

Honolulu, Hawaii

OCT 14 2009

RE: Senate Ad Hoc
Committee:
Department of
Agriculture

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Senate Ad Hoc Committee, to which was referred:

"THE SENATE'S REVIEW AND ASSESSMENT OF THE IMPACT ON THE
COMMUNITY FROM THE REDUCTION IN GOVERNMENT SERVICES DUE TO
BUDGET RESTRICTIONS AND LAYOFFS AND FURLOUGHS OF CERTAIN
STATE EMPLOYEES,"

begs leave to report as follows:

BACKGROUND

On August 4, 2009, Governor Linda Lingle announced that the State would immediately begin delivering written layoff notices to the approximately 1,100 state employees who were previously notified their positions could be eliminated. In addition, the Governor announced the furlough of approximately 900 "exempt excluded" non-union state employees for three days per month effective September 1, 2009. These 900 employees were not covered by Judge Karl Sakamoto's order barring the Governor from unilaterally implementing furloughs for union employees.

In response, you assigned the Senate Vice-President the responsibility of coordinating the Senate's review and assessment of the impact to the community, economy, and environment from the reduction in government services due to budget restrictions and layoffs and furloughs of certain state employees, and announced formation of a Senate Ad Hoc Committee. For this purpose, the Vice-President was appointed chair of the Ad Hoc Committee, with the committee to be comprised of senators interested in gaining more information about the proposed reductions in services.



As such, the Ad Hoc Committee conducted informational briefings to gather information on the potential impacts of the anticipated reduction in services for the Department of Agriculture's Plant Quarantine Branch and Commodities Branch throughout the State.

INFORMATIONAL BRIEFING

Your Committee conducted five informational briefings: on August 13, 2009, in Hilo; on August 14, 2009, in Kailua-Kona; on August 19, 2009, in Honolulu; on September 3, 2009, in Kahului; and on October 1, 2009, in Lihue.

In attendance in Hilo were Russell S. Kokubun, Chair; and Senators Colleen Hanabusa, Gary L. Hooser, and Dwight Y. Takamine. In attendance in Kailua-Kona were Russell S. Kokubun, Chair and Senator Dwight Y. Takamine. In attendance in Honolulu were Russell S. Kokubun, Chair; and Senators Rosalyn H. Baker, Suzanne Chun Oakland, and Dwight Y. Takamine. In attendance on Maui were Russell S. Kokubun, Chair; and Senators Rosalyn H. Baker, J. Kalani English, Brickwood Galuteria, Gary L. Hooser, and Shan S. Tsutsui. In attendance on Kauai were Russell S. Kokubun, Chair and Senator Gary L. Hooser.

Written general comments were received from Congressman Neil Abercrombie and the Department of Agriculture.

Hawaii (Hilo and Kona)

Written testimony was received from the Mayor of the County of Hawaii; College of Tropical Agriculture and Human Resources, University of Hawaii; University of Hawaii at Hilo; Big Island Farm Bureau; AFC Kona Kohala Chefs Association; The Kohala Center's Hawai'i Island Food Self-Reliance Project; Hawaiian Sunshine Nursery; Kama'ili Nursery; Hawaii Coffee Association; and nine individuals. Several dozen people presented oral testimony, including Tropical Hawaiian Products; Green Point Nurseries, Inc.; Hamakua Springs Country Farms; Hawaii Aquaculture Association; Mountain Meadows; Hawaii Papaya Industry Association; and many employed in various phases of agriculture.



Honolulu

Testimony was presented by the Hawaii Farm Bureau Federation; College of Tropical Agriculture and Human Resources, University of Hawaii; Alluvion, Inc.; Hawaii Aquaculture Association; Hawaii Crop Improvement Association (Seed Corn); Nalo Farms; and FAT Law Farm.

Maui

Written testimony was received from the Mayor of the County of Maui; the Department of Agriculture; the College of Tropical Agriculture and Human Resources, University of Hawaii; Maui County Farm Bureau; Maui Invasive Species Committee; Hawaii Agriculture & Conservation Coalition; The Nature Conservancy of Hawai'i Maui Field Office; I.N. Komoda Orchids, Inc.; Tropical Gardens of Maui; Tropical Orchid Farm; Upcountry Natives, LLC; Wai Ulu Farms; twenty-five individuals. Oral testimony was presented by the Maui Office of Economic Development; Maui Cattlemen's Association; Maui Flower Growers Association; Maui Pineapple Company; The Maui Coffee Association; Maui Tomorrow Foundation; Haiku Maui Orchids Sierra Club; Hana Tropicals; and several dozen individuals.

Kauai

Written testimony was received from the Kauai County Farm Bureau and Malama Kauai. Oral testimony was presented by the Kauai Office of Economic Development; Kauai Invasive Species Committee; Kauai Nursery and Landscaping, Inc.; Syngenta; Arbor Sciences; Hawaii Tropical Flower and Foliage Association; Going Green Nursery; Hawaii Beekeepers Association; and approximately two dozen individuals and organizations.

Video links of the briefings and selected testimony are available on the Legislature's website.

Plant Quarantine Branch (PQ Branch)

The PQ Branch's Biosecurity Program is responsible for controlling the introduction and interisland spread of invasive species in Hawaii - described as the single greatest threat to Hawaii's economy, natural environment, and the health and lifestyle of Hawaii's people. Invasive pests can cause millions of dollars in crop losses, the extinction of native species, the



destruction of native forests, the spread of diseases, and the quarantine of exported agricultural crops.

Nearly ninety per cent of Hawaii's consumer goods are imported and ships alone bring in 500,000 sea containers carrying 25,000,000 cartons - inspectors at harbors and airports are the first line of defense in stopping invasive species. In addition, the export value of agricultural products is in excess of \$160,000,000 and the scheduled layoffs will have a severe impact on Hawaii businesses due to the resulting reduction in exports. California already imposes strict guidelines for importation of Hawaii agricultural products, and any decline in meeting those requirements may result in an embargo by the State of California. Small businesses in particular are vulnerable, as any additional difficulty in achieving nursery certifications has a proportionately larger financial impact on smaller operations.

Initially, the PQ Branch listed 72 general funded positions and 40 special funded positions - 52 of the general funded positions were scheduled for layoffs.

As a result of the briefings and increased community attention, on September 24, 2009, the Department of Agriculture announced temporary restoration of 22 of the plant quarantine inspector positions slated for layoffs to support core inspection services at ports statewide. The \$1,800,000 funding for the 22 positions includes \$600,000 earmarked for the Hawaii Invasive Species Council (HISC) and \$1,200,000 from fees collected in the Pest Inspection, Quarantine, and Eradication Fund. Income to the special fund comes from maritime and airline companies that bring in cargo to Hawaii and pay 50 cents per 1,000 lbs. of cargo for inspection, quarantine, and eradication of invasive species that may be transported into the State. The changes will result in the following adjustment in inspection coverage:

Port	Pre-RIF	Post-RIF
Hilo	10	6
Kona	4	3
Kauai	3	2
Maui	14	11
Oahu	52	33
TOTAL	83	55



With reduced inspector staffing, priorities will focus on all incoming cargo from Guam to prevent the introduction of the brown tree snake, and inspections of food for human consumption and animal feed. Actual coverage, however, is hard to estimate, particularly in terms of the "gaps" not covered despite the restoration of the 22 positions. The Department of Agriculture is also working closely with federal partners and the agriculture industry to share responsibilities and develop alternate inspection arrangements, which in all likelihood, will not be accomplished expeditiously.

Commodities Branch

The Commodities Branch provides fee-for-service certification and auditing; enforces laws regarding the quality and condition of agricultural products; issues licenses for dealers in farm produce; conducts feed registration, sampling, and enforcement for label guarantees; and administers the Milk Control Section. Overall the Commodities Branch will lose fifty per cent of its full time staff. The Branch is also responsible for seafood inspections, seed certification, USDA federal-state certification of eggs, and food safety.

The Commodities Branch is projected to lose fifty per cent of the full time staff. On the Big Island, the layoffs will directly impact the papaya and coffee industries and increase certification times from days to weeks. Statewide, over 1.8 million pounds of papaya were checked and over 6.3 million pounds of coffee certified in fiscal year 2009.

PRIORITY CONCERNS

Based on the information and testimony received, your Ad Hoc Committee has identified the following priority concerns.

- Agriculture is a \$4,720,000,000 industry in Hawaii and accounts for 38,000 jobs or five per cent of the statewide total. The proposed layoffs affect not only growers, but have a substantial "trickle down" effect on other related industries, such as packaging, fertilizer producers, etc.
- Since 1981, there have been eight confirmed interceptions of brown tree snakes from Guam, where the snakes are responsible for an estimated \$485,000,000 annually from power outages and



other damages. Once the snake is established, eradication is next to impossible.

- Hawaii has only five types of mosquitoes, none of which are vectors of malaria and dengue. Keeping additional mosquitoes out of the State is critical to stopping the spread of disease to both humans and animals.
- There have been two interceptions of red imported fire ants: their stings can cause death in people and animals and they cause extensive damage by chewing through electrical insulation. National costs for control and mitigation are estimated at \$5,652,000,000 annually.
- PQ Branch Inspectors must be able to identify over 150 prohibited animals, 1800 restricted animals, 1800 conditionally approved fish, 600 genera and nearly 22,000 species of grasses, as well as 100,000 hybrids of orchids that require quarantine. Inspectors need a relevant academic degree and three years of training.
- Currently, all PQ Branch staff require overtime to meet inspection needs. Projected cuts will reduce the staff by nearly half, making adequate inspection impossible.
- Larger agribusinesses may be able to pay for private inspectors, but small farmers will not be able to afford this alternative.
- Layoffs may require assignment of all inspectors to produce only, affecting pets and the imports for the holidays, such as Christmas trees and other florals and greens.
- A California embargo on Hawaii agricultural products is a strong possibility, which would have a substantial economic impact on growers dependent on the California/West Coast markets.
- On Kauai, the Department of Agriculture is scheduled to lose the only office person. Farmers testified that they need a point of contact for the Kauai office in order to schedule and coordinate inspections and other services and obtain information.



- Aquaculture is one of the fastest growing industry segments - valued at \$34,700,000 in 2008 - and cuts in inspector services will impact both imports and exports. Seafood inspections account for nearly the same volume as florals, and play a vital role in the stability of the restaurant industry.
- Hawaii's seed industry - valued at \$250,000,000 in annual spending and currently the leading commodity in the agricultural industry - faces a possible shutdown if inspectors are not available to process research imports and exports.
- In reviewing the \$1,800,000 funding for reinstatement of the 22 positions, concerns were raised that not all cargo carriers may be in compliance with paying fees, to the detriment of the uses of the Pest Inspection, Quarantine, and Eradication Fund at this critical time. In addition, the \$600,000 earmarked for the Hawaii Invasive Species Council, which will now be used to fund inspector services, will seriously jeopardize "on the ground" eradication and management programs of invasive species.

RECOMMENDATIONS

To address these priority concerns, your Ad Hoc Committee has developed the following recommendations.

- Require the Department of Agriculture to report to the Legislature on an assessment of:
 - ✓ The adequacy of the pre-RIF workforce in light of the testimony provided; for example, the optimum would be to have four inspectors on Kauai as the three pre-RIF inspectors were too short staffed to process the required inspections and nursery certifications when vacations and illness resulted in only two positions being active.
 - ✓ Layoffs of aquaculture branch staff, including impacts on the industry.



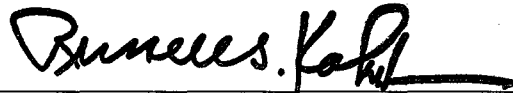
- ✓ Lack of entomologists on each island, and the impacts on timely responses.

- Amend section 150A-4.5, Hawaii Revised Statutes, the Pest Inspection, Quarantine, and Eradication Fund, to maximize container fees for the fund by providing penalty provisions for non-payment or late payment including all airline cargo carriers.

- Request the Legislative Reference Bureau to analyze and report on the economic impacts of the layoffs to business and the community.

- Request the Hawaii Invasive Species Council to analyze and report on the environmental impacts of the layoffs to business and the community.

Respectfully submitted on
behalf of the Senate Ad Hoc
Committee,



RUSSELL KOKUBUN, Chair

