

NEIL ABERCROMBIE
Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512

RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

JAMES J. NAKATANI
Deputy to the Chairperson

TESTIMONY OF RUSSELL KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
January 28, 2011
11:00 A .M.

HOUSE BILL NO. 290
RELATING TO AGRICULTURE

Chairperson Tsuji and Members of the Committee:

Thank you for the opportunity to testify on House Bill 290 relating to agriculture. The bill proposes to establish an agriculture inspection and certification special fund, transmit all fees pursuant to section 141-4, chapter 144, part I of chapter 145 and chapter 147, Hawaii Revised Statutes and transfer all moneys from the certification services revolving fund to the agriculture inspection and certification special fund, and repeal the certification services revolving fund. The bill also requires the establishment or increase of fees to cover the operation and maintenance of the agriculture inspection and certification program, central services and departmental administrative expense assessments.

The department has some concerns. Most of the fees collected are paid by the users of various agricultural industries for inspection services requested. Because inspections are performed at request, it is difficult to anticipate how many inspections will be requested in the future and therefore, difficult to project how much will be collected in fees. Approximately \$700,000 fees were assessed in FY-10. In order to become special funded, approximately \$1.47 million dollars will be needed to cover annual operating expenses, central services assessment and departmental administrative expenses, which would require fee rates to be doubled. To restore positions lost due to the reduction-in-force, fees would need to be increased 2-1/2 to 3 times the current fee rate to meet the calculated \$1.82 million dollars estimated cost.



WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON AGRICULTURE
ON
HOUSE BILL NO. 290

January 28, 2011

RELATING TO AGRICULTURE

House Bill No. 290 establishes the Agriculture Inspection and Certification special fund. In addition, House Bill No. 290 requires: 1) all fees, expenses, and penalties collected for certification and agriculture control activities; 2) fees to defray the cost of administering the weighing of coffee; 3) fees for certification services of flowers and foliage; and 4) fees charged by the Department of Agriculture for audits and certification that are currently deposited into the general fund to instead be deposited into the Agriculture Inspection and Certification special fund. House Bill No. 290 also transfers all monies in the Department of Agriculture's certification services revolving fund to the Agriculture Inspection and Certification special fund and resets inspection and certification fees, provided that the Department of Agriculture has not amended administrative rules, to generate sufficient revenues to fund the operation of agricultural inspection and certification programs.

As a matter of general policy, the Department of Budget and Finance does not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of



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January 28, 2011

TESTIMONY

HB290 RELATING TO AGRICULTURE

Chair Tsuji and Members of the Committee:

HFBF on behalf of our commercial farm and ranch families and organizations is in strong support of HB290, establishing a fee for services process in the Commodities Branch of the Hawaii Department of Agriculture.

In 2005, the House of Delegates governing the policies of the Hawaii Farm Bureau Federation provided direction to the organization that a fee for service program could be used to ensure timely delivery of services to our farmers and ranchers. As State budgets tightened, the choice to go without services was not an option to the industry. Without timely inspections and or certifications, movement of agricultural products would be impacted, possibly loosing markets due to shipping delays or loss of product integrity.

This measure parallels the invasive species fees and other measures we have supported to ensure that our industry can continue to function. As we support these measures it is critical that the Department identify ways to maximize productivity to minimize costs. Some of the costs are borne by our farmers and ranchers that are unable to pass them on to the customers due to price competition.

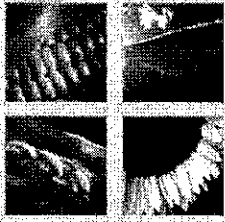
We support changes in Section 147-112 that authorizes contracts with private parties or other governmental agencies to perform certifications and audit functions. This has significant implications for some of our remote regions such as Kohala and Kona. Inspectors located in Hilo can spend hours in transportation. Having a trained inspector on site who would only charge for actual time inspecting would save considerable costs. We recognize training will be needed but the long term benefits will help the industry.

As HFBF agrees to support a fee for services structure it should also be recognized that many of these services are for the benefit of everyone ... not just farmers and ranchers. If it is the policy of the State of Hawaii to support

agriculture, consideration to return to General Funds of some of these services is warranted. Balancing the needs of the various agencies for General Fund use and not taking advantage of agriculture's willingness to entertain a fee for services process must be taken seriously. Agriculture should not be alone in agreeing to a fee for services program.

HFBF respectfully requests your support of this measure as written, with the caveat that if General Fund health is improved, serious consideration will be given to a possible matching fund program to reduce costs to our farmers and ranchers.

Thank you for this opportunity to provide our opinion on this matter. HFBF is ready and willing to work with you to identify solutions during these difficult economic times to maintain and improve the viability of our industry. If there are any questions, please contact Warren Watanabe at 2819718.



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Hawaii Crop Improvement Association

Growing the Future of Worldwide Agriculture in Hawaii

Testimony By: Alicia Maluafiti
HB 290 - Relating to Agriculture
The House Committee on Agriculture
Friday, January 28, 2011
Room 312, 11:00 a.m.

Position: Strongly Support

Aloha Chair Tsuji, Vice Chair Hashem and members of the Committee:

My name is Alicia Maluafiti, Executive Director of the Hawaii Crop Improvement Association, a nonprofit trade association representing the seed industry in Hawaii. HCIA strongly supports HB 290.

HCIA believes that HB 290 is an important and necessary initiative to mitigate further cutbacks to the Dept. of Agriculture as a result of Hawaii's fiscal crisis and the department's reliance on the general fund to support the ag inspector positions. The agricultural industry and especially the farmers whose commodities require inspection and certification by the HDOA risk their long term economic viability when they cannot get their products to market in a timely manner. The ability for the HDOA to utilize properly regulated third-party inspectors also provides the department with not only operational flexibility, but fiscal sustainability if that opportunity proves to be more affordable for the state.

We support any effort to restore the Dept. of Agriculture positions, minimize the adverse impact of the budget crisis on their department, and ensure the HDOA's ability to support, promote and enhance Hawaii's agricultural industry. We believe HB 290 is an important step in the right direction.

Mahalo for the opportunity to comment.

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