

NEIL ABERCROMBIE  
Governor



RUSSELL S. KOKUBUN  
Chairperson, Board of Agriculture

JAMES J. NAKATANI  
Deputy to the Chairperson

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

TESTIMONY OF RUSSELL KOKUBUN  
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE  
February 24, 2011  
12:00 P.M.

HOUSE BILL NO. 290 HD1  
RELATING TO AGRICULTURE

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to testify on House Bill 290 HD1 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 in 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.

Due to the uncertainty of the anticipated number of inspections and the amount of fees to be collected, we will need the ability to raise our fees expeditiously as needed, to ensure sufficient funds will be collected to cover the expenditures. We respectfully suggest that the bill includes language to allow timely fees and charges the addition of the following language in Section 2 of the bill:

(d) The fees shall be in amounts necessary to cover all costs of the administration and provisions of the license fees, certification or audit services provided under chapter 144, part I of chapter 145, and chapter 147; provided that the department may establish charges for traveling expenses and extraordinary services when the performance of the services involves unusual cost. The fees and charges established by the department of agriculture shall not be subject to chapter 91.

Thank you for the opportunity to testify on this measure.

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 290, H.D. 1

February 24, 2011

RELATING TO AGRICULTURE

House Bill No. 290, H.D. 1, establishes the Agriculture Inspection and Certification Special Fund into which are deposited: 1) funds received for food safety or food security certification seals; 2) funds received for promoting safety-certified food suppliers and services related to food safety; 3) federal funds; 4) fees, charges, fines and penalties designated by law or rules; and 5) interest earned or accrued on moneys deposited into the fund. The Agriculture Inspection and Certification Special Fund is to be expended by the Department of Agriculture for: 1) licensure of commission merchants, dealers, brokers, agents, processors, and retail merchants; 2) inspecting, certifying weighing, and grading of agricultural commodities shipped intrastate or interstate; and 3) the administration of Chapter 144, HRS, Feed; Chapter 147, HRS, Grades and Standards; and Part I of Chapter, 145, HRS, the Regulation of Dealers.

The overall concept and purpose of the Agriculture Inspection and Certification Special Fund is laudable; however, 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 financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 290, H.D. 1, it is difficult to determine whether the fund will be self-sustaining.



**Hawaii Farm Bureau**  
F E D E R A T I O N

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February 24, 2011

**TESTIMONY**

**HB290 HD1 RELATING TO AGRICULTURE**

Chair Oshiro and Members of the Committee:

HFBB on behalf of our commercial farm and ranch families and organizations is in strong support of HB290 HD1, 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 losing 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 HFBB 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.

February, 23, 2011

To: Representative Marcus Oshiro, Chairman  
Representative Marilyn B. Lee, Vice Chair  
Members of the Finance Committee

Re: **House Bill 290 HD 1 : Finance Committee**

Date: Thursday, February 24, 2011  
Time: 12:00 am  
Place: Conference Room 308  
State Capitol  
415 South Beretania Street

Dear Chairman Marcus Oshiro  
Vice Chair Marilyn Lee and members of the Finance committee,

My name is Jeffrey Peterson.

I was born and raised on a poultry egg farm in Wahiawa where my family still farms poultry today. For the last 10 years I have been the manager for Land O Lakes Purina Feeds which sells animal livestock feeds here in the State of Hawaii. My personal testimony comes from being both raised on a local family poultry farm and also working with the livestock industry.

I am writing in opposition to HB 290. The core reason of opposing this bill is that farmers could get dramatic increases or heavily burdened with their inspection fees. We are here to support sustainability of Hawaii and Hawaii's agriculture. Farmers could say to heck with all the fees, inspections, cost of doing business/farming here and close down as they would be charged with increasing fees.

Secondly and supporting my first comment is, I disagree with the Department of Agriculture being self supportive by the fees they charge through a special fund. I feel this again will raise the inspection fee even more. I feel their fees should go to the general fund and the cost of running these inspections come out of the general fund. The inspections and work they do touch every consumer or tax payer that lives in Hawaii. Everybody in this state benefits from their work and the inspections they do. If the Department of Agriculture needs to hire more people or increase their fees by 5 times to be self supportive in a special fund then this gets passed directly to the local farmer. The Agriculture industry is fragile. I feel it this needs to be with the general fund.

The Department of Agriculture touches every person, piece of land (invasive species inspections etc.), local economy and Hawaii's sustainability I oppose HB290 HD1 due to the idea of the Department of Agriculture being self supportive with a special fund and farmers being overly burdened with increase inspection fees.

Thank you for the opportunity to voice my opinion,  
Respectively submitted,

Jeffrey A. Peterson