



UTAH STATE LEGISLATURE
FISCAL ANALYST

ACCOUNTABLE BUDGET PROCESS

DEPT. OF AGRICULTURE & FOOD

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AUGUST 2022

ACCOUNTABLE BUDGET PROCESS

Overview of today's materials

- 1. Accountable Budget Process**
 - a. Background
 - b. Outcome (voting preparation)
 - c. 2022 Interim Schedule
 - d. June Recap
- 2. Recommendations for Consideration**
 - a. Budget Issues and Recommendations by Division
- 3. Next Steps and Questions**
- 4. UDAF Response**

ACCOUNTABLE BUDGET PROCESS

Background

- Joint Rule 3-2-501, as amended in [H.J.R. 18](#) (2019 General Session)
 - [Natural Resources, Agriculture and Environmental Quality Accountable Budget Process 5-year Plan](#)
- “Accountable Budget Process”: means a review of a line item or program in a simple base budget to determine whether or the extent to which to recommend the line item or program be included in a budget for the upcoming fiscal year. ([Our interim work.](#))
- “Accountable Process Budget”: a budget that is created by starting from zero and adding line items and programs recommended through an accountable budget process. ([What will be voted on in October.](#))

ACCOUNTABLE BUDGET PROCESS

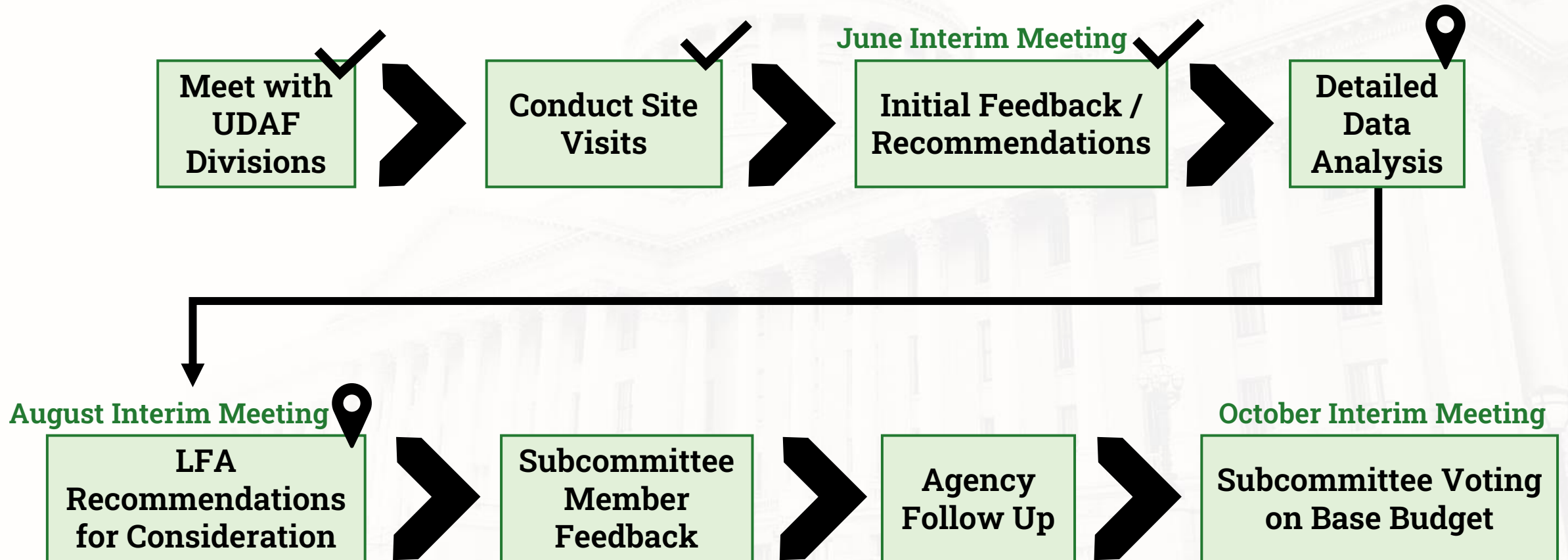
Outcome (Voting Preparation)



- Budget adjustments
- Further reviews or audits
- Updated reporting requirements
- Improved performance measures
- Reorganizations
- Program eliminations
- Other Legislative actions

ACCOUNTABLE BUDGET PROCESS

2022 Interim Schedule



ACCOUNTABLE BUDGET PROCESS

June Interim Meeting Recap – Passed Motions

1. By August 1st, the Hemp & Cannabis Division was to submit a proposal for the ideal rate of inspectors to vehicles in their program that considers the number of regulated entities.
 - a. [Submitted Proposal \(July 29th\)](#)
2. By September 1st, the Division of Regulatory Services is to submit the following:
 - a. Updated proposal for their Inspector Recruitment and Retention Plan.
 - b. Updated proposal for each program's Dedicated Credit appropriation based on program costs, GS 2022 targeted increases, and expected revenues.
3. By October 1st, the Division of Plant Industry is to submit the following:
 - a. Proposal for consolidated fee schedule (all fees).
 - b. Tiered fee schedule for Animal Feed Registration based on gross sales.
 - c. Updated Organics Certification fee tiers to reflect industry activity and costs of the program.
 - d. Calculation of program costs for each fee.

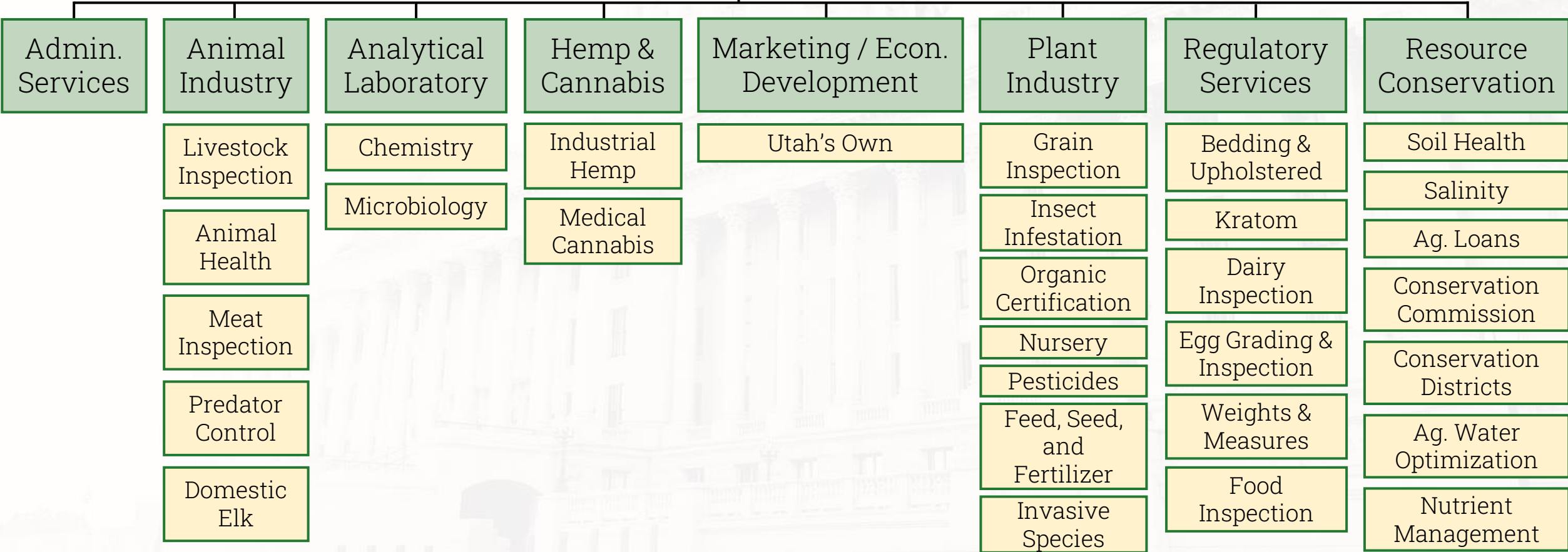
Division

Program

DEPARTMENT ORGANIZATION

Office of the Commissioner

Grazing Improvement Program



Division

Line Item

DEPARTMENT BUDGET

Office of the Commissioner

Administration

Rangeland Improvement

Admin. Services

Animal Industry

Analytical Laboratory

Hemp & Cannabis

Marketing / Econ. Development

Plant Industry

Regulatory Services

Resource Conservation

Administration

Animal Industry

Analytical Laboratory

Industrial Hemp

Marketing and Development

Plant Industry

Regulatory Services

Resource Conservation

Predatory Animal Control

Dept. of Agriculture and Food Laboratory Equipment Fund

Qualified Production Enterprise Fund

Invasive Species Mitigation

Agriculture Loan Programs

Salinity Offset Fund

Stand Alone Line Items:

Utah State Fair Corporation

Building Operations





RECOMMENDATIONS FOR CONSIDERATION

ADMINISTRATIVE SERVICES

RECOMMENDATIONS & BUDGET ISSUES

Budget Issue	Recommendation
<p>The Administration line item does not reflect the two divisions which are included in the budget. Aligning the budget format with operational realities provides transparency and improves the ability to report.</p>	<p>The Legislature should consider creating appropriation units that reflect the two divisions included in this line item.</p>
<p>The Sheep Promotion program is not operationally housed within the Office of the Commissioner or Administrative Services divisions. Sheep Promotion is funded by the Agricultural and Wildlife Damage Prevention Account and administered by the Division of Animal Industry. Aligning the budget format with operational realities provides transparency and improves the ability to report.</p>	<p>The Legislature should consider moving Sheep Promotion to either the Predator Control or Animal Industry line items.</p>

ANALYTICAL LABORATORY

RECOMMENDATIONS & BUDGET ISSUES

Budget Issue	Recommendation
<p>Several divisions rely on testing performed in the Analytical Lab in order to fulfill their mission. Fees are charged in differing schemes which pay for the cost of testing (i.e. license, permit, registration, or individual testing fees). Revenues in these divisions cannot be transferred to the lab to cover the cost of services without violating the Budgetary Procedures Act. In order for the lab to provide testing services for other divisions, the Department should consider creating an internal service fund which would follow statute and provide financial transparency.</p>	<p>Include intent language in the base budget: <i>The Department will work with LFA and report to the Subcommittee by June 1st, 2023 on the potential advantages and disadvantages of creating an internal service fund.</i></p>
<p>UDAF reports that the Building expenses (rent) paid to DFCM for the Lab space are included in the Analytical Lab's line item, but the Department has a separate line item specifically to capture building costs that are paid to Facilities.</p>	<p>By October 1st, 2022 have UDAF report the amount to be reallocated to the Building Operations line item from the Analytical Lab.</p>

ANIMAL INDUSTRY

RECOMMENDATIONS & BUDGET ISSUES

Budget Issue	Recommendation
<p>Sheep Head tax is not being collected in accordance with 4-23-109. Utah Code describes the fee being remitted to the state with the ability of the Utah Wool Growers Association to request refunds for promotion activities, between \$.18 and \$.25/head. The Department reports that the Wool Growers Association is instead remitting \$.75/head to the Department and keeping the remaining amount without submitting a claim for activities conducted. The UWGA is also not submitting annual audits to the Department.</p>	<p>By December 1st, 2022 the Division should review 4-23-109 and make recommendations on changes for the way head tax is collected or describe how they will comply with the current statute.</p>
<p>Horse Racing takes up a large amount of time for Division staff. The current fees do not cover the costs of administration. The Division has received industry pushback on raising fees. Currently there is \$77,300 in ongoing General Fund which pays for race prize money. If racing purses were higher, then participants may be willing to pay more for licenses and entry fees.</p>	

HEMP AND CANNABIS

RECOMMENDATIONS & BUDGET ISSUES

Budget Issue	Recommendation
<p>The Department of Health and Human Services has created revenue codes for each Medical Cannabis fee, which allows the Qualified Patient Enterprise Fund reports in Data Warehouse to provide monthly updates on financial activity to the Legislature and others.</p>	<p>The Department should create revenue codes for each fee in the Medical Cannabis budget.</p>
<p>In response to the subcommittee motion during the June interim meeting, the Department submitted a proposal for the ideal number of vehicles based on regulated entities and employees.</p>	<p>The Department should work with staff to refine the proposal intent language which can be included in the base budget to authorize additional vehicles as needed for the Hemp and Cannabis division.</p>

MARKETING & ECONOMIC DEVELOPMENT

RECOMMENDATIONS & BUDGET ISSUES

Budget Issue	Recommendation
<p>The Utah's Own program has been around for 20 years (created in 2002) but has not collected any data measuring the impact of the program. While the Department and participants indicate that the program is valuable, there is no data to suggest or confirm that this is the best use of taxpayer money for producers and artisans in Utah.</p>	<p>The Division should create performance measures that demonstrate the value of the program to the industry.</p>

OFFICE OF THE COMMISSIONER

RECOMMENDATIONS & BUDGET ISSUES

Budget Issue	Recommendation
<p>The Grazing Improvement Program (GIP) budget is spread-out over multiple line items, yet the program is administrated by the Office of the Commissioner. Aligning the budget format with operational realities provides transparency and improves the ability to report.</p>	<p>The Legislature should consider reallocating GIP administration financials from the Plant Industry line item to the Rangeland Improvement or Administration line items.</p>
<p>The Rangeland Improvement line-item houses GIP project funding. Having different terminology provides more confusion within the same program. The Department could not offer any historical reason why the names differed. In the 2022 General Session, S.B. 17 changed the name of the State Grazing Advisory Board to align with the GIP program, becoming the Utah Grazing Improvement Program Advisory Board.</p>	<p>The Legislature should consider renaming the line item to "Grazing Improvement" and consider renaming the Rangeland Improvement Account to the Grazing Improvement Account.</p>

PLANT INDUSTRY

RECOMMENDATIONS & BUDGET ISSUES

Budget Issue	Recommendation
<p>In FY 2022, the Division collected roughly \$1.6 million more registration fees than the cost of administering the Pesticide program. The Invasive Species Mitigation program has requested additional funds in the past several sessions. Because of the connection between ISM and pesticides, registration fees (or a portion) could support the ISM program.</p>	<p>The Legislature should consider depositing a portion of the registration fees for Pesticides into the Invasive Species Mitigation Account.</p>
<p>The Plant Industry Division has several appropriation units, however, two of them may not be in the correct Division and several important programs to the Division may be wrapped up in a single appropriation unit (i.e. Pesticides, Organics, etc.).</p>	<p>The Legislature should consider creating appropriation units that reflect the programs in the division.</p>
<p>General Fund was appropriated in the 2022 General Session for the administration costs of GIP. The Ag. & Resource Development Loan Fund is currently appropriated to the Plant Industry line item for GIP administration but is not statutorily authorized to be used for this purpose.</p>	<p>The Legislature should consider eliminating ARDL funding appropriated to the Plant Industry line item in the base budget.</p>

REGULATORY SERVICES

RECOMMENDATIONS & BUDGET ISSUES

Budget Issue	Recommendation
<p>In the 2022 General Session, the Cosmetic Manufacturing Certificate program (S.B. 83) was assigned to a financial analyst outside this subcommittee. The program should be housed in Manufactured Food (due to inspector expertise) rather than Administration.</p>	<p>The Legislature should consider reallocating \$60,000 General Fund 1x and \$34,000 Dedicated Credits Ongoing from Regulatory Services Administration (SJA) to Food Inspection (SJD).</p>
<p>The Division has experienced high turnover and problems with inspector recruitment. In the 2021 General Session, \$100,000 General Fund was appropriated to the Division to update their Inspector Recruitment and Retention Plan.</p>	<p><i>By September 1st, the Division is to submit an updated plan to the subcommittee. (June interim meeting motion.)</i></p>
<p>The Division lapsed \$700,000 in Dedicated Credits in FY 2021. In FY 2022, the Department expressed concern that fee revenues would again lapse to the General Fund. Due to several changes in the Fee Schedule and targeted salary increases provided in FY 2023, it would benefit the Division to provide updated budgets for each program, including costs by category and projected revenues by fee.</p>	<p><i>By September 1st, the Division is to submit an updated proposal for Dedicated Credit appropriations based on needs, targeted increases, and expected revenues. (June interim meeting motion.)</i></p>

RESOURCE CONSERVATION

RECOMMENDATIONS & BUDGET ISSUES

Budget Issue	Recommendation
<p>The ARDL fund balance is declining due to non-statutorily authorized uses, and high loan awards relative to the fund balance (in aggregate).</p>	<p>The Division should create rules for loan fund balance minimums, ability to charge service fees, recalculating interest rates, and for the grant awards authorized in UCA 4-18-108.</p>
<p>The Resource Conservation Division has several programs, and the budget of the Division has grown over the last 3 years due to infusions of Federal Funding and needs associated with drought. The current budget structure does not reflect the programs which are included in the Division.</p>	<p>The Legislature should consider creating appropriation units that reflect the Division programs.</p>
<p>The Resource Conservation line item currently is appropriated \$938,700 which is used for staff. UDAF personnel are not a currently authorized use of the ARDL fund (per 4-18-1). The Department has requested additional General Fund to increase the ARDL fund balance. In FY 2021, appropriated funds from the ARDL Fund were not needed in the line item and lapsed back to the account.</p>	<p>The Legislature should consider reversing funding from ARDL in the Resource Conservation line item in the base budget to alleviate strain on the fund balance and align the uses of the fund with UCA 4-18-1.</p>

DEPARTMENT (ALL DIVISIONS)

RECOMMENDATIONS & BUDGET ISSUES

Budget Issue	Recommendation
<p>Title 4 is one of the oldest in Utah Code, it is challenging to associate division responsibilities, and only one division is codified in statute (as of FY 2023). Many boards and committees do not have an assigned division. A streamlined approach to Title 4 could make interpretation and enforcement easier.</p>	<p>The Legislature should consider a recodification effort for Title 4. (See Dept. of Ag. and Food Statutory Structure [LRGC]).</p>
<p>UDAF may have critical holes in administrative functions (procurement, asset management, contracting, etc.) The Department also does not have Outreach staff whose primary focus is to educate and encourage adoption of agency programs and facilitate coordination with efforts of other agencies.</p>	
<p>The UDAF fee schedule has nearly 400 fees. Department discussions have indicated that some fees may be irrelevant or may reflect fees which are charged internally. Past analysis has also indicated that fee amounts may not be set in accordance with the Budgetary Procedures Act.</p>	<p>Include intent language in the base budget: The Department should report a fee schedule analysis for conciseness, internal versus external fees, schedules that incentivize timely renewals, and for fee amounts that are set in accordance with UCA 63J-1-504 by June 1st, 2023.</p>

NEXT STEPS

October 2022 Meeting

Further Analysis

- Personnel and Vehicles
- Expenditures by Unit (sub-program level)
- Revenue Sources and Fund Balances

Vote on Accountable Process Budget

- Budget adjustments
- Intent language
- Reporting requirements
- Other Legislative actions

Follow Up

- Collect Subcommittee feedback and suggestions
- Discuss changes to or additional recommendations with UDAF

Questions?



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