 and 2019 session for this work. Included in the request are nine limited duration positions totaling 5.75 FTE.

Native Plant Conservation Program - The Department is requesting a fund shift from Federal Funds to General Fund in the amount of \$102,361, which will support 40% of a current position in the program. The 2019 legislature permanently shifted the remainder of the General Fund in the program to Federal Funds due to General Fund constraints, however that has prevented staff from working on state-priority projects and limits staff to federally funded activities. The program receives about 50 consultation requests per year as statute requires consultation with ODA's program, but the Department cannot fulfill them if they are not federally related.

Food Safety Modernization Act - ODA is requesting continuation of federal grant funds totaling \$1.4 million and five 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. This funding has been provided since 2017.

Water Quality Monitoring - The Department has a \$75,000 General Fund request to continue collecting water quality samples from Klamath Lake and support laboratory expenses to monitor the water for nutrient levels, including phosphorus. Funding for this work was first provided

in the 2019 session. Additional requests around water quality include \$500,000 General Fund, split between costs to contract with a facilitator for coordination between state agencies to achieve an exit strategy from the GWMA designation and funding for research to enhance fertilizer use efficiency in crops in the state's three GWMA's. The GWMA's designations are due to elevated nitrate levels from fertilizer use. Finally, ODA is requesting \$888,374 M76 Lottery Funds for an NRS-3 position and contract dollars to work in small watersheds to conduct land condition assessments for compliance with agricultural water quality rules. This would be part of a partnership with DEQ, OWEB and locals. Success of this effort is largely contingent on passage of DEQ and OWEB's respective policy packages.

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 not originally intended for lab functions. The 2019 legislature provided limitation for the Department to conduct a study to evaluate moving the labs into one consolidated building in Salem. With the State's purchase of the North Valley Complex, ODA's labs are looking at moving to that location in Wilsonville. Currently this effort is onto Phase 2 which is in the area of "schematic design" of the lab consolidation effort.

Hemp Program - ODA's Hemp program continues to expand exponentially. The 2020 2nd Special Session provided additional limitation and two positions, but the program's workload continues to pull staff from other areas of the Department. ODA is requesting \$1 million Other Funds limitation and four more permanent positions, including a dedicated Program Manager, office support, and two more inspector positions.

Information Technology Modernization - ODA is requesting \$981,976 General Fund and five positions in order to renovate its outdated IT systems and create a Customer Relationship Management System. Positions include a project manager, business analyst, security analyst, and additional IT support positions.

Summary of Program Staffing - ODA is requesting additional staffing support in the following areas (not discussed above):

- Emergency Management Coordinator - \$229,770 General Fund and one permanent full-time position to coordinate ODA emergency response issues including COOP planning and emergency preparedness.
- Equity Officer - \$256,319 General Fund and one permanent full-time position to be the agency's equity officer.
- Internal Auditor - the Department is requesting a permanent full-time internal auditor position to be funded between General Fund (\$45,357) and Other Funds (\$221,453) with a total cost of \$266,810.
- Soil Health - \$213,374 General Fund to establish a permanent full-time position within ODA to promote soil health in Oregon. Additional package includes \$225,000 general Fund to collaborate with OSU to establish baseline soil assessments for the state.
- Aquatic Noxious Weeds - \$263,744 M76 Lotter Funds to create a position to establish expertise in the Department around the growing problem of aquatic noxious weeds.
- General ODA Inspectors - request to establish two NRS-1's to serve as general inspectors and work across multiple ODA programs.

- Continuation of LD positions - requests for continuation of positions related to Avian Influenza, and Worker Protection Standard Training

The Governor's Budget includes increases from CSL of about 1.5% for General Fund, and in total funds is almost equal to CSL. The GB includes approval of the following:

- All proposed fee increases and statutory cap changes
- Emergency Management Coordinator
- Equity Officer and Internal Auditor Positions
- \$1.9 million M76 Lottery Funds for Japanese Beetle eradication
- \$75,000 General Fund for Klamath water testing
- \$225,000 General Fund for baseline soil health assessment
- Hemp Program expansion
- \$430,000 General Fund to promote Oregon products in domestic markets
- Food Safety Modernization package
- Avian influenza LD position funded with federal grant

Key Performance Measures

A copy of the Department of Agriculture's Annual Performance Progress Report can be found on the LFO website <https://www.oregonlegislature.gov/lfo/APPR/APPR%20ODAg%202020.pdf>