

Senate Committee on Food and Agriculture
Senator Dean Florez, Chair

***Evaluating the Consolidation and
Elimination of the
California Department of Food and Agriculture***

Sacramento, California
June 16, 2009

SENATOR DEAN FLOREZ: Okay. Let's go ahead and begin the hearing on the consolidation of the California Department of Food and Agriculture. I want to thank folks for sticking around.

I would like to go through this a little bit slowly to make sure this is on the record and that we have some indication of where we're going today. As you probably know, all of the committees in the Legislature—not just this committee—are having oversight hearings over various departments. I was just in a six-hour Business and Professions hearing yesterday when we went through just about every commission there is under that, and they actually took a vote yesterday to support consolidations or to eliminate.

I want to make sure everyone understands today, we're not taking a vote today. What we are ascertaining is whether or not there should be some departments that are streamlined or whether or not we should look at some sort of consolidation. So if there is any alarm, you should know that we are not the B&P Committee—we're not taking a vote today—but we are going to, most likely, have some sort of reorganization plan come out of this hearing. So this is just opportunity today to go on the record. I will tell you that, as Senator Maldonado knows, we do a lot of education in this committee and we do have a transcript for a reason, and we would like to go through that transcript at some point in time to make sure that we're catching everything that you're saying. So just know, let's go through this somewhat methodically.

I can tell you that on the surface, this hearing seems somewhat unprecedented. It's a hearing, I believe, that is somewhat overdue. As you probably know, we have rarely check in. We've heard the Governor's discussions about blowing up the boxes. What this committee likes to do is look inside the boxes. So today is our opportunity to look inside the boxes and to hopefully get some indication on how we can deal with this \$24 billion deficit.

We do know that there are a few challenges with respect to this hearing. I can tell you, that when the governor addressed the Legislature, he said that every dollar we can save is a dollar that can go to education or health care or other vital needs. So with that in mind, that's the baseline for this hearing, is to try to understand whether or not we can find savings; and wherever we can find it, we want to make sure that we maximize those savings. I can tell you, that rather than look across the board at cuts, this is a time that we can go through CDFA's budget, department by department, and try to weigh the merits of CDFA individually and also holistically.

I think the question you're going to hear a lot today, at the end of the day, is whether or not taxpayers are gaining some sort of relative value from a particular program where government functions and whether or not they as taxpayers ultimately are receiving direct benefit. I can tell you that there will be lots of questions directed to departments within CDFA. We do know that certain segments of the agriculture industry benefit from government involvement and support. But the question is, Is there benefit for the taxpayers and is that some sort of matching of, if you will, benefit?—and I think that's the goal of today.

Secondly, I want to make sure we ask ourselves whether or not the regulatory structure that we have has given us some sense of—well, we're going to see if we can look at the regulatory structure to make it work for us at the end of the day. We have a lot of competing demands of government's efforts and time. We know it's challenging. But if the regulatory structure can be streamlined a bit, that is something that we're very interested in. We are

streamlining in every sense of the word in every department, and the goal here is to try to provide a more streamlined and efficient government as we move through this.

We do know that government moves very slowly. But in this case, with a \$24 billion deficit, we want to make sure that we are moving methodically through every one of our departments. This is the Senate Food and Agriculture Committee so, obviously, our purview over this department is very important. At the end of the day we want to make sure that we have a much smaller footprint—and I don't mean carbon footprint—I mean from a footprint of taxpayer dollars trying to minimize as much as possible.

I can tell you how this proceeding will continue through the afternoon. We are going to have some discussion about the philosophical underpinnings of CDFA. That's very important to us. We want to talk about the ways it operates and how we can achieve a better understanding of the regulatory approach of its programs. And, of course, we put out the question whether or not we even need a CDFA, and that is the baseline for today's discussion. I do know that CDFA has been a part of state government for many, many, many years, and the question simply is whether or not that should continue as we move forward and whether or not there's pieces of it that should be streamlined and put other places.

We'll also talk about funding for the various services provided by the departments. For example, some programs, obviously, are funded through other dollars, such as fees, and some are funded by the federal government—we'd like to have a better understanding of how that works—and then we're going to open up the discussion to the public so we can actually hear what others have to say about CDFA. So this could be a pretty long hearing. We could be here a bit, in and out. It really depends on the answers that are given. I can tell you that we have put a consolidation proposal out there. It does eliminate the entire office of the secretary, including a few positions, and we're going to proceed through with this process from a consolidation point of view.

I would like to lay out what that is in my mind at this point in time. We have, as you know, a \$300-million-plus budget at CDFA. About \$100 million of it comes from General Fund funding provided to the CDFA, and I guess we're going to go through little pieces of that \$100 million. For example, the entire executive management administrative organization at CDFA costs taxpayers \$13 million a year.

We're also going to be discussing today whether we should transfer fertilizer, chemical, and pest control activities to the Department of Pesticide Regulation for streamlining and cost savings, whether or not we ought to abolish the agricultural marketing functions. As you know, we have about 50 boards and commissions, including a Blueberry Commission, headed our way from the Assembly and the question simply is whether or not those make sense for us and how much support ultimately is given by CDFA in regard to those boards and commissions.

I would also tell you that Senator Maldonado and I have many, many years of discussions from the Assembly on, on fairs and expositions. And the simple question is today, you know, Is that a viable mechanism to provide for fairs and expositions the way we do it today, particularly in this budget? And we're going to talk a little bit about that.

The last and probably one of the largest single-budget items in the CDFA budget has to deal with animal and plant functions. And today we're going to talk about whether or not the Department of Health—the new Department of Public Health or the Department of Resources—should take some of these issues on rather than be housed at the CDFA—ag preservation, for example, over at the Department of Resources—plant health, animal welfare, food safety—to be pushed over to the new Department of Public Health. Obviously, my preference is to look at transferring food safety functions to the Department of Health. But today we're going to have an opportunity to try to figure out whether that makes sense and, lastly, whether or not we should transfer the weights and measures to the Department of Consumer Affairs. So these are some of the consolidation proposals put forward thus far, at least by myself,

and we'd like to ask the Department to come up and then we'd like to proceed through eight of these proposals and see if they make any sense.

Okay. Now thank you for joining us. We very much appreciate it.

MS. RAYNE PEGG: Thank you.

SENATOR FLOREZ: And I guess the first question I maybe have is, this hearing, as you probably know, you've had some time to prepare for, hopefully. We've had about 10 days in the file.

MS. PEGG: Um-hmm.

SENATOR FLOREZ: So I guess my question is, Where is the secretary?

MS. PEGG: The secretary is actually with the United—can you hear me?

SENATOR FLOREZ: I can.

MS. PEGG: With the United States Department of Agriculture, as well as the agricultural secretary from Mexico. They're meeting this morning in San Diego on Asian citrus psyllid in our cooperative agreement with Mexico to both eradicate the pest there in Mexico as well as along the California southern border.

SENATOR FLOREZ: Right.

MS. PEGG: So we looked at—we had two very critical things going on today. We had your hearing regarding the elimination of the department, and then we also had the Mexican government calling a meeting so we had to go in different directions.

SENATOR FLOREZ: Right. Could this be seen as an indication that the secretary, when we put in the file the elimination or consolidation of his department, is making a choice to deal with an issue that he couldn't send many of the folks in your budget that deal with this? Are all the secretaries meeting there today, or who's meeting?

MS. PEGG: The secretary of Mexico is meeting as well as our secretary and I believe probably the USDA administrator of APHIS. We have every single division director here for this hearing and we take this very, very seriously.

SENATOR FLOREZ: Okay. And why couldn't you have told us that the secretary wasn't going to be here earlier? I'm sure the Mexico conference didn't pop up on your screen yesterday.

MS. PEGG: Right. We made it clear to your staff that we may have a conflict. We were not too sure if the secretary would be able to attend or not. That meeting had been cancelled in the past—the Mexico meeting—so we were not too sure if it would be confirmed.

SENATOR FLOREZ: Okay. So him showing up was contingent upon his meeting in...

MS. PEGG: With the Mexican government.

SENATOR FLOREZ: Okay. And what time is that meeting?

MS. PEGG: He was on a flight this morning and I think it started around 10:00 but I'm not positive.

SENATOR FLOREZ: Okay. Well, I can say that we're not too excited about him not being here. But you do have your department heads here which we will then probably ask some questions to.

Let me first get your response, if I could, to some of the consolidation questions I've mentioned. Why don't we start with the value that the Department of Food and Ag provides to the general taxpayer?—just a big philosophical question first.

MS. PEGG: No, and I think that it is good that you have called this hearing, and I think in this budget crisis it is important that we look at every taxpayer dollar and how it's spent. I think, you know, when evaluating what our role is in everyone's everyday life, you have to ask the question, Have you eaten today? We play a critical role in getting that food to your table and protecting California's food supply, and it costs the average Californian \$3.67 to our budget. We leverage that money. We leverage it with \$15.58 of federal and user fees in order to run the department. Where our primarily General Fund dollars are focused on are the animal and plant divisions and they're focused on those areas that protect the general public, as well as our food supply.

There are roughly 75,000 farmers and ranchers throughout California, and 75 percent of them are 100 acres or less. These small farmers and ranchers build the food supply not only for California but the rest of the world, and we do find that very, very important. We are proud that we protect those farmers and ranchers and California's environment.

SENATOR FLOREZ: Okay. And you've mentioned a couple of times the protection of those industries. Are you aware of any other, if you will, departments in state government that protect industries in a similar way?

MS. PEGG: Well, I mean, if you're asking the question of should we have a department of food and agriculture...

SENATOR FLOREZ: No, I'm just asking a question, Do you know any other department or do we have any other...

MS. PEGG: There's the Department of Housing.

SENATOR FLOREZ: Are they out to protect the realtors? Are they out to protect the developers?

MS. PEGG: Well, isn't there a Department of Real Estate? I think there's a Department of Real Estate.

SENATOR FLOREZ: I mean, are those needed? I mean, that's the question that we're asking today.

MS. PEGG: I mean, I personally feel that protecting our food and our fiber is very, very important.

SENATOR FLOREZ: Right. No, it is very important but how do you—we'll go through whether or not that's kind of occurring within the actual functions of CDFA. I mean, the Fresh Cut Flower Commission, tell me how that protects—how does that fall into your...

MS. PEGG: Well, there's no General Fund dollars so the taxpayer is not paying for the Fresh Cut Flower Commission.

SENATOR FLOREZ: Do you pay attention to it? Do you spend any time on it?

MS. PEGG: Yes, we audit it. It's up for referendum periodically.

SENATOR FLOREZ: Do we use taxpayer dollars to do that?

MS. PEGG: No. Actually, they pay us for that audit.

SENATOR FLOREZ: So we don't use any time at all?

MS. PEGG: No, that division is actually no General Fund dollars and you can see that in your budget breakdown.

SENATOR FLOREZ: Yeah. No, I have my budget breakdown. But I'm just saying—so you're telling me, that as we go through some of these fee-based programs, that we use no taxpayer dollars for the monitoring, support, auditing, checking in, travel, conferences? Are you...

MS. PEGG: We charge them for all those activities. We do have an administrative cost that we do charge all those programs for those activities. We do charge them to actually audit them. We charge them anywhere between...

SENATOR FLOREZ: So there's zero taxpayer-dollar programs?

MS. PEGG: Correct. They're zero. Now if you want to get into the executive office, that is assessed throughout, that is distributed—those costs are distributed throughout the whole entire department.

SENATOR FLOREZ: Okay. What are the, from your perspectives—so your thought is taxpayers are getting \$3.67 of—that's how much your department costs the taxpayers at the end of the day?

MS. PEGG: Um-hmm, our General Fund contribution. That's roughly 30 percent of our total budget, is General Fund. And then we leverage that with federal dollars—both 54 million of federal dollars, as well as an additional 32 million of federal dollars—that go to the counties.

SENATOR FLOREZ: And are the federal dollars contingent upon our contribution?

MS. PEGG: Several programs are contingent upon our contribution; not all of them. And we can go division by division. It varies on the program.

SENATOR FLOREZ: We'll do that. Is the current management structure the best structure from your perspective? I mean, is this the best structure in order to run CDFA?

MS. PEGG: Well, we're open to—I don't know what you're proposing otherwise. It has been a very efficient model. I think the California Performance Review said that it was an efficient model. But we're happy to discuss, you know, what sort of model do you think would work.

SENATOR FLOREZ: Well, that's what we're doing today.

MS. PEGG: Right.

SENATOR FLOREZ: So the question is, ultimately, Looking at other models, have we ever studied any other structure? Are you aware of any sort of—I mean, it isn't just you. There's been secretaries in both administrations. So have we ever taken an opportunity to look at what we've built on and asked the question whether some of these divisions need to remain?

MS. PEGG: Well, I know in the California Performance Review they did ask that question and there were some proposals on the table there. We've actually forwarded several proposals in the past. But I think that is part of this exercise. I mean, we're in a budget crisis so part of the exercise is reevaluating. It's good to reevaluate.

SENATOR FLOREZ: And when you say that the Governor's Performance Review made some recommendations, when you said they forwarded it, does that mean they forwarded it to—what? What does that mean?

MS. PEGG: Well, one of the recommendations is that the fair is privatized. And we had a bill, SB 1041, with Kehoe that would have made them special districts and we're open to that discussion again.

SENATOR FLOREZ: Okay. And that was a department-sponsored bill?

MS. PEGG: I don't know for sure if it was a department-sponsored bill. I don't know exactly but I think it was.

SENATOR FLOREZ: Okay. And I guess the question—the reason I mentioned that—is you've inherited this department. It isn't as though the governor came in and created departments and actually put this in place. So I guess the issue is, when we look at some of the functions and reforms, whether or not we can find various ways to streamline the cost structure for the department itself...

MS. PEGG: Right.

SENATOR FLOREZ: Let me ask another question, if I could, in terms of the evaluation. I mean, how do we evaluate the performance of your departments? How does one judge whether or not they're actually being effective in terms of delivering what they promised to deliver which, as you've mentioned, various items, food safety on?

MS. PEGG: That is a good question. I think it depends on the program. They have very—it's different components. It depends on who pays into the program.

SENATOR FLOREZ: Why don't you give me an example?

MS. PEGG: Well, I mean if you look at—let's take the Inspection Services branch. For those components that there are users being assessed, there are usually boards that they report to that do, make recommendations to the secretary on various policy, whether it's the Organic Board—they make recommendations to the secretary and we are revamping that program—whether it's fertilizer, same thing. If it goes into plant and animal, we have a nursery program. They report to those that are being assessed. That is an important component in making sure actually that you're not wasting money. And I am a proponent of having those groups to report to, to make sure that there is no waste going on there.

SENATOR FLOREZ: Right. Now in everything that you've mentioned there in order to evaluate, is there some sort of formalized process to evaluate this?

MS. PEGG: Well, there's always a public comment. If it's a regulation, then it goes through the OAL or the AOL—OAL—sorry—I always mix it up with AOL—OAL—and there's a public process there. We have various—we have the State Food and Ag Board, which I know you've talked about potentially eliminating.

SENATOR FLOREZ: Yes.

MS. PEGG: There is a new Invasive Species Council that is now made up of all the secretaries. There's a lot of...

SENATOR FLOREZ: And these councils and boards, in your example, they're reporting back to the secretary on what? Improvements?

MS. PEGG: Improvements, how the use of funds are used, what should be priorities or not. You know, under difficult budget times, you have to prioritize what is critical.

SENATOR FLOREZ: But these are folks in the industry and recommending to the secretary who is supposed to be able to, in essence, regulate the industries on certain sort of protections or—I mean, is that the best structure to have folks that—I mean, do they pay for the answer they want and the secretary just says okay? I mean, this isn't necessarily—I'm just trying to understand what the value is of boards and commissions that are made up of the folks that, in many cases, we're supposed to be regulating and giving advice back to the secretary is. I mean, is it that we're so inept that we can't understand the complications of those industries? And if that's the case, then why wouldn't we just privatize the boards and take us out of the equation altogether?

MS. PEGG: Well, that's kind of a couple of different—I'm sensing a couple of different questions in your comment. I mean, our role is—let's take, for example, the H1N1 outbreak that occurred. We were immediately called to identify if this was in our imported swine population, to make sure that it wasn't. And we were able to quickly identify through our labs in our lab network throughout California that, no, this was not in the swine population; we do not have a concern there; now public health can focus on public health. It's this infrastructure that we have created where we can quickly pinpoint a problem and identify it. And in that effect, we do respond to the public and the public's needs.

Now boards and commissions are not General Fund operating things. We can talk about taking them private, if you want to have that discussion, and they have very different roles. I mean, they're primarily marketing functions. They have a different role than many of the activities that we do. I mean, we have plant labs and animal labs to identify pests and diseases that

could be a risk to our food supply and our environment. And that's really what the public pays for, are those plant and animal labs, that detection system. That's what the public pays for. They're not paying for the things that are specific to the needs of farmers and ranchers.

SENATOR FLOREZ: Right. But I guess the question would be, Why wouldn't we have the new Department of Public Health do that, what you just mentioned?

MS. PEGG: Well, as the largest agricultural producer in the United States—and every other state has a department of food and agriculture—there's the United States Department of Food and Agriculture, and we wouldn't have a department of food and agriculture—I mean, food is not important?

SENATOR FLOREZ: No. I guess the question is whether or not, you know, just because the federal government has a department of food and ag, whether we have to have a department of food and ag, if other reporting functions could be pushed forward by various aspects within our government—whether it's Pesticide Regulation or DPR, whether it's Public Health—I mean, are you saying the reason we have the Department of Food and Ag is because the federal government and every other state has one?

MS. PEGG: Well, it's also because we are the largest producer in the United States and our food supply is...

SENATOR FLOREZ: We also produce the largest amount of, you know, a whole host of other things. We don't have departments for Silicon Valley, right?

MS. PEGG: No, this is a basic need. Food is a basic need for your livelihood and it should be—we should be proud to protect it. This is where we disagree. We should be proud to protect it.

SENATOR FLOREZ: We're not disagreeing; we're asking a question, Are we truly protecting it or are we simply shepherding it in a very wasteful, costful manner? In other words, I mean...

MS. PEGG: Well, let's talk about that. I mean, let's go through the budget and talk about where we're wasting. I want to hear your ideas. This is a budget crisis. Let's hear your ideas where we're wasting.

SENATOR FLOREZ: Right. Well, I'm trying to get, from a philosophy point of view, what your role is. It sounds like CDFA is simply a middleman; that's what it sounds like to me. In essence, you're the person—you don't really regulate; you don't really tell; you're kind of the person that coordinates. Is that what the role is? Because it seems that's what you're saying. I mean, what is it that we're...

MS. PEGG: No, we have clear regulatory authority in various aspects, in various divisions. So we have our state vet here, Dr. Breitmeyer, well recognized nationally. We can look at...

SENATOR FLOREZ: Does the vet need to be in your department? I mean, does it need to be in the Department of Public Health?

SENATOR FLOREZ: Yeah. Well, we're not going to get into any details, so I understand the philosophy, okay? So first of all, we rush through this. We never take a look at CDFA. I don't know when the last time we took this place apart and put it back together, but we're going to do that today and we're going to do it at the pace that we want to do it at. So I'm trying to get an idea of what the philosophy is. And, sure, we're going to go through eight departments and we have lots of questions for each of the departments, but I can't remember the last time we actually methodically looked at the functions of the department.

Can you tell me when the last rigorous review was by the Legislature of your department?

MS. PEGG: Well, there was, under the Gray Davis administration, they did look at various proposals for the Department. But, you know, I think it would be good if Dr. Breitmeyer talks about his role...

SENATOR FLOREZ: It will be good when we get to it.

MS. PEGG: Okay. We can wait.

SENATOR FLOREZ: Yeah, we can. And I'm trying to get your philosophy again in terms of how the department sees itself in the context of the delivery of taxpayer dollars, so I'd like to go through that a little more.

Has there ever been a sunset review of your department? In other words, have you ever been put to the Legislative Sunset Review Committee in its history? I'm just trying to understand when the last time we really looked at this department and taken it apart and looked at the pieces and asked the question whether or not we could find savings.

MS. PEGG: I'm not aware of any sunset review committee. I mean...

SENATOR FLOREZ: Because the Governor mentioned in his Performance Review some changes and this is the governor that your—this is your administration. So I'm wondering, if the Governor asked you to make changes and you don't make the changes, why not?

MS. PEGG: The California Performance Review...

SENATOR FLOREZ: Was he wrong?

MS. PEGG: The California Performance Review?

SENATOR FLOREZ: Yes.

MS. PEGG: What changes?

SENATOR FLOREZ: For your department.

MS. PEGG: He talked about DPH food safety roles coming over to CDFA and privatizing fairs. And we're open. You know, give us your ideas. We haven't seen your proposal. But share it with us now. We're happy to discuss what we can.

SENATOR FLOREZ: We are. I'm just trying to understand how you react to the issue of change itself. I mean, your governor has asked you to do certain things and your comment was you forwarded it. I don't know if you forwarded it to a trash box or you forwarded it to somebody who actually wanted to implement it. I'm just trying to understand what that means.

MS. PEGG: Well, there was SB 1041; that was a bill that went through the legislature. It didn't make it through the legislature, actually.

SENATOR FLOREZ: Did you try again?

MS. PEGG: We can try again with you.

SENATOR FLOREZ: Okay. We look forward to working with you on that.

Now the Department of Consumer Affairs goes through a similar sunset review, for example, just so people in the audience know that. I mean, this is something that we just did most recently. We actually have gone through, as I've mentioned, boards and commissions; we went through the necessity and their services; we did that at length yesterday for about six hours. And I'm wondering, again, have we done this through your department? Just a yes or a no would suffice.

MS. PEGG: For the department as a whole, I don't believe we have. It's not, to my knowledge.

SENATOR FLOREZ: Okay. And do you see the need or utility for doing this once in a while?

MS. PEGG: I think it is important to review the budget and to defend—I think it's a good exercise and it is a good one for actually making changes. I think this is a good idea for a hearing.

SENATOR FLOREZ: Would you support a formal legislative process, such as the Department of Consumer Affairs, where we actually have sunsets on your department and we actually do exactly what we did in BP by statute?

MS. PEGG: I would have to look at the details of the proposal. I don't know what Consumer Affairs does.

SENATOR FLOREZ: They go through departments, is the way they're...

MS. PEGG: There are several programs that do.

SENATOR FLOREZ: ...or they sunset or they disappear. It's kind of like you're either doing something or you're gone. It's very simple. It's kind of what they do in Texas. They have a sunset review committee and they go through it. Things that make it, don't. People that have an opportunity in that sunset review process to ask questions—they look at the way that departments are run—managers are let go; government is streamlined. And so, I'm asking, Would that be something that your department would support, an actual,

formal sunset review of CDFA that would match the timeframe of the Department of Consumer Affairs, for example?

MS. PEGG: I am happy to look at the proposal and I'm sure the administration is as well.

SENATOR FLOREZ: Okay. But do you have any thoughts on how you view that?

MS. PEGG: I don't have any thoughts on it right now, no.

SENATOR FLOREZ: Is that a question for you or the secretary?

MS. PEGG: Well, I would like to review it and give it some more thought. It's a question for both of us, as well as the administration.

SENATOR FLOREZ: And what is the role of the secretary of the department?

MS. PEGG: The secretary is an appointed position by the governor and it oversees and makes determinations on the department's actions.

SENATOR FLOREZ: Okay. Let's go through some of the reforms now. We have roughly about \$100 million of General Fund money. Do you believe, just big picture from you looking at this, without us even making a reform, that you can find savings?

MS. PEGG: We have looked at various saving proposals. We've looked at and definitely—you know, we put forth various options, whether they be the air and maritime fee proposal, a retail tax—this is all under the Gray Davis administration—but we have looked at how to reduce our General Fund obligation and replace that with various fees or more reliance on the federal government. And I think, you know, our objective in the Department is always to look at what user fees we can leverage and what federal dollars we can leverage.

SENATOR FLOREZ: Okay. Let's talk about that for a moment, from recouping some of the General Fund dollars. Have we looked at the fee issue more directly in this budget crisis? In other words, asking folks to, the beneficiaries of this service, to actually pay more or exactly what the cost would

be so we would have no General Fund impact whatsoever on all of these programs?

MS. PEGG: Which one was your example?

SENATOR FLOREZ: Well, for example, if you looked at industry partners—and I do know that people come to our office and discuss certain types of proposals where they would be willing in many cases to pick up some of this—is this the approach that you’re taking in order to minimize the amount of General Fund dollars?

MS. PEGG: Absolutely.

SENATOR FLOREZ: Okay. And when do we get an idea of seeing what that looks like?

MS. PEGG: We are looking at where our General Fund dollars are focused, which is in the plant and animal division, and who can absorb those costs. We have meat inspection and those are primarily the small slaughter facilities for specialty meats, and we’ve looked at what fee those guys can absorb and how we can change that. It’s quite high so we’re looking at, you know, could we leverage some federal dollars for that for some of our food safety components that aren’t already covered by producers? In the plant division, we have gone through the budget to see—and we’ve had discussions with USDA over—if they could cover some of our programs there, and we’re still in discussions with them.

SENATOR FLOREZ: Okay. You mentioned we’re looking at what we will see. But we’re going to be on the senate floor in about 10 days voting on a budget, so when can we see some of those in actual real numbers within the budget that we’re voting on in order to be reduced? What’s your timeframe, in other words? When do we actually get to see those, score those savings, is what we’re looking for?

MS. PEGG: Right. Well, last year we experienced 9.3 percent—a \$9.3 million cut—and then we’re looking at the additional cut through furloughs and other activities. We are looking at—you know, what is difficult with our budget is several of our programs don’t really have a user base to assess.

These are introduced through travelers and smuggling, primarily introduced through the route of Hawaii and other countries and they're found in urban areas. And this is what we've always struggled with, is, who do we assess in those scenarios and situations?

SENATOR FLOREZ: Great. So when do you think all of this is going to result in some numbers that we can score? I mean, we'd all like to delay. Every department would like to say, we're looking at it, but next year we'll come up with our plan. But we're running out of time.

MS. PEGG: Right.

SENATOR FLOREZ: So when would your budget or your savings be put into some sort of a spreadsheet so we could actually put this into the budget, trailer bill, this year?

MS. PEGG: I would have to get back to you on a timeline for that.

SENATOR FLOREZ: Okay. Just know that for every day you wait, then we will do it then, and I don't think you want us doing it. I mean, I think that, the many calls I received, is, Why are you doing this? And our response will simply be, If not us, who?

MS. PEGG: Right.

SENATOR FLOREZ: I mean, the governor has made some recommendations and there's been no action and we have recommendations. I mean, at some point every department—I get that people get cut across the board, but your cuts were probably no different—correct?—than the Department of Health or other—you know, everybody got cut across the board. But I'm asking you specifically, programmatically, what are you doing in order to provide us some savings in this particular year or budget, or how do we downsize? Can we downsize?

MS. PEGG: Well, that's what we're in the process of evaluating.

SENATOR FLOREZ: Okay. Let me ask a question about, again, when that process you're evaluating is going to be completed, just an answer. Have you got a timeframe?

MS. PEGG: I don't have a timeframe at this moment, no.

SENATOR FLOREZ: Okay. Could you get back to us on what the timeframe would be?

MS. PEGG: I will. I will get back to you.

SENATOR FLOREZ: Okay. Let's go to the reform I mentioned earlier which is the specifics now in terms of the elimination of the executive management and administrative functions. We spent about \$1.6 million on salaries alone. That includes a secretary, an undersecretary, three deputy secretaries, a special assistant, principal assistant, consumer liaison office, and a whole host of other positions. And I'm wondering, that is your top management which I mentioned, correct?

MS. PEGG: Um-hmm.

SENATOR FLOREZ: Right? And is every position there absolutely important and vital to the running of this particular...

MS. PEGG: It is. We're actually a pretty lean department and we've even made additional cuts to that executive staff. So we do feel that we are running very, very lean at this point. We've prioritized those rules and activities. We've actually thought, well, if it's only one—it's not only but it is \$1.6 million and I know that every penny counts. But even if you transferred all of our activities to another department, you would probably be hiring additional staff to have the expertise in our areas.

SENATOR FLOREZ: Okay. Let's go through that a little bit. Those are just some of the positions that I've mentioned. So you're saying that if we put this in another department, we would actually have to hire these very same folks in order to make the programs work? We have a legal office in your area that's \$1 million of salaries alone. I do know we have a few lawyers around departments. I mean, there couldn't be other folks in legal, that if we were to consolidate, couldn't pick that up? If they were in DPR, the attorneys couldn't look at DPR-related issues; if they were in Department of Health, they couldn't look at health-related issues? I mean, how many legal departments do we need?

MS. PEGG: You had a budget number of a million dollars?

SENATOR FLOREZ: Um-hmm.

MS. PEGG: I don't have that.

SENATOR FLOREZ: About a million dollars in salaries in legal, auditing. I'll go through a few of them. But I mean, I'm just wondering, legal or auditing, I mean, if we were to actually move some of these to other departments, I mean, they have legal, they have auditing, they have information technology folks in training. I mean, why do we have to have dual functions in your department where they could be housed other places?

MS. PEGG: Well, I guess we're assuming that they have excess resources in order to handle our workload. And I'm not aware of a department that does have excess resources, or maybe they do. But we're assuming that they could then absorb the workload of our department.

SENATOR FLOREZ: Yeah. Okay. Well, I mean, I guess our assumption is, everybody is going to have to work harder in absorbing because that's the goal of downsizing, is to see what we can actually—have you ever had discussions with any of these departments to see if they could absorb it—DPR, for example?

MS. PEGG: DPR—I have no formal discussions with them, but it depends on what components you want to move to DPR. They are not a General Fund program; they're primarily through the mill assessment. So I mean, are you proposing to—well, what are you proposing to move to DPR, I guess?

SENATOR FLOREZ: What was that?

MS. PEGG: What are you proposing to move to DPR and then we can...

SENATOR FLOREZ: We'll go through that in a minute. But I'm just asking—let me hold that question then.

We also have a Federal Funds Unit in your department. Do we not have folks in state government that deal with federal funds on a consolidated basis that could look at all of our federal funds? And are these so specialized that we need a special person just to look at federal funds within your department?

MS. PEGG: Well, we do get roughly \$86 million in federal funds. And in order to get that money, you have to fill out proposals; you have to do auditing functions; you have to ensure that it matches the program.

SENATOR FLOREZ: But every department does that—right?—whether it's Health or Health and Welfare? I mean, everyone, when we have federal matching dollars, we have these types of functions—Education, et cetera?

MS. PEGG: Right. Again, you're assuming that they have the excess resources to absorb that function.

SENATOR FLOREZ: Well, let's see. We have legal, auditing, planning, federal funds, budget office, accounting, human resources, training, and the department service branch—214 people worth about \$13 million in General Fund expenditure. So you're telling us that we just see that same \$13 million if we were to move those functions into other parts of government, even though the other parts have a legal office—they have an auditing function; they have a federal funds unit; and they have accounting services?

MS. PEGG: I think, you know, for the taxpayer, \$13 million, you don't know what other departments are charging for their overhead. But I would think that ours is relatively small. I mean, so I don't see where, just by simply eliminating it, I don't see how you don't have to...

SENATOR FLOREZ: No, I get it. But small is relative. I don't know. I mean, just to use an analogy, I mean, I normally get my credit card statement and I circle the big, giant purchases. But when I add it all up, it's the small purchases that actually add up to more than the big purchases. So when we start to look at small, small is relative. So as we start to look at smaller items—and everybody's doing this in the legislature—those small items, like that credit card statement, can become very large and so that's why we're going through this in a very sequential way so we can kind of understand what's small to you might be not small as we look at state government as a giant credit card and see how those small items ultimately add up to a much larger item than some of the major, severe cuts.

These \$13 million in this executive management administrative services, that doesn't account—or does it account—for travel, retirement, office space, equipment, and other costs, right? So this isn't—this \$13 million is just salaries?

MS. PEGG: It's just salary.

SENATOR FLOREZ: Okay.

MS. PEGG: And that \$13 million manages the budget of \$348 million.

SENATOR FLOREZ: Yeah, right, of which two-thirds of it is either fees or the federal government, right?

MS. PEGG: Right.

SENATOR FLOREZ: So we're really managing \$100 million of it, General fund money?

MS. PEGG: Well, no, because it's spread across all programs.

SENATOR FLOREZ: Right. But you just said earlier that we're not spending any time or money on some of those fee-based programs.

MS. PEGG: But the management costs are absorbed into the user fees and other funds, do pay for those management costs. It is spread across the board, so that \$13 million is assessed to every single program.

SENATOR FLOREZ: Again, why can't we move some of these functions to other divisions in state government? I mean, accounting and human resource—we have a whole information technology unit. I mean, why can't we—why couldn't we spread those to other areas?

MS. PEGG: I think it gets back to, if they have the excess resources to absorb that.

SENATOR FLOREZ: What was that?

MS. PEGG: If they have the excess resources to absorb them, then perhaps you could. But I'm not aware of those excess resources. I would think that you would have to actually take some of those positions with those programs. And in some cases, for HR, like they're cross-trained to deal with all of our divisions, we don't have—you know, one person isn't working on one division. So actually they have multiple functions within one person. So if you

split out the divisions and you're talking about, you know, a person for each division...

SENATOR FLOREZ: Right, but let me give you an example. You have fertilizer, chemical, and pest control activities. I assume that the people in the Department of Pesticide Regulation know a little bit about that. So why would I have to cross-train somebody that came from CDFA who now is going to be in the Department of Pesticide Regulation? They probably know as much, if not more so, than the folks at CDFA. I mean, how much learning is that if you're simply—I'm not transferring this to the Department of Transportation where people have to become completely retrained. We're transferring it to places that have some semblance of unity within the subject structure. So if we're taking your functions and we're moving it over to, for example, DPR, I mean, I think you're making an assumption that we're, you know, finding all these folks that need to be retrained. And in many cases, there are folks there able to handle those cases, legal, in DPR, could probably handle a legal question dealing with pesticides as easily as the legal department in CDFA. The question is, Why have two? That's what I'm talking about.

The personnel office at CDFA, we do have other personnel offices in other departments as well, right?

MS. PEGG: Um-hmm.

SENATOR FLOREZ: So why would we need a personnel office in CDFA only for personnel in CDFA when we can transfer that to a much larger area that handles more personnel?

MS. PEGG: I mean, we have these functions because we are a department and they offer support to all the divisions.

SENATOR FLOREZ: Right. And technology office is same thing; legal office is the same thing. I know we have legal offices at just about every corner of every department in state government. And so I'm just wondering how we can look at some of that.

It would be wonderful if you could provide us in that reform before we pick a number and just throw it into a cost savings of what you can really pare

down because I think, if not, we'll pick the wrong things and it would probably be great if you gave us some semblance of what you think you can deal with if indeed, you know, we move in that direction. It's about \$13 million. How do you pare that down?

Let's go to the third reform, which is the transfer of fertilizer, chemical, and pest control activities to the Department of Pesticide Regulation. I'd like to know more about that from your perspective. I mean, why shouldn't we transfer these activities to DPR?

MS. PEGG: Let me—I need to get my fertilizer...

SENATOR FLOREZ: Yes, go ahead and bring anybody you want to rotate on and add to.

Let me get just your name for the record for the transcript.

MR. NATE DECHORETZ: My name is Nate Dechoretz and I'm the director of the Division of Inspection Services.

SENATOR FLOREZ: Okay. Now tell me, have we ever conducted a review between CDFA and DPR to see if there's any sort of duplication of activities, streamlining, looking for efficiencies? Have we ever taken an opportunity to do that?

MR. DECHORETZ: In the fertilizer program in our division, we've worked with the industry in the advisory boards to look at how the program functions, emphasizing the proper priorities, and doing the types of operations that will gain efficiencies and effectiveness. So internally, we do, working with the industry, do review our program on a regular basis.

SENATOR FLOREZ: Okay. We have reviewed, we have looked at—have we ever done anything with those reviews or looking...

MR. DECHORETZ: Yes. We've increased our staff to do more compliance work, to make sure that fertilizer labels, what's in the package complies with the labels, make sure there's...

SENATOR FLOREZ: Could DPR do that? It's just a simple question.

MR. DECHORETZ: DPR does that with...

SENATOR FLOREZ: You just mentioned—I mean, could DPR do that?

MR. DECHORETZ: Yes, with pesticides.

SENATOR FLOREZ: Okay. So, in other words, they could do—is that the major thing that you do at CDFA, what you just mentioned?

MR. DECHORETZ: We also have an extensive Fertilizer Research Program that conduct, funds research at the university level to identify ways to better utilize fertilizers and, in the long run, also protect the environment. There is a lot of similarities between our program and DPR.

SENATOR FLOREZ: Right, and that's one of the...

MR. DECHORETZ: As far as the cost savings go, the issue—part of our strategic planning process, what we've identified is, we cross-utilized staff with other programs. So in other words, they're trained. In another program, they're trained by the, in fertilizer regulatory activity. So when we need them at certain times of the year, they go from one program to another and, of course, the fertilizer program reimburses the other programs.

SENATOR FLOREZ: Right.

MR. DECHORETZ: So what would happen if we moved the fertilizer program? We would have an issue with, you know, staff. We'd have to increase staff on another program to make up for the loss of the staff from the fertilizer program that, say, would help another program. It works both ways. So, you know, we just don't have duplicate staff. We tried to use the same staff in both programs so we don't have a lot of excessive personnel costs.

SENATOR FLOREZ: What that says to me is that you have folks that could easily be in DPR. And because they're not as utilized as they should be at CDFA, you have them doing other things, which means that you could actually downsize more in CDFA to have fewer people and actually save money on both ends. That's the way I read what you've just said. It's about productivity because ultimately how productive we are means how many hours people are working. And if we can minimize those hours, that means we'll need less folks and ultimately save money, and productivity actually might go up on certain areas.

So let me ask a question about, again, the review between CDFA and DPR. Has there ever been a review, a formal review, between DPR and CDFA?

MR. DECHORETZ: Regarding the fertilizer program?

SENATOR FLOREZ: Yes.

MR. DECHORETZ: Not that I'm aware of.

SENATOR FLOREZ: Okay.

MR. DECHORETZ: I've only been in the position for about five years. If something happened a few years before that, I'm not aware of it. We do have very close interaction with DPR on a number of issues.

SENATOR FLOREZ: Okay. Let's go over to the—I want to let you know right now, it seems to be that that might be something that we're really looking at, at doing, or at least attempting to do. The Division of Plant Health and Pest Prevention Services spends about \$61 million of General Fund dollars—thank you very much—and I'm just trying to get an idea. That's one of the biggest General Fund expenses that we have. Could we talk a little bit about some of that breaking this down into certain components? So let me go through them somewhat slowly.

Let's talk about past eradication because in general this is where the majority of the General Fund dollars are being spent, and I want to go over some of the programs there. How would you describe the big picture, the relative benefit to taxpayers for this program, the Pest Eradication Program? I know how it benefits industry, but I'm just trying to understand from a taxpayer point of view so we can get that on the record.

MR. JOHN CONNELL: I think from the taxpayer point of view, especially since...

SENATOR FLOREZ: And can you state your name?

MR. CONNELL: I'm sorry. John Connell. I'm the director of Plant Health and Pest Prevention Services.

From the taxpayer point of view, I think what you're seeing is, one, you're protecting the ultimate ability to produce agricultural harvest in the state of California, whether it's in an organic or in a sustainable setting or even the

backyard setting where folks right now in this economy are busy putting in gardens and growing fruit trees. A lot of the pests are very broad, host-range-type pests that we deal with in the urban environment and have an impact directly on the ability to produce those crops. But beyond that, a lot of the pests that come into the state of California have direct impacts on the rest of the environment and the state. For instance, the gypsy moth, large forest pests, some of the aquatic weeds directly impact the availability of clean water to, whether it's agriculture or to the ability to distribute water throughout the state, to the urban population.

SENATOR FLOREZ: Just for the record, I mean, I know that many of these pests, do they have any sort of impact on themselves, on human beings, or is this a crop-protection program?

MR. CONNELL: Actually, some of them do, not only human beings, but it could be native and threatened and endangered species as well—fire ant, in particular, in Southern California is a public health threat, has been absorbed by some of the vector control agencies down there after its introduction to the state directly by attacking people and stinging and anaphylactic shock for victims of allergic reactions. Some of the other species, including the one I mentioned just a minute ago, gypsy moth. In large-scale outbreaks in the Eastern United States have a direct impact on human health because of allergic reaction to the fine hairs that come off the caterpillars, oddly enough.

SENATOR FLOREZ: I'm just trying to understand from a layman's point of view out there, you know, what we're protecting, what we're not from a human health perspective, because this is a very lean budget, and I do know that the industry needs to have protection. But the question is whether or not, you know, what's the value for taxpayer dollars doing this versus the industry completely doing this on their own? And this is the kind of budget situation that we're in, so I'm trying to figure out from a human perspective, from an impact, if you will, on taxpayers' own health and safety, I mean, what are the pest eradication issues that CDFA should be working on that maybe industry wouldn't step in? In other words, we're not interested in that because it would

kill more, you know, people than it would in our industries? You know, I don't—you understand what I'm saying?

MR. CONNELL: I'm not following what your question is, no.

SENATOR FLOREZ: Okay. Let me give you an example, a layman's example, like my credit care one. If people have termites in their house—it destroys their homes—but the state doesn't come in and have an eradication program for termites because these are folks' homes; these folks are to pay for it; these are the folks that don't look to government and say, hey, I've got termites; my house is falling. You've got a program that protects me, protects my kids, keeps the building from falling down? You don't have a program like that, right?

MR. CONNELL: No.

SENATOR FLOREZ: Right. But you do have a program that, in essence, that goes out and protects a lot of crops, right? So the question is, Why would I want you to have as a taxpayer a protection program for crops and industries that should pay for themselves versus paying for something that actually protects me? Is that a clear example?

MR. CONNELL: Part of the focus of our General Fund is on the early detection of an invasive species in the state of California to avoid just that alternative you described like the termite scenario. If you were to...

SENATOR FLOREZ: Yes, but you get my gist. I mean, my gist, let's just—I'm going to cut right through it. You have General Fund money protecting industries because it would devastate an economy if those industries were impacted. I get that, not a problem. The question is whether or not we can afford to do that today. That's the question. Can we afford to do that today? Can we continue the board to do that?

MR. CONNELL: You asked the question that was directed towards public health; and in that regard, public health and the environment, the direct consequences of the establishment of red imported fire ant has been urban, pesticide, water runoff.

SENATOR FLOREZ: Okay, great. So that would—great.

MR. CONNELL: And the same thing has been documented in San Francisco Bay Area by DPR and by the University of California, Davis, as the consequence of invasive species in the long term.

SENATOR FLOREZ: Okay.

MR. CONNELL: We're trying to avoid that getting worse by having invasive species entering the urban environment.

SENATOR FLOREZ: So let's use your example then. So if I were to go back and write my own bill on cost savings and I were to say that you could only deal with invasive species that have a human impact, as you've just mentioned, and the rest have to be funded by industry, you would be okay with that? Because in essence—right? In other words, we can't afford it and, you know, does the glassy-winged sharpshooter—let's use that for example—did that hurt any human beings?

MR. CONNELL: The insect itself?

SENATOR FLOREZ: Yeah.

MR. CONNELL: No.

SENATOR FLOREZ: Okay. So why are we paying for it?

MS. PEGG: I think...

SENATOR FLOREZ: Can you answer the question?

MS. PEGG: The industry does pay a component of the glassy-winged sharpshooter as well as federal dollars.

SENATOR FLOREZ: I know. But do...

MS. PEGG: So there is matching funds—yes, there is General Fund dollars or taxpayer dollars. It's about \$4 million.

SENATOR FLOREZ: Why are we paying for it when kids are being thrown off Healthy Families? Or the governor's got a whole host of proposals, I wouldn't even mention.

Why would we, in this budget situation, pay for the glassy-winged sharpshooter when we're trying to make some very tough decisions here? Why shouldn't the industry pay for that?

MS. PEGG: Well, I think one of the big things is our infrastructure. Let's focus on where the General Fund dollars go. So where do your \$3.67 go? It goes for border protection so...

SENATOR FLOREZ: Let's go back to my example because that's the crux of what we're talking about. Why wouldn't we look at your programs and pest eradication and simply fund those that have a direct impact on some of the things that John just mentioned a moment ago, directly to health that affects me, the taxpayer, versus those types of insects and pests that simply devastate crops? We know what those are. I mean, medfly prevention methods—we spent \$8.3 million; \$2 million on the light brown apple moth; we spend about \$4 million on Pierce's disease.

You know, why would we continue to do that in this budget situation? How can we afford to continue to do that in this budget situation?

MS. PEGG: I think you'll see that a lot of those pests are introduced through travelers and inter-urban areas so they're not introduced into agricultural settings, and Agriculture is already paying for that. They're paying for that through their crop activities, through loss of marketplaces, through their....

SENATOR FLOREZ: I get that but we're paying also. I'm not disputing Agriculture's contributions to the value of the product that they sell. I would be worried if they weren't paying something into it. I guess the question is, Can we afford, from a General Fund perspective, to continue to ask taxpayers to pay for it? It's at the very crux of the Pest Eradication Program discussion here today.

MS. PEGG: And I think it is a good question, and I evaluated this question over the weekend and I looked at, you know, do I feel comfortable spending \$3.67 if it's going towards monitoring programs, which is a large portion of that, of the plant budget of General Fund. It's going towards a monitoring program that picks up pests and diseases that can be a threat to our food supply, and we do have to weigh that. I mean, is \$3.67 worth protecting your food supply if travelers are the primary...

SENATOR FLOREZ: What if it's \$1.50 to protect our food supply and we streamline enough and are more efficient enough to still do the same job but at a lesser cost? I mean, it isn't necessarily...

MS. PEGG: Yeah.

SENATOR FLOREZ: Right. I think taxpayers like that too. It means it wouldn't have to try to try to raise their taxes here. It means we are paring every single department down. So I'm not sure what \$3.67 means, but I do know that \$1.50 sounds a lot better in this environment. So the question is, How do you get to the \$1.50? If I already gave you a target and say, get it down to \$1.50, then it probably would be a better exercise for you guys than for me to sit and figure out how to get it to \$1.50.

MS. PEGG: Well, that is a good question to ask. I think, what else, though, do we put at risk? I mean, we have—our infrastructure is modeled off of USDA, and that's why we have not experienced...

SENATOR FLOREZ: I get it.

MS. PEGG: ...foot-and-mouth disease outbreak, large-scale gypsy moth. The East Coast is dealing with gypsy moth right now. We don't want to deal with that. I mean our infrastructure is important that we sustain it.

SENATOR FLOREZ: Tell me why we don't want to deal with that so I can just get it for the record.

MS. PEGG: I think there's actually...

SENATOR FLOREZ: And who's *we*? And who are *we* that don't want to deal with that? So you can maybe define who the...

MS. PEGG: The cost of dealing with gypsy moth is—what?--\$32 million.

SENATOR FLOREZ: Cost to who?

MS. PEGG: To taxpayers.

SENATOR FLOREZ: How so?

MS. PEGG: How so? Well, if you get a large infestation of gypsy moth, which we have not had here in the state of California, USDA, I think, spends—what?—\$32 million? We have it on a chart for you, but they spend \$32 million. For us, gypsy moth, I know we didn't—I mean, we have not spent nearly...

SENATOR FLOREZ: That's okay. But just tell me—let's go real slow through it. Why do we not want the gypsy moth in California? It's a very simple question, is the reason that you're justifying it. So what's the answer?

MR. CONNELL: The gypsy moth is a very severe and broad-based pest of forest lands, whether it's urban or natural forest, and its preferred hosts are primarily deciduous trees. So if you look at the ability of it to survive in California, which it has incurred here in California—and we've been eradicating it—it would be widespread through California's, you know, precious forest lands and urban environment. The consequence would be, just as it is on the East Coast, plenty of pesticide applications in urban environment, plenty of pesticide applications in forestry environments, and consequence to water quality and stream quality in native habitat.

SENATOR FLOREZ: Got it. Sounds like a great place for the Department of Resources to have the discussion. Sounds like a wonderful place to have that discussion. I'm wondering why we're having it at CDFA then, if that's exactly what the examples are that we're worried about.

Let me—we'll keep going through this. But I mean, I guess the question is—let me try to put it this way—and I'd like to get your answer on this—if we were to pool all General Fund money, all of it, from invasive species, would the industry find a way to pay for it?

MS. PEGG: You would see clearly they would not have the same priorities as the public would. Let's say gypsy moth is a prime example. We found that through a traveler coming into California.

SENATOR FLOREZ: Let me ask another way. Have you ever asked them to do that, to pay for all of it?

MS. PEGG: We have asked it in the past when we have had budget cuts. They have picked up those programs that are important to them. Border-inspection stations, I don't think they're going to pick up \$11 million. Under the Gray Davis...

SENATOR FLOREZ: Will they pick up other items then, I mean, the stuff that is important to them that we're adding to? Because whatever they

pick up is a savings to us and then we can pick up stuff they don't want to pick up. That's what's called a safety net. Right. I mean, that's the whole purpose of this exercise, is to try to figure that out.

MS. PEGG: And they have picked up the nursery programs, fruit tree and grapevines, seed services; they've picked up—let's see what else—some state trapping; they've picked up pink bollworm. They've picked up some of the dairy inspection and meat...

SENATOR FLOREZ: And why do they pick it up?

MS. PEGG: Those are critical programs to their operations.

SENATOR FLOREZ: Right. And so why should taxpayers pay for any portion of that?

MS. PEGG: The taxpayer pays for those programs that benefit protecting our food supply and our environment.

SENATOR FLOREZ: Okay. So this is the cost for food supplies? So in other words, if taxpayers don't pay for this, our food supply is going to be—this is what taxpayers know they're paying for, food supply?

MS. PEGG: And I think, you know, you bring up a good point that maybe we haven't been good at articulating that, is that we do protect the food supply.

SENATOR FLOREZ: We're going to go through that in a minute. But \$8.3 million in medfly prevention?

MS. PEGG: Right.

SENATOR FLOREZ: Why should the taxpayers pay for that?

MS. PEGG: This is actually one of our cornerstone programs. It is in urban areas. We do a sterile pest release program. It's reduced the use of pesticides; it ensures that backyard gardens are not infested with medfly. It's actually one of our models that we would like. If we ever potentially face an infestation of some of our other pests, we would like it to model that because it reduces pesticide use and it's very effective on the taxpayer dollar.

SENATOR FLOREZ: Right. It reduces pesticide use for who?

MS. PEGG: For backyard gardeners. I mean, we're finding medfly in backyards. We find it in Los Angeles. I mean, this is where we're finding Asian citrus psyllid. We're finding it in residential areas.

SENATOR FLOREZ: And the purpose, the reason we're looking for it then is to protect backyard folks? I mean, this is the \$8.3 million. This is the entire purpose of the program, is to protect those backyard gardens?

MS. PEGG: Backyard and as well as our production which is critical.

SENATOR FLOREZ: Right, right. So if we were protecting our—I'm just trying to understand again, so this is to protect the backyard gardener or the food supply?—I mean the \$83 million.

MS. PEGG: I would say it's both.

SENATOR FLOREZ: It's both?

MS. PEGG: It is both.

SENATOR FLOREZ: Okay.

MS. PEGG: And that goes across the board.

SENATOR FLOREZ: Why don't you go back and ask the industry what they want to pay for because the state can't afford to pay for industry-driven protections. We can pay for things that fall through the cracks because I don't know any other way to do it. I mean, how do we find savings within your budget?

MS. PEGG: And I think it's...

SENATOR FLOREZ: It's your biggest budget expense, General Fund?

MS. PEGG: It's not the biggest. The border stations is the largest in the Plant division.

SENATOR FLOREZ: Okay.

MS. PEGG: But I think it is an important question to ask, and I think it's good that you are also asking the industry the same question.

SENATOR FLOREZ: Eight million dollars in the trapping program alone?

MS. PEGG: Uh-huh, pest detection.

SENATOR FLOREZ: Yes. So, you know, the question is—you know, we have \$2 million red-imported fire ants, another \$1.1 on fruit fly rearing facility, \$8.3 million on Medfly, \$2.1 or \$2 million on light-brown moth, apple moth, and \$4 million again in Pierce's disease.

Now I remember at a time when we were flush with cash, when we were putting a lot of money towards these programs because we had cash. And in fact, I think I carried a couple of those bills, but now is an opportunity for us to really look at our very slim budget and try to figure out what items make sense to pare off or to spin off and what items too that we can actually pay for. So we're asking you to go through an analysis for us to figure out in your eradication program, you know, what we can afford—taxpayers can afford to pay for—that's the real question—and what they would be willing to pay for, okay?

MS. PEGG: Um-hmm.

SENATOR FLOREZ: Okay. Let's go through Reform 4—that was 3—abolish the agricultural marketing function. Now we have 54 agricultural marketing programs; is that right?

MS. PEGG: Yes.

SENATOR FLOREZ: Okay. And the relationship, so I can understand this, the relationship that the marketing programs have with the department is what?

MS. PEGG: We have oversight of those marketing programs. It all depends on how they are created, whether they're marketing agreements or marketing orders, but we do have an oversight and they are created in statute or a vote of those that are assessed.

SENATOR FLOREZ: And what does oversight mean? Does that mean that they were involved; we go to their meetings; we understand; we travel there? What does oversight mean when we have 54 agricultural marketing programs? What...

MS. PEGG: I'm going to bring up the division.

SENATOR FLOREZ: Sure.

You're the division?

MR. O'CONNELL: Well, not the whole one. (Laughter) See, this is how lean we run it, just one man.

SENATOR FLOREZ: Tell me a little bit about the role of CDFA in these agricultural marketing functions. Let me give you three words or contexts. Are you enforcers; are you collaborators; or are you directors? I mean, what are we? What are we in this program? What role are we playing?

MR. ROBERT MAXIE: We play two primary...

SENATOR FLOREZ: And if you could state your name for the record, that would be great.

MR. MAXIE: My name is Bob Maxie.

SENATOR FLOREZ: Okay.

MR. MAXIE: I'm the chief of the marketing branch.

SENATOR FLOREZ: And I didn't get your comment. What role?

MR. MAXIE: We play essentially two roles with the marketing programs. One is oversight, and the other is administrative. We facilitate some of the administrative functions by the programs.

Let's go through the last one because that's the easiest to handle. You administrate some of the functions of some of these marketing boards. What does that mean? You call meetings; you put agendas out; you organize the marketing boards? I mean, how...

MR. MAXIE: No. For each program, it takes, usually public hearings and a referendum of assessment payers to implement a program and there's usually a five-year continuation procedure, either a public hearing or a referendum, and the department carries out those referendums. That would be the primary administrative contribution.

SENATOR FLOREZ: Okay. Are these marketing programs fee based?

MR. MAXIE: Yes.

SENATOR FLOREZ: They are? Okay. Does that cover—I think I asked Rayne this earlier—does it cover all costs associated with these boards and every single penny, not a penny, of government, taxpayer dollars thrown into this in any sense?

MR. MAXIE: Yeah, they cover all of their own activities; they cover any costs borne by the department in overseeing the programs and carrying out those administrative functions.

SENATOR FLOREZ: Okay. And so they're paying for a portion of your day here today?

MR. MAXIE: Yes.

SENATOR FLOREZ: They are? So your salary is broken up—your salary is broken up in 54 different ways roughly?

MR. MAXIE: Yes.

SENATOR FLOREZ: Okay. All right. And travel expenses to these meetings, is that covered? Do you just bill them? Is that how it works?

MR. MAXIE: Yes, we bill them every month for our costs.

SENATOR FLOREZ: Okay. Let me ask the question, Why should we be involved in this if indeed they are all fee based? I mean, why should the state—what role does the state play, in essence, the oversight and the administration of this? Why couldn't we just let them do what they do?

MR. MAXIE: The legislature has set up the California Marketing Act and the various council and commission laws because it recognized there is a purpose to be served by the agricultural industry having a vehicle by which it can come together, each pay their fair share of the costs to run a program that solves some industry problem or facilitates the marketing of the commodities they produce.

SENATOR FLOREZ: And why do we need to be involved in that again?

MR. MAXIE: The primary reason would be because it is, once they vote in a program, it is a mandatory fee on all growers and/or handlers of a given commodity that makes it public funds. And by the fact that it's public funds, there's a need for government oversight.

SENATOR FLOREZ: And is there not an easier way to privatize them in a way that they wouldn't have to go—I know that the legislature created this, you know, created a lot of things that we're now re-looking at. The simple

question is, Is this the right structure, given the way the board, these marketing agreements work?

MR. MAXIE: I don't know that there's a way to both privatize the programs and continue to collect a mandatory fee.

SENATOR FLOREZ: Well, there's probably a way to deal with it, I think. I mean, there might be a way. I mean, I'm just wondering if that, were the case where we could find a mechanism that wouldn't require government to be involved in this, other than from an advisory and informing point of view. I mean, is that, would that hurt these programs? Would these marketing agreements cease to exist?

MR. MAXIE: We believe there's a value in the government oversight, both to the commodities concerned. I believe the growers that are paying assessments and appreciate the government oversight of the programs, I think there's a value to the public at large.

SENATOR FLOREZ: And the reason that they value—I've never heard farmers valuing government involved in their entities or to structures. So how does that—why do we get applauded for being involved in their entities and structures? Is it because we give our good stamp of approval on it somehow? If the state of California says it's a state board and commission, and therefore all the privileges and rights thereby are pushed to them? I mean, I'm trying to understand why the state needs to be involved in this—and I'm being very serious about it. I mean, why does a state have to be involved in any of these boards and commissions? I'm just trying to understand it. The value alone of the legislature or CDFA saying, you know, we're going to relinquish the state's involvement of this, I'm just trying to understand why we have to be involved in it. I haven't heard a good reason yet, other than the administration and it's public funds and therefore we have to be involved in it. I'm sure there's a way to deal with it.

MR. MAXIE: Each of these programs by the laws or the regulations that put them into effect have certain activities that they're funded to engage in. It's

a department's role to make sure that the monies they spend go to those activities or to accomplish those purposes, and I think that's...

SENATOR FLOREZ: We don't trust them enough to do that, given that they're paying for—I mean, they're paying for us—we're the referee at the game that evening or, I mean, they couldn't call their own fouls? Or what's the purpose of us again—we're the enforcers? I mean, what if they do something wrong? I mean, we go in and find them or...

MR. MAXIE: We take appropriate actions.

SENATOR FLOREZ: Really? Like what?

MS. PEGG: Well, I think the reverse question would be, there would be no oversight of these boards of health.

SENATOR FLOREZ: Why don't we just have a sunset on them; they have to report every year to see if they're actually doing their job rather than spend the time of having constant oversight? We just have a sunset on these and date out the report every year or every two years, and see if they made any sense any more. Would that be a problem?

MS. PEGG: Well, they already do go up for a vote amongst the membership to see whether they...

SENATOR FLOREZ: Yeah, amongst themselves. But I mean, if we want oversight, I mean, you know, I'd love to see the boards and commission. I'm sure, you know, once a year here might make the Ag Committee a bit interesting. Bring the Avocado Board in or bring tomatoes. And some of the things we read about in the newspaper might, you know, be headed of here. We could have some review once in a while here. But because they're quasi and away from us, that's really your job, and the question is whether we should be involved at all in that because it doesn't seem to—what are the outcomes of some of these very bad things we read about in some of these boards, things that go wrong—the spending of money, board members doing certain things they shouldn't be doing? What's the repercussion; what are you doing; who's been fined; who's been kicked off the boards? Why don't you give me a few examples of those that I've just mentioned a moment ago?

MS. PEGG: Well, the Avocado Commission was referred to the Department of Justice. We have established a guidance document on how funds should be spent with the commission, and we've also required that—we've also established a schedule for auditing all of those, that we'll be auditing them every four years.

SENATOR FLOREZ: And did you send them a bill for that, all that extra that you just mentioned? Did they get...

MS. PEGG: Yes.

SENATOR FLOREZ: ...billed for all that?

MS. PEGG: Yes. That whole entire division is funded through those programs.

SENATOR FLOREZ: Again, why do we need—why couldn't we just review these periodically? We probably...

MS. PEGG: This legislature could do that. I mean, typically you do create them. You could also review them. We don't have any opposition to that.

SENATOR FLOREZ: And what if we got rid of the entire marketing department at CDFA and simply had a review? Would we save any money?

MS. PEGG: You may. You're not saving any General Fund money by doing that.

SENATOR FLOREZ: We wouldn't save any General Fund money because we're all fee based?

MS. PEGG: They're all fee based, so you're not saving any General Fund money.

SENATOR FLOREZ: Okay.

MS. PEGG: The commissions may like that because you're saving...

SENATOR FLOREZ: What's that?

MS. PEGG: They're saving them overhead money, but you're not saving any General fund money.

SENATOR FLOREZ: Well, there's 213 employees representing a \$12 million budget in this particular department—is that correct?—the Division of Marketing Services?

MR. MAXIE: That's fairly close.

SENATOR FLOREZ: Two hundred and thirteen, 213 folks employed in a division or a marketing service department. I'm not knocking the number. I'm just wondering if it's 213 employees for 54 boards and commissions.

MR. MAXIE: There's five branches within the division. You have two Dairy branches—milk pooling and dairy marketing; you have a few positions in Agricultural Statistics; then we have a Market Enforcement branch, then the Marketing branch.

SENATOR FLOREZ: Yes, okay. But kind of a whole bureaucracy behind this, in other words, right? Divisions, departments? And the questions is, Do we need to do that, or would the industries just do better with a simple, you know, one person or two doing yearly reviews and audits on boards and commissions that are required to be sent to the secretary, and the secretary can make adequate decisions then? I mean, we're not doing reviews anyway, correct? When's the last time we did a review of the Fresh-Cut Flower Commission? Why don't you give me the date that we did a review on that? Or the Garlic Press and Onion Dehydrator folks? Or why don't we, you know, ask, you know—when's the last time we did the Date Commission Review?

MR. MAXIE: We just completed the field work audit of the Garlic and Onion Dehydrator Board.

SENATOR FLOREZ: And was the last time, before that, that we did a review on that?

MR. MAXIE: The Fiscal and Compliance Audits are a fairly new program, but we are auditing every one of them.

SENATOR FLOREZ: And when did that start?

MR. MAXIE: It started in 2006.

SENATOR FLOREZ: But these commissions continue to grow, correct? I mean, Senator Harman has a question—right?—that we keep bringing more

and more. My good friend, Fiona Ma, has a Blueberry Commission that's being sent over to this committee, probably not going to meet a great fate, given our hearing today. So I'm just kind of wondering why we—why wouldn't we ask the Blueberry Commission to do what they do and allow them to continue to function without any sort of connection to CDFA and in some sort of administrative way? I'm just wondering how that—Senator Harman—Hancock—I'm sorry. Senator Hancock, please, I'm sorry.

SENATOR LONI HANCOCK: Thank you. No. This is very interesting. I am going to have to leave in a minute for another meeting, and then I'll be chairing a committee. But I've been learning a lot today and thank you, you know, Senator Florez, for doing this. I just do have a couple of questions about this.

One is, it seems as though industry groups have gotten together to do marketing boards and cooperative selling, like the walnut people and everything. How is this different and value added from that? Because they don't do it through us, right? They just go ahead and do it because it's in their interest to market their product and keep their product pest free, et cetera. It does seem to me that there's real questions as to why this isn't really an industry-specific promotion activity.

MR. MAXIE: The problem is, for most commodities, the commodity itself is just that, a commodity. It's hard to put your brand on one kiwi fruit. One kiwi fruit looks very similar to another kiwi fruit, so it's very difficult to establish your own private marketing program for your company that's marketing kiwi fruit. That's why there's a real value in coming together and each paying your fair share to promote kiwi fruit as an entire industry.

SENATOR HANCOCK: So what you're saying is that kiwi producers might not choose to pay the fee into the common organization, whereas walnut producers do?

MR. MAXIE: No. They each choose to pay into it by participating or voting in a marketing program. Each of these programs...

SENATOR HANCOCK: Okay, but there are some programs that work with specific commodities that aren't on the list—the kiwi list, the celery, the list of...

MS. PEGG: There are different business structures, so a cooperative is a voluntary participation and assessment. A commission is, once it's voted on and it's approved by growers, then it's a mandatory assessment on all growers or processors, however they define it, through the state of California. So if we took them out of the department, the question would be, Would they be able to continue that mandatory assessment?

SENATOR HANCOCK: Would they wish to do it?

MS. PEGG: Right, would they wish to do it. And it does come up every couple of years where the growers vote, and sometimes they voted them out, the Tomato Commission. They voted to abolish that. Growers do vote. It's just a different structure; it's a different mechanism for growers to ban together. Some want to joint a co-op and create a co-op, and some want to do a commission, and some actually want to do both. And you see that with the Walnut Commission as well as—even there's talk of potentially an almond commission, but there's already Blue Diamond, the co-op. So they sometimes work together on marketing their product and increasing sales.

SENATOR HANCOCK: Now if they do the fees, they vote in a commission and there's legislation that mandates the commission, does all the money come to the state and then you oversee it and return it? Or do you bill them...

MS. PEGG: They administer...

SENATOR HANCOCK: I am curious as to how, with all these different boards and commissions, you would pay the salaries of the 213 people that service the commissions.

MS. PEGG: Well, and it's good to note that the 213 people, only a small sliver of those actually are for the commission activities. The 213 is several branches within—that's milk pooling; there's several other activities that go with that 213. But we don't actually administer the funds that these

commissions collect. Their boards administer it. We audit them, and now we're doing those on every four-year intervals, the use of those funds.

SENATOR HANCOCK: So that's basically what we do.

MS. PEGG: Does that help you?

SENATOR HANCOCK: You know, it's very hard to visualize the direct service.

MS. PEGG: Right.

SENATOR HANCOCK: But I have to be honest. I guess, for me at this point, I'm like Senator Florez. You know, we are really looking at where to find billions and billions of dollars so that we can keep the school doors open.

MS. PEGG: Right.

SENATOR HANCOCK: And so everything has to be looked at. In general, I like redundant systems. Sociologists tell you they catch things, right? However, do you need how you do management and oversight or planning in a situation where it looks as though the state may be really leading the field in many areas and can only afford to sustain certain, very basic, almost life-giving kinds of functions. We do have to question, I think, all of these things, and it is, in a way, hard to visualize exactly what the value added might be in some of these things. So I hope, you know, that you take that in the spirit that it's offered, but the choices that we have are pretty stark.

MS. PEGG: No, they are very, very difficult at these times.

SENATOR FLOREZ: Thank you, Senator Hancock.

Let's go back to the California Performance Review. I know we talked about that earlier. But the governor—I'm going to quote out of the report. It says:

“To refocus government on essential functions”—just as Senator Hancock just mentioned—“and to redirect functions to cooperative public/private ventures to 54 district agricultural associations and the Department of Food and Agriculture's Commodity Boards will be transformed into public benefit corporations.”

Again, what is the rationale for either ignoring that or moving it through, or you mentioned a bill. What's...

MS. PEGG: We did have a bill, SB 1041, that did not make it through, that would have made the fairs special districts.

SENATOR FLOREZ: How about the boards and commissions that the governor mentions here in this last—the Department of Food and Agriculture's commodity boards will be transformed into public benefit corporations?

MS. PEGG: Well, because there's no general...

SENATOR FLOREZ: I'm sure you didn't write that last sentence.

MS. PEGG: Because there's no General Fund dollars in that program, I don't know what savings would occur with that.

SENATOR FLOREZ: Okay. So basically the governor asking for that was based on incorrect or no savings? Why would the Governor's Office write that?

MS. PEGG: No. We're...

SENATOR FLOREZ: Nobody asked for us to do that.

MS. PEGG: We are evaluating—we're reevaluating all of those proposals, just as we did and just as we proposed in SB 1041.

SENATOR FLOREZ: Would you say, that given the governor seemed to be moving in the same direction we were today, that these are items that you would not implement, I mean, in terms of the actual looking at public benefit corporations as the solution to this?

MR. MAXIE: I'm not quite sure what took place after the CPR report was put out. That is an option.

SENATOR FLOREZ: Okay. Great. Not much, but now we're going back to the playbook to see if there's any sort of value in what the governor's been recommending.

Let me ask the question again, just for the record, is there any General Fund dollars, taxpayer dollars, being used to promote agricultural, California agriculture trips, conferences, commercial advertisement, anything, within this division?

MR. MAXIE: No. It's entirely funded by the commodity groups that have those programs.

SENATOR FLOREZ: Okay. So you're sponsored here again by the boards and commissions?

MR. MAXIE: They reimburse us for our costs and providing our oversight goal.

SENATOR FLOREZ: Okay. Let's go onto the—let's do move onto the fairs for a moment. I'd like to talk about the governor's discussion just earlier. The fairs and expositions are funded through fees and other services. But I guess the question is, Why couldn't these functions be transferred back to the counties in which they're held?

MS. PEGG: And that's a proposal that we're open to discussing, and we did look at creating them as special districts. So we're open to discussing that.

SENATOR FLOREZ: When you say *open to discussing*, that means that the spin off of the fairs back to the counties, the funding of the, different funding mechanism for the fairs? I mean, what does that, what does that mean?

MS. PEGG: Yeah, we're open to all options right now under the current budget situation that we're facing. So we definitely are open to that. I mean, I think these fairs do play an important role to their counties, both as entertainment venues, but as well as shelter and safety during disasters or weather conditions. But we're definitely open to those discussions.

SENATOR FLOREZ: Okay. We'll just leave that open then.

Let's move onto the Reform 6 which is the transfer of animal plant health functions through the Department of Public Health. You had a very short testimony. Thank you for joining us. (Laughter) Sorry we couldn't oblige you in terms of the other questions. But let's go onto the animal and plant health functions. I think I mentioned earlier that, you know, that we ought to look at moving some of these functions to the Department of Public Health. I do know that the division has four offices throughout the state, and we have the state's organized veterinarian medical units.

Can you give us a little insight on what you think? This might be the opportune time to talk a little bit about meat and poultry inspections, as well as animal health and food safety labs.

DR. RICHARD BREITMEYER: Richard Breitmeyer. I'm the state veterinarian for California.

I think it's important to recognize that we handle a variety of programs.

SENATOR FLOREZ: Can I interrupt you for a moment?

DR. BREITMEYER: Sure.

SENATOR FLOREZ: Sergeant, can we just lower the volume on the outside? The echo makes me feel like I'm in Dodger Stadium. So if we're saying something here and it's kind of being announced out in the podium.

So I'm sorry. Why don't you go ahead and continue.

DR. BREITMEYER: First, I will say that work extremely close with California Department of Public Health, and animal diseases are often a surveillance for human disease so that's a very important relationship. However, I think, as a core infrastructure for animal health and food safety issues surrounding the animal production units in California, our core partner is USDA and we rely tremendously on that partnership and prioritizing our issues with USDA. Unfortunately, the California Department of Public Health does not currently have a relationship with USDA, and so I think that really gives us an advantage.

Also, by having all of the animal programs within our division, it really leverages a culture of both safety and animal health throughout all of our programs, and that includes obviously meat and poultry and milk and dairy food, which are core public health programs but also our animal health programs. And our animal health programs are often an early surveillance for disease conditions or health, food safety conditions in our animal products. We've had, for instance, our Tuberculosis Program. That's actually often diagnosed at a federal slaughter plant who notifies us immediately. In fact, that sample might come into our laboratory system to make the final determination. We're the only state in the country that has such a program to

do it right on site in our own lab system, so we can immediately determine if that's a health risk—if it truly is tuberculosis. We can immediately notify our milk and dairy food program and make sure that those animals are not going into the food supply.

So to me—and I have been the state veterinarian for 16 years—I've served in four administrations—both Republican and Democratic. I've looked at a lot of issues over the years. I know the systems that are throughout the country and most of the states. And I will tell you, if you go around the country and ask about our diagnostic system, our food safety systems, our animal health systems, we really have become a model for the nation.

SENATOR FLOREZ: Okay. Now you're saying you served under four administrations.

DR. BREITMEYER: That's correct.

SENATOR FLOREZ: Okay. And you've served under how many secretaries of Ag?

DR. BREITMEYER: Four secretaries.

SENATOR FLOREZ: Okay. Are you retired? Are you on shift? Do you work under DPH and still do what you do? I mean, have a new...

DR. BREITMEYER: The light is at the end of the tunnel, sir.

SENATOR FLOREZ: No, I'm just saying, I mean, to take your discussion to its furthest, in the last comment that you made in terms of food safety—and we went to this entire gamut of change here in the legislature in order to create the Department Public Health, and we continue to talk about the powers of public health when it comes to food safety—and you're our state vet—and so I'm wondering why that wouldn't be more synergistic in terms of the last comments you've made in terms of public health functions, I mean, tell me why you couldn't do what you do but yet do it under the Department of Public Health.

DR. BREITMEYER: I could do it at the Department of Public Health. I don't think it would be as effective. I don't think—I think having the priority of agriculture, of the food system, surrounding animal agriculture at CDFA, it

really is a priority. My counterparts that I work with throughout the United States are in Departments of Agriculture. They're at USDA, so that core infrastructure really is in place to maximize our efficiencies. It also gives us the ability—I mean, our—as in the plant program, our principal responsibilities at the state level are excellent surveillance system and early detection. The diseases we handle in animal agriculture are often what we call fast-moving viral diseases. In a matter of hours and days, these viruses can spread throughout populations quickly. And if we don't have a priority to have those surveillance systems in place, it really not only puts public health, in many cases, but often puts our economy at a real high jeopardy.

SENATOR FLOREZ: Okay. And in terms of the comment you've made, other states having this, you're not saying that we wouldn't have a relationship with USDA if you were shifted to another division, are you?

DR. BREITMEYER: No, sir.

SENATOR FLOREZ: Okay. Just wanted to make sure.

DR. BREITMEYER: But I don't know that the relationship would be as strong. Again, having plant and animal health core infrastructure at the department with a champion for those programs, which is our Secretary of Agriculture—and coming from the largest agricultural state in the country, our secretary, our secretary has direct access to the secretary of Agriculture at USDA as I have direct access to the chief veterinary officer in USDA. So if we have a crisis, if we have an issue, if we're not getting the resources we need, we have an infrastructure that gives us both credibility and the ability to reach out for that assistance.

SENATOR FLOREZ: Okay. Well, now would be that time. We're lacking money and resources so...

DR. BREITMEYER: And we have been.

SENATOR FLOREZ: If the federal secretary would like to carry a department for a year or two, that would be great because we're trying to figure out how to find more federal dollars for programs, General Funded, as much as

possible. I do know that, you know, there's stimulus dollars but I'm not sure. We getting any stimulus dollars in the Department of Ag?

MS. PEGG: Not coming directly to the Department of Agriculture, no.

SENATOR FLOREZ: Yeah. So, I mean, our relationships need to improve.

DR. BREITMEYER: One example of leveraging those resources, last year we found tuberculosis in three dairies in California; and this year, a fourth dairy. We expended about \$200,000 of additional state resources last year addressing that outbreak which does impact both animal health and public health. USDA contributed about \$20 million to that effort.

SENATOR FLOREZ: Okay. I'm not sure you're making the case, as Senator Hancock mentioned. I mean, you're saying that we spent taxpayer dollars for \$200,000 more for tuberculosis in animals, and we're trying to figure out how to get kids some basic insurance, you know, so they can actually see someone themselves to just make sure they had some minimal dental. So I mean, \$200,000 would probably go a long way in a county or even finding tuberculosis in kids, so I'm not sure the message is being sent, that as we prioritize, we'd like those industries to pick up that \$200,000 in costs, not the taxpayers, and that's exactly the exercise here, is that we are trying to find out—I mean, I'm sure any taxpayer would scratch their head and said, if we spent \$200,000 in tuberculosis in cows or cattle but we couldn't spend \$200,000 in, you know the Healthy Family Programs to keep 25 kids on coverage, those are the choices that we're making, and I think that's the problem, is that we're trying to figure out what we should have the industries fund themselves at this point in time.

Let me ask a couple of questions about—we have like \$12 million of General Fund going into the state's food safety laboratories; \$12 million going to the food safety laboratories, does the Department of Public Health not have laboratories? I mean, do we really need \$12 million to go into our laboratories at CDFA versus laboratories over at the Department of Public Health?

DR. BREITMEYER: Yeah, this is actually the Animal Health and Food Safety Laboratory. In the mid-80s, this system was removed from the Department of Food and Agriculture and put into the University of California under the School of Veterinary Medicine at UC Davis. And the reason for that was a crumbling infrastructure of that laboratory system at that time which was...

SENATOR FLOREZ: So it's at UC Davis now?

DR. BREITMEYER: It's under the...

SENATOR FLOREZ: So why couldn't the UC system pick it up?

DR. BREITMEYER: Because the services they provide...

SENATOR FLOREZ: Yeah.

DR. BREITMEYER: ...provide both a public health and animal health benefit to the state of California.

SENATOR FLOREZ: I get it.

DR. BREITMEYER: So it's...

SENATOR FLOREZ: Why wouldn't they pay for this? I mean, have you seen their endowment lately? It looks somewhat substantial versus what we are looking at in the state. UC is very well funded. Even as they raise fees, their reserves seem to be—we might take a loan from them in fact, if we could. That's how well they're doing. So I'm wondering why they couldn't pick up this additional \$12 million.

DR. BREITMEYER: I don't think I can answer for UC.

SENATOR FLOREZ: Okay. I mean, is there any detriment to the department if they pick this up for a couple of years?

MS. PEGG: No. I mean, we have approached them, if you also want to approach them, wherever we can have savings. So if someone else can pick it up, I think it is...

SENATOR FLOREZ: Just \$12 million.

MS. PEGG: ...a critical infrastructure, yes.

SENATOR FLOREZ: That's Senator Hancock walking from this hearing to Mr. Leno and telling him, hey, in the Conference Committee, move \$12

million from UC to carry a function ?? that's important to them as well—right?—UC Davis—but at the same time, it might allow us to deal with our own going. I mean, that's \$12 million even from a \$100 million budget savings is substantial. I mean, you could call the governor and say, we're at 10 percent. Find another department that can do that. I mean, these are the kind of things that we're looking at.

SENATOR HANCOCK: Senator Florez, on my way out the door, I have to comment.

SENATOR FLOREZ: Okay.

SENATOR HANCOCK: I agree with a great deal of what you've said, but let me just—one of my fears in this budget situation that we're going through, quite frankly, is that we are going to end up dismantling what has been a great public university system, along with our public schools—elementary and secondary schools, that is, that's why I would have to put the whole thing in the context of the cuts that we're making to UC Davis and to all the other branches of the university. In that context, the question would be, Is this a core piece of teaching and learning at the university? Is it something that could be picked up in part by industry? I mean, what—putting your division in with Public Health does seem to me a lot more clearly to state that the client is human health as opposed to taking care of an industry concern so that hopefully—I would be quite interested in seeing that happen, but I would not cavalierly transfer any cost to the university at this point because I'm very concerned about what we're doing to them in other ways.

SENATOR FLOREZ: Okay. Senator Hancock isn't going to see Mr. Leno on the way out. (Laughter) So I will talk to Mr. Leno, and so I appreciate that, Senator Hancock, and we very much hear your—you've mentioned that many times at caucuses as well. Very much appreciate the comment.

DR. BREITMEYER: Senator, may I make one more comment...

SENATOR FLOREZ: Yes, please.

DR. BREITMEYER: ...on the fees at the laboratory? When the laboratory was put in place, they were instructed through legislation to recoup

about 10 percent of their costs through user fees. Currently they're at 21 percent of the cost of recouping. We actually go through the laboratory services they provide on a regular basis, and any service they provide that is strictly the benefit of industry is paid fully by that industry.

SENATOR FLOREZ: Okay. Now tell me, you said it was a 10 percent mandate?

DR. BREITMEYER: Yes.

SENATOR FLOREZ: How did that work? Would someone call you and say...

DR. BREITMEYER: No. Just as part of the general operation of the laboratory, that they were asked to recoup at least 10 percent of their overall budget through user fees. So even though—you know, our goal is to get as many animals, as many conditions, in that laboratory as we can. It's a passive surveillance system. So we work very hard on our relationship with veterinarians, with industry representatives, with community members. You know, the Exotic Newcastle disease, example, from 2002-2003, those were birds in an urban setting that a small animal veterinarian said, you ought to take those to the lab. And we actually provide a free service for urban backyard poultry owners because we want sick birds in the laboratory to see if they could be carrying Exotic Newcastle disease, avian influenza, because typically these viruses come in through smuggled birds, often pet birds. So our small-animal veterinarians are often the first place to see those. So we want to make that as easy as possible for both veterinarians and bird owners to get a diagnosis made so we can quickly contain it.

Unfortunately—and that was one of the lessons learned during Exotic Newcastle disease—that virus had already existed probably for several weeks before it came to our attention because it smoldered and circulated in an urban environment before we were able to detect it.

SENATOR FLOREZ: Good point. Thank you very much.

Let's go to Proposal 7 which is the transfer of food safety functions to the Department of Public Health.

We, obviously, within the Department of Public Health, we have a public safety function, and I'm trying to wonder, from the issue of food safety, we have—we wanted to take functions, such as inspections, food safety laboratories, and the Center for Analytical Chemistry—why wouldn't that fit within public health? Why wouldn't we take that to the Department of Public Health? Why couldn't there be some savings or some streamlinings from doing that?

DR. BREITMEYER: In my opinion, Senator, I don't think you would experience savings and streamlining. It's not that it couldn't go to the Department of Public Health, but I think it is very important to recognize that the Milk and Dairy Food Safety Program is a very unique, very prescriptive program throughout the United States. It has oversight by FDA but does require each state to be responsible for the inspection of the animals that produce milk—all the way through the handling, the transportation, and the processing. Our milk and dairy foods specialists receive extensive specialized training, and the program requirements are much different than any other food manufacturing business. Our inspectors are typically at a dairy or in a processing plant on a weekly, monthly, or bimonthly or quarterly basis, depending on the type of inspection they do, the type of samples they pick up. Our processors and producers at the farm are required to have temperature recording equipment that is checked on a regular basis. The plants are required to have pasteurizers that are both inspected and sealed by our inspectors on a quarterly basis. So it's a very prescriptive, you know, very technically oriented. So I think moving inspectors back and forth between this program and other food programs would not generate much cost savings.

SENATOR FLOREZ: That's fair. In terms of the—again, we've mentioned meat and poultry inspection. We spend about \$3 million a year on that. Could there not be some more participation from the private sector in this, or is this simply a government...

DR. BREITMEYER: No, that's a great question. Our program only inspects those small businesses that are exempt from federal inspection.

SENATOR FLOREZ: Gotcha.

DR. BREITMEYER: So this is the ultimate local supply of meat and the customers, the clients of these businesses, are typically of varied ethnic backgrounds. They're typically in very urban areas, and they demand a product that's a little different than what they can find at a typical grocery store. In many states that have a state meat and poultry program, they handle all the plants. They cover these, and some states like ours have, by law, are required to handle this program because these plants are just buyer be beware as far as USDA is concerned. So we've actually run the numbers, and many of these businesses would be forced to pay anywhere from tens of thousands of dollars per year if we were going to try to recoup enough money to keep the program in place. We do generate quite a bit of cost savings now because we do not—as in a federal USDA meat plant, a USDA inspector is there at government cost, full time, any time that plant is operating, we obviously cannot afford to do that in California. So we actually train our meat and poultry inspectors who actually are either the owner, the manager, or an employee of the plant. They have to come to our training. We certify their training, and then our veterinarians and inspectors typically go by that plant on about a weekly basis to make sure everything is being done—the sanitation is correct, and this person that's trained has to be on site any time an animal is processed.

Now one thing that really helps this program—and it's very different from a federal plant—is in order to make this a legal sale, the customer comes to the plant and actually sees a live animal before it is processed. So that alone takes care of many of the concerns you might have at a typical federal plant where any and all, you know, eligible animals have to be screened by a veterinarian.

SENATOR FLOREZ: Thank you.

DR. BREITMEYER: You're welcome.

SENATOR FLOREZ: Appreciate that.

Let's move on to our last proposed item which is Item 8, which is to transfer weights and measures to the Department of Consumer Affairs, just

thought processes on that—good, bad, helpful, not helpful. And that’s our last issue in terms of consolidation, and then we’ll go ahead and take some public testimony.

MR. ED WILLIAMS: Good morning, Senator.

SENATOR FLOREZ: Good morning. And if you could just state your name for the record. This is just, you know, one reform we were thinking about and just get your thought processes of good or bad, moving it to Consumer Affairs or not, helpful...

MR. WILLIAMS: My name is Ed Williams.

SENATOR FLOREZ: Ed, would you pull that just a little closer to you. Thank you.

MR. WILLIAMS: Sorry.

SENATOR FLOREZ: No problem.

MR. WILLIAMS: My name is Ed Williams. I’m the division director for the Division of Measurement Standards, and we don’t really have, other than, you know, not seeing a place where there would be cost savings if the existing structure remained, we don’t see any difference in the structure.

SENATOR FLOREZ: Okay. So this would be the example of just simply shifting a function to another department but yet still having the specialized folks with no cost savings? You would be doing this somewhere else that somebody else couldn’t do?

MS. PEGG: Yeah. We don’t see the cost savings in moving it to DCA. It’s about \$2 million in General Fund for a \$9 million program.

SENATOR FLOREZ: Okay. And so the question is then, do you cease to exist if we have no CDFA? In other words, you go in another department and you still do what you do?

MR. WILLIAMS: Not based on the proposal that is before us.

SENATOR FLOREZ: Okay. All right. Thank you.

I think that’s it, Rayne. Let me say that I think you should ask the secretary for a portion of his salary today because you’ve done a great job at laying out, you know, some of the priorities and issues surrounding CDFA. I

think it's a hard thing when you look at your department and then you try to figure out what more you can put on industry to carry, and I do know how important Pierce's disease is. We very much know, you know, eradication issues are the paramount of concern to the industry, and to you, because your job, as you said, is to protect the industry—at least that's in the charge. And the question that we have in this budget is simply, What can we spin off as much as possible?

You know, when the governor wants to sell, you know, the worker's compensation, the entire department should tell you that we're not alone and try to figure out what we can spin off. I mean, that's a billion dollars the governor looks at, you know, State Fund, and says, can we spin it off? And I'm sure there are folks there who worry about whether or not that's doable or not. But in our little realm here of Food and Agriculture, the simple question to us is, What can we afford to pay for? What can industry carry the burden on even more so, and particularly on items that are General Funded? And you do have some big items there—some small items and big items. You have a \$13 million overhead. You're going to look at that. Of course, the governor normally takes care of that with a 10 percent across the board. But on the programs that we've mentioned, the question is, What can you ask industry to pare down with, and then what can we spin off to other areas that make a lot more sense, like pesticide regulation? We look forward to working with you more on it. We'd like you to take our ideas and tell us to score it, if it's even possible, and then we'll try to score it as well with our finance folks.

Do you have anything to say in closing? And then we'll go ahead and adjourn. We're going to actually have public testimony. I'm sorry.

MS. PEGG: No. I think you bring up a very important question. I think it is critical. We are asking that question at these times, is, What can we pare back on; who can pick up the costs? I think this hearing has been very good for the department in evaluating our important role and really figuring out how to articulate that to the average consumer. So I think this has been a very

good exercise and the department looks forward to working with you and seeing where else we can make savings.

SENATOR FLOREZ: Okay, great. Thank you, Department of Food and Agriculture.

Now we do have some time for some public comment. Anyone who would like to make public comment at this time is welcome to make a few public comments. Just come on up to the table and just introduce yourself and we'll go from there.

MR. MICHAEL R. DIMOCK: My name is Michael Dimock. I'm the President of Roots of Change Fund, a California organization focused on creation of a sustainable food system in the state of California by the year 2030. And I have some written comments which I'll provide, but I wanted to make some observations about the department and the future of the department.

It struck me as I was listening that there is a disconnect between the public's understanding, the taxpayer's understanding, of what CDFA does and the justifications for public funding. And that's a reflection of something much larger, I think, that's been going on in the state for a long time in the nation. People have kind of lost contact with the agricultural world and the importance of food in the system. And we're very concerned and have felt that in the past—and I think you referred to it several times in your comments—that CDFA primarily represents the industry, has represented the industry, kind of traditionally in the past. But that seems in my mind to be changing greatly in the last three years. There have been some—you'll hear from some people here who are involved in something they call the California Roundtable on Agriculture and the Environment which brings unlikely actors together from environment, social justice, labor, and agricultural interests to talk about a common set of goals for the future of this state around Food and Agriculture.

That wouldn't have happened in the past. That's a good example of how the agency is, I think, more and more becoming the people's department, not just the industry's department. And government is a reflection of the people's

kind of priorities. And I think that the kind of gutting or, in large measure, severe hobbling of the department is not the right signal at this time. I actually—we met, Senator Florez, at the opening of the film a few weeks ago, *Food, Inc.*. We know that there's a donning of real appreciation and interest in Food and Agriculture in the country right now. And so what I would propose is, that rather than thinking about destruction of the department, in a sense, it might be a really appropriate time to revision the department, and perhaps this committee could take a role in doing that. That might be, I think, quite constructive.

As we know, A.G. Kawamura, Secretary, is undertaking the Ag Vision process, which is a similar process. It seems to me that it might be important for this, for you, as the voice of the legislature around these issues, to take on a similar process. I think it might be quite creative.

I know that Roots of Change, which has been funding a lot of projects around the state for kind of a transformation of the system, would like to actually engage the legislature in a discussion about the future of the department and how it would fit really the priorities and needs of the 21st Century around Food and Ag, which are quite different from when the department was created. So thank you.

SENATOR FLOREZ: Great. Thank you.

MR. DIMOCK: I'm going to leave some—I'm going to provide some materials for you.

SENATOR FLOREZ: Gotcha. Thank you. Okay.

Somebody go. It's a long morning.

MS. LYNDA RADER: All right, yes. Then it's safely a good afternoon.

SENATOR FLOREZ: Good afternoon.

MS. RADER: My name is Lynda Rader and I come to you for the first time—I've never been here before—from Ojai, California.

SENATOR FLOREZ: Thank you for being here.

MS. RADER: Yes. Thank you for allowing us to have a chance at public comment.

I'm here in regards to the recent eradication for the gypsy moth which occurred in my neighborhood. I do have a folder. I am not going to go into great detail. I will leave—within that folder is a summary of events I noticed that the CDFA left for us. It is somewhat vague and I've circled those areas. There's also a list of the people that called the 800 number that they have with concerns. I've contacted everybody on that list. They were either elderly or they had medical fragilities. They were told, they were under the impression, that they were not going to be sprayed. There were two people that were told, just put out signs and that is fine.

We were on the list as well. We called another time and we were told, your name is on the list. So we were stunned when our electric gate opened and there were about 15 California Highway Patrol sheriff deputies, three TruGreen ChemLawn trucks, and about ten people from the CDFA. They were there to serve a warrant to spray, no matter what.

We said we had significant medical issues. They said: Where are your doctors' letters? We said: We didn't know we needed them. We thought our name was on a list. They proceeded to spray. We proceeded to go and get doctors' letters at expense and in quite a bit of—it was difficult anyway, you know, for the appointments and so on and so forth. We got those doctors' letters. We submitted them to CDFA. They were found too vague and ignored. Subsequently we were sprayed two more times.

There was no gypsy moth on my property. For 30 years, that property has been in a—you can call it—a natural state. We grow our own food and vegetables. We don't use anything whatsoever. All the fertilizer comes from horses and chickens.

CDFA had come and they—past fall—and did a thorough examination. We had no gypsy moth. They showed us what it looked like, showed us what to look for. We were looking for it all the time. We're supportive of that process. I would like to say here today that I believe the CDFA did a phenomenal job in tracking it, finding it, knowing where it came in. I do take question with the use of research from 1992 to deem seven egg masses as an

infestation, that that's not what I'm finding in my due diligence in the past month.

The one thing that I would like to leave you with today, again, a lot of the information is in here—the list and the doctors' letters—is that there are many people out there—and this is from a physician, an environmental health physician—and he says that 12 to 42 percent of the general population, depending on ethnicity, carry genetic abnormalities. People with these abnormalities, especially farmers and people living near farms, have been shown in the medical literature to have greatly increased risks of several types of cancer and neurodegenerative diseases, like Parkinson's or MS, when exposed to standard pest control chemicals. I think it's an exciting time in our field of medicine. We're learning more and more every day.

I'd like to just reference a book out of the Center for Health and Environmental Health out of Harvard University. Dr. Aaron Bernstein is a coauthor of that, and he wanted me to bring to your attention today the following two paragraphs: The more we learn about using antibiotics to prevent disease in humans, the more we find them not only to be ineffective but also, that when there is no infection to treat, their use carries significant risks. When given to treat an infection, antibiotics don't just kill the bacteria that are at the source; they also wipe out non-target microbes that are the normal, beneficial inhabitants of our bodies and that shield us from a variety of ailments and, in so doing, set the stage for a host of new problems—from allergic disease, including asthma, to life-threatening infections, such as *Clostridium difficile*. But most important for today is the same can be said for the preventative use of pesticides. To use them prophylactically is just not sound science with what we know today. Just as antibiotics may foster an unhealthy microbial ecosystem in a human body, so too may pesticides in a land-based ecosystem. Pesticides, just like antibiotics, kill non-target organisms; and in doing so, may disrupt an ecosystem in a way that may foster outbreaks of plant, pests, and pathogens.

Forty-eight hours after the first application of BDK, which the entire garden was doused, it wasn't just deciduous trees. It was everything, even beyond the boundary, the map boundary. We began to lose a lot of the plants. There was a lot of harm. But most remarkable was the amount of insects that we had never seen before.

Included in the BTK application is a food attractant and a feeding stimulant, so that just drew all those insects. It's going to take quite a bit of time for the property to get back, but I would like people to consider that and think about that when they just use a prophylactic.

SENATOR FLOREZ: Thank you.

MS. RADER: You're welcome.

SENATOR FLOREZ: Appreciate your testimony.

Okay.

MS. PATTY PAGALING: Hello. My name is Patty Pagaling and I'm also from Ojai, California.

SENATOR FLOREZ: Can you pull the microphone to you so we can hear you, your microphone?

MS. PAGALING: Oh, sorry.

SENATOR FLOREZ: Thank you.

MS. PAGALING: Hello. My name is Patty Pagaling. I'm from Ojai, California, also where the CDFA came and spent almost a million dollars on the eradication efforts for the gypsy moth. They sprayed DiPel, Btk formulation, which also kills butterfly, caterpillars. According to the U.S. Forest Service, the four to seven egg masses found in Ojai does not constitute an infestation. Therefore, they should not have sprayed. According to the DPR, federal and state laws required that all pesticides be handled strictly according to their label instructions. "Pesticides must not be allowed to drift, run off, or move off target"—this is a quote. And in the package that you'll get from Lynda, there are YouTube links to show that the applicators did not follow these guidelines—there was a lot of drift; there was a lot of overspray on plants that should not have been sprayed. People were made sick. Forty-six percent of

DiPel is made of inert ingredients—trade secrets that we are not allowed to know what they are. And they can be very toxic. Due to the spraying, many people experience respiratory problems, diarrhea, nausea. Many animals were sickened as well. We have a right to know what these inert ingredients are. There's an EPA report on the negative health impacts of pesticides on children; and women, the elderly, and especially children are most susceptible to toxic chemical exposures.

There's an entomologist named Richard Fagerland. He states that the light brown apple moth and the gypsy moth will not devastate California, but the pesticides used to attempt to control them may. There are strong indications that invasive species councils that push pesticide use are sponsored and even established by the pesticide industry. So as a result of all of the research that's been done, the use of pesticides is not the answer.

In this book, *Sustaining Life*, during a good part of the 20th century, farmers throughout the world have relied heavily on chemical pesticides. But often these pesticides kill the natural enemies of the pests and provoke resistance in the pests they are intended to kill. The absence of natural enemies may allow even benign insects to increase their populations to such an extent, that not only do they become pests in their own right but they may also be able to acquire resistance to pesticides. This pattern is known as pesticide treadmill.

The current research out of the University of Chicago indicates that pests are developing resistance to the BT toxins. It has come to our attention that the CDFA is also considering spraying Spinisad on the orange groves in our area. Spinisad is highly toxic to bees. Losing our pollinators will result in a negative economic impact on agriculture and our economy.

And I would love to encourage you to all see *Fresh*, a documentary, that's much like *Food, Inc.*, and I'm really glad to hear that you were there to see that. It's about sustainable farming. I would just love to be a part of working with everyone to create a healthy, sustainable California, and I thank you for hearing what I have to say.

SENATOR FLOREZ: Great. And thank you for your testimony on the record. I appreciate it, both, both of you. Thank you.

MS. PAGALING: Thank you.

SENATOR FLOREZ: Okay. Mr. Matteis.

MR. JOSEPH McINTYRE: Good afternoon, Senator. My name is Joseph McIntyre. I'm the executive director of Ag Innovations Network. We're a nonprofit organization based in Sebastopol.

I'm here today at the request of the California Roundtable on Agriculture and the Environment where I serve as the facilitator. You have gotten a brief introduction about the California Roundtable from Mr. Dimock earlier in the public testimony. I just wanted to let you know that it's a voluntary association of about 25 organizations, spanning the largest names in environmental organizations in California, as well as agricultural organizations. We're here together for one purpose, which is to find the potential public benefit at the intersection of agriculture and the environment. And one of our key partners has been the California Department of Food and Agriculture.

With your permission, I'd like to read a letter that's been drafted by the members of the roundtable for your benefit and the benefit of a committee and then offer just two quick insights in terms of what I heard this morning that may be of some benefit to you:

"Senator Florez, as members of the California Roundtable on Agriculture and the Environment, CRAE, we are writing to express our opposition to any proposal that would eliminate the California Department of Food and Agriculture, CDFA. CRAE is a board coalition of agriculture, environment, labor, and public agency leaders working to promote an agriculture that is economically viable, environmentally sustainable, and socially responsible.

"We strongly urge the legislature to maintain an appropriate level of General Fund support for CDFA. And to the extent cuts must be incurred, we recommend they be done so on an unallocated basis and be aligned with the goals of the Ag Vision 2030 process.

“CDFA plays a critical role in assuring California’s agriculture remains a strategic state, national and global resource, that generates roughly \$100 billion in economic activity. As a provider of food, fiber, open space, and increasingly renewable energy, agriculture’s value to California far exceeds its direct economic contribution.

“CDFA’s leadership is also needed to ensure a safe and accessible food supply, guard against invasive pests and diseases that threaten our state’s economy and environment, reduce the threat of bioterrorism, and help agriculture meet the growing demands for ecosystem services and environmental stewardship. All Californians, in addition to our agricultural producers, benefit from this leadership.

“Therefore, we welcome the opportunity to work with you to critically evaluate how the department can more efficiently and effectively advance the interests of all actors in the food chain, from field to fork. Such a review should carefully consider the potential relocation of programs to the department to improve in food safety services, strengthen agriculture environmental stewardship, protect farmland, and coordinate the state’s food purchasing programs to make a direct linkage between nutritional needs of our citizens and the local production of our state’s farmers and ranchers. It should, furthermore, ensure the close coordination with UC Cooperative Extension to leverage technical and scientific expertise.

“In conclusion, CRAE recognizes that efficiencies in government must be implemented. However, the long-term viability of California’s food production system is at stake. We urge you to maintain a Department of Food and Agriculture with an appropriate level of public funding.

“Sincerely”—and the signatories are listed in alphabetical order—“Ag Council of California; American Farmland Trust; California Association of Resource Conservation Districts; California Association of Winegrape Growers; California Cattlemen’s Association; California Certified Organic Farmers; California Farm Bureau Federation; California Federation of Certified Farmers’ Markets; Community Alliance with Family Farmers; Cornelius Gallagher,

Agribusiness Executive, Bank of America; Environmental Working Group; Great Valley Center; Markon Cooperative; Marrone Bio Innovations, Incorporated; National Resources Defense Council; The Nature Conservancy; Richard E. Rominger, Roots of Change; San Joaquin Resource Conservation District; Sustainable Conservation; Western Growers Association; Western United Dairymen.”

With that note, I just want to offer two quick observations. You asked a very important question, What is the role and the relationship with CDFA to the public’s interest? Historically, Agriculture has been a core interest of all the public, not just because we’re eaters but because we also have an historical agrarian past. But today, more than ever, the connection between food, health, environment is on the minds of consumers. My two previous testifiers before you came to you for that very reason.

CDFA plays a unique role, and an increasing role, in trying to bring those interests together to meet the public’s needs, and I encourage us to be creative in helping the agency accomplish that mission in your efforts to streamline its operations. Thank you.

SENATOR FLOREZ: Thank you.

MR. RICHARD MATTEIS: Mr. Chairman, Rich Matteis, California Farm Bureau Federation.

I had a prepared statement, but much of what is in there was covered by previous speakers—Mr. Dimock and the previous gentleman, as well as the Department of Food and Agriculture.

I think one of the things that we should focus on is that public benefit—and that’s what you asked everyone to do here today—and one of the things that might not have gotten quite enough emphasis is the importance of agriculture on our economy is the food nursery production system that we have—the jobs that it provides, the income that it brings to the state, real hard dollars. As you know, we’re big exporters, so it creates real income for the state as opposed to those kinds of businesses that shift dollars around the state. And I know you know in your own district, there’s whole communities

whose well-being is based on agriculture. And if we have a major pest problem, it could be really very, very disruptive for farm workers and people who drive the trucks and folks who work in the schools in those areas, and I know you're all too aware of that. But I think it is some justification for having some public support for this important agency, and we do support the continuation of that.

To the extent we jeopardize our Pest Detection Eradication and Exclusion Programs, we put at special risk the organic industry who doesn't have the tools that conventional agriculture has, and I think that's something to be considered as we go forward. I'm a resident myself. I have a yard and a few fruit trees, of course, ornamentals.

Last week, I went to Lowe's and bought a can of—excuse me—a bottle of—organic spray. It cost me \$12. When I think about this bang for the buck and the leverage that we get, just a little over \$3.50, to make sure my eggs are safe—and it was this department that led the charge for egg refrigeration before the rest of the country and FDA itself—I know my milk is safe and something I can consume and that my yard is protected—I think that the worth is there.

We have this wonderful integrated system with county Ag commissioners. No other state has that system and unique relationships that have been put in place. We certainly wouldn't want to tamper with that at a time when we're at real risk.

I spent a day down with the Department of Homeland Security in San Francisco last year, and it was really mind boggling to see all the materials the public are trying to get through the screenings at the airport and their luggage and the postal service and then some cargo and they are very understaffed. And I'm not saying that then it should become our responsibility but it is.

They have 60 agricultural inspector positions approved but only had 20 people filling those positions. They'd recruited and trained 54 Ag inspectors in the previous year and had lost 55. And so our second line of defense, Is our Department of Ag commissioners who do a stellar job on early detection? And early detection is so important. You know, you take a disease like hoof and mouth, and it can increase the economic loss of the state, hundreds of millions

of dollars, for every 48-hour period and so very important we keep that in place. I'm not saying somebody else can't do it, but I do think that we have a system that is tried and true and has proven itself in many ways.

Food is essential. I think that's something to remember. We do see a big focus—and I know you'll appreciate this with all you've done lately. We do see strong public support for local food production, wanting to buy those things that are near to home, have less impact on the environment—we're not shipping it long distances—and better control over the safety and quality and affordability and the availability of that.

I think I can quit there because most of the other points have been covered by the others, but it's an important part of our economy, one that's still functioning at a time when a lot of others aren't.

SENATOR FLOREZ: Thank you.

MR. MATTEIS: Thank you.

SENATOR FLOREZ: That was Rich Matteis, by the way, for the record. I want to make we've got your name. Okay.

MR. SCOTT HUDSON: Good afternoon, Mr. Chairman and Committee members. I'm Scott Hudson. I represent the California Agriculture Commissioners and Sealers Association, and I'm the San Joaquin County Agricultural Commissioner.

Being towards the end here, I find out that a lot of my comments might sound a little bit redundant so I do apologize for that. But the partnership between the California Department of Food and Agriculture and the county agricultural commissioners has produced productive, efficient, and cost-effective services for all Californians for many years. We believe that eliminating CDFA could impact the productive service delivery that has developed through this partnership without providing any significant cost savings to the budget, state budget.

As an example, CDFA has a long history of building partnerships with the United States Department of Agriculture, county agricultural commissioners, and the agricultural industry to develop effective and

innovative programs that prevent harmful, exotic pests from becoming established in California. These pests not only threaten California's \$37 billion agricultural industry but also urban landscapes, home gardens, the environment, and people. The county agricultural commissioners play a large role in CDFA's Pest Prevention Network, and it has proven successful in excluding harmful pests from entry into California for many years. This system has undoubtedly saved California billions of dollars in pest eradication costs. However, CDFA's Pest Prevention System is dependent on having the expertise in many different areas working together on the common mission. Scattering the expertise among other state agencies compromise the effectiveness and productivity of California's Pest Prevention Program.

As has been mentioned before, eliminating California's Department of Agriculture could also impact our ability to leverage funding from USDA. Most states have departments of agriculture that work closely with USDA to help carry out federally funded agricultural programs on the state level. Consequently, the partnership between USDA and CDFA is critically important to help leverage federal dollars for agricultural programs in California. These programs not only service the agricultural industry but also consumers, the environment, and the general public on both the state and local levels.

We believe that transferring the programs to CDFA, including those in division and measurement standards, to other agencies would not provide any cost savings and could actually increase state budget costs. The specialized services that CDFA provides would still need to continue with the same workforce. However, additional administrative layers may be required in those agencies receiving programs from CDFA to provide the oversight and coordination necessary to actually run the programs.

While the current state budget deficit does require decision makers to review every possible alternative for reducing costs, structural changes should not be made unless there is certainty that savings will actually result and effectiveness will be maintained or improved. We believe that neither will occur with the transfer of CDFA programs to other agencies.

SENATOR FLOREZ: Great. Thank you.

MS. YANNICK PHILLIPS: Hello. My name is Yannick Phillips from Sonoma, and I want to first thank Senator Florez and Senator Maldonado, if he was here, and the Members of the Committee for holding this very important and much-needed hearing. Thank you so much.

Thank you, Rayne Pegg, for shouldering the position of Secretary Kawamura's position today.

As a native Californian, having spent countless hours on my grandparents' citrus farms near San Diego, I can honestly say that I'm certainly appreciative of our hardworking California farmers, as well as their crews and the farm workers, and I'm a fierce advocate for what they all stand for, which is stewards of our land. And if any of them are here today, thank you.

I'm here today to testify in front of you, kind of stemming from the issue of the light brown apple moth, an issue that has strongly interrupted by my life and that of others and almost for two years now, and continues to do so. I have become more familiar with CDFA more than ever.

When I first heard that the people of Santa Cruz and Monterey had been sprayed, I really thought it was a joke that they had been aerially sprayed. I really didn't think our state did this. I then heard that there had been spraying for potentially destructive moth, moth LBAM, light brown apple moth. Upon finding out that California had the same temperate climate as New Zealand, I immediately read all I could find on the light brown apple moth. And not finding as much as I wanted on grapes, I was very concerned for our industry up there. I live in Sonoma, a large grape-producing county.

I decided to make numerous calls to dozens of New Zealand grape growers, farmers, the New Zealand governmental agencies, independent, well-respected entomologists, some of the largest fruit distributors, and citizens as well. And I was shocked. I found out that from those numerous calls, numerous interviews, no one confirmed to me that the light brown apple moth was an insect of major concern and some actually laughed on the phone. It is

then that I really felt completely insulted and disgusted by CDFA's past action in Santa Cruz and Monterey. And at the time, they were planning for aerial spray in the Bay Area. I thought that CDFA was an agency that we could trust. And having my family in farming, I just always thought they were there.

So some of us that are involved in the LBAM issue would probably say that CDFA's LBAM Eradication Program has tried to drive a wedge between citizens and farmers. But for some of us, as myself who's devoted to not having our farmers also hurt by this program with the harsh quarantines imposed on them, we will defend them as well as ourselves and that the real true story is that the moth is not a real threat, as far as the insect itself. The threat is the international trade issue.

I sure wish that, if he was here, I would say it to him personally, Mr. Lyle, who's with CDFA, would stop using the word *threatening* moth and instead start using the word, that it is a *trade* threat. That's what it is. It's a trade threat. Every time he says that the moth is a major, major threat, he really loses his and CDFA's credibility.

There is, as I think right now, today, there is not one crop-loss report that has been brought to any Ag commissioner in California on the light brown apple moth. I think the Farm Bureau president, Doug Mosebar, gets it really right when he says, other places don't want the moth. They'll clamp down on our farmers to make sure that it doesn't move; the trading restrictions pose a particular burden for organic farmers and for small-scale farms and nurseries that sell products to Canada and Mexico. So I could say much more on the issue of LBAM, and it's consumed a lot of my time. I've been working a lot on this issue to keep the Eradication Program out of Sonoma, Sonoma County, and I will continue to work on keeping it out of my backyard. And when I say my *backyard*, I mean that in the broader term, not just my personal backyard.

As far as the elimination of CDFA as an agency, I don't know all the intricacies of the agency so I cannot stand here today and say that the department should stay or go. But what I do know is, that when the care for people gets put aside, ignored or, worse, threatened, like the aerial spray, and

the interests of pesticides and pesticide manufacturers as, again, in the aerial spray, take the front seat, that agency, CDFA, certainly needs a major makeover in the form of maybe a wakeup call haircut, as I like to call it. And for CDFA, that might be a real good shampoo, good cleaning, and a crew cut.

So anyway, I want to kind of maybe wrap up here, but in conclusion, I would like to thank CDFA for opening my eyes and others so that we can be made aware of how things are done in their department and how now we, the people, can help you make the change for the better if you are to still exist, if that's still a possibility. We need to remember that the economic prosperity of our farmers, the ecological health of our environment, and the interest of California consumers—those three things—cannot be separated. Those dovetail very, very tightly.

So people like myself are not asking you if we can be part of the discussion. If you can open the door and give us a seat at the table, we are actually demanding it and we won't stop demanding it. So please be ready to greet us and let us pull up a chair.

So Mr. Kawamura, if you were here—I'm saddened that I wasn't able to say this to him directly—but if the fate of CDFA is to still be around and not disintegrated, you do need to start involving consumers into this conversation—the voters, the taxpayers. The people of California will stand with you and support you and praise you, and you can start restoring the trust that was greatly lost by many, with the light brown apple moth issue, with maybe potentially now the gypsy moth, with a lot of the eradication programs.

And I really love the Farm Bureau's statement which says—I read this a while back that says—common sense, hard work—you get results. So let's get to work and clean CDFA. So thank you again to the chair and the Vice-Chair Maldonado of this committee and its committee members. Thank you.

MR. ROY UPTON: Thank you. Roy Upton, Citizens for Health. I also approached or became of CDFA through the LBAM issue. I live in Santa Cruz, so it was very close and dear to our hearts when he heard about aerial

spraying. I'm going to try to couch my comments from the perspective of the overall arching goals that you had on your mind.

Now the first part is the manner in which this particular invasive species was approached. It seemed that a program was implemented before adequate science or review was conducted. So a few million-dollar project turned into a \$70 million project for species that three months of our time is a few handful of citizens going to New Zealand, going to Australia, talking to experts in Hawaii, Australia, India, Ireland, the United Kingdom where LBAM is naturalized. In three short months, we were to find out this is not a moth of mass destruction as it was portrayed to be, that it was an insignificant insect, background feeder in forest, and literally everything feeds on it, from spiders and flies and mosquitoes to birds and bats and everything in between.

As Yannick found out that it was an insignificant pest in wine, we found out it was insignificant in grapes and apples—all the primary crops—that it was said to be a moth of mass destruction. Again, had CDFA or USDA taken just a little bit of time to review the modern literature, the scientific, published literature on LBAM and talked to the experts that we were able to talk to in those countries, they would found the same thing that we did and saved a lot of money and a lot of heartache.

In Santa Cruz, \$500,000 was allocated to a marketing campaign to tell us how good the aerial spraying was for our communities. I don't think that's money well spent. There is indication that the same can be said for the eradication program for medfly as well as glassy-winged sharpshooter. The medfly, if you look at any one of your cups on your desk there, in the last 22 or 26 years, we've been eradicating medfly to the tune of about three-quarters of a billion dollars, and the number of medflies that we've caught, that those programs have been based upon, can fit in one of those cups. That's the amount of money, three-quarters of a billion dollars for about three-quarters of a cup of medflies that have been trapped in total. These are the types of programs that have to be reevaluated constantly as to their effectiveness.

A few weeks ago, I provided your office with a list of eradication programs that CDFA has been involved in over the last 26 years, and they've been eradicating the same nine pests for 26 years. This suggests that their eradication programs are ineffective. They're control programs, not eradication programs. They should be called that. And many of those controls possibly could be turned over to industry so that taxpayers aren't paying for wasted programs that don't really work and can't work.

On the environmental side of things, I think it's very significant in the manner in which CDFA goes about doing these types of programs, which, as you pointed out, was a big part of their expenditures on these invasive species. On the environmental side, when we started being aerial sprayed, that was blanket spraying. LBAM covers 30,000 square miles. You can't expect to eradicate a species by aerial spraying 30,000 square miles of California. Citizens won't put up for it, but it also won't work.

We are also—our nurseries in our local area were being required to treat their entire acreage with chlorpyrifos, and this was right along waterways, rivers, right into the national—the Monterey Bay National Marine Sanctuary. If CDFA is to have a strong environmental charge, we have to pay attention to this because these types of pesticides disrupt the normal ecological equilibrium that keeps pests at bay. As the woman pointed out from the textbook, when we disrupt that balance, we take benign pests, including something like LBAM, and we can make a benign insect into a more significant, economically significant, pest.

So I had a few recommendations. The first is that we definitely need to restructure the manner in which invasive species are addressed, first by putting a little bit of research before knee-jerk reaction programs that initiate emergency programs, an emergency funding, that really isn't necessary. Two courts, California courts, ruled that there was no emergency program or emergency justification for the eradication program of LBAM. Second, we have to develop a relationship with USDA and CDFA and the public that's proactive and positive, not reactive and antagonistic. We were told, you will be sprayed;

you don't have a voice in this; you don't have a choice; this is our authority. Not to us. You work for us, just as the legislature works for us, and we need to demand that, just as Yannick said. But we need to develop a positive relationship.

Same thing between the farmers and CDFA. Many of the farmers were approached in antagonistic ways saying, if you don't sign onto this program, you will be quarantined; your crops will be sterilized; you will lose your market. This is not a positive approach to regulation, in my opinion.

A possible mechanisms for doing these types of programs may be the convening of a standing, invasive species council within the UC system that could be used as the brain trust for developing programs from the perspective of, one, is it needed? Is it cost-effective? Is it best if government bear that cost or industry bear that cost? And is it successful? Can it be achieved? In the case of LBAM, it is very clear that eradication is absolutely impossible with an insect that's spread over 30,000 square miles with populations that were trapping of 30,000 and 40,000 which actually represent many millions because of the trapping inefficiency of the traps.

So those are some recommendations that we want to make from a Citizens for Health Perspective. Our interest is very strong in the area of both public and environmental health and we need to restructure our thinking of the way we do agriculture. So thank you so much for giving us the opportunity to make these comments.

MS. HELEN KOZORIZ: My name is Helen Kozoriz and I'm a member of Stop the Spray, and I've been working on the light-brown apple mouth issue since I've read about it in my local community newspaper in Mount Clair and that was February 2008 so I've been working full time ever since.

I just want to say that Yannick and Roy basically summed up my feelings about this program, and I know it's been a long day and so I'm just going to read a letter that I brought with me. It was written by a woman who lives in Santa Cruz who was aeriually sprayed for the light brown apple moth in fall 2007, and that program, that spraying, resulted in over 643 adverse

complaints of ill health effects that were documented; and my belief is that that was probably the tip of the iceberg. There were actually thousands of people who were injured by that aerial spray that took place, including two children that almost died.

Her name is Paulina Vorsick:

“Dear Senator Florez, I’m unable to make it to Sacramento for your hearings on the fate of the California Department of Food and Agriculture so am having a friend bring my written testimony with her.

“I feel no state can survive without its Department of Agriculture, but I worry California may not be able to survive the current instantiation of CDFA. My bottom line with regard with CDFA would be, change or die. CDFA has demonstrated that it bases its actions on the outdated protocols of the past and not on 21st century paradigms of sustainable agriculture and horticulture. Contemporary science and research doesn’t seem to guide the general operating principles of CDFA; instead, an attitude of the public be damned; we can do whatever we want to farmers and growers, and there’s nothing you can do about it. It seems to characterize the agency as it is run now.

“I have been active in fighting the Light Brown Apple Moth Eradication Program for almost two years, and I have always been struck that the attitude of CDFA on this issue was not one of, How can we help our farmers and growers cope with this minor pest? Let’s be an advocate for California agriculture in dealing with international trade issues brought about because of the detection of LBAM in California. Instead, CDFA insisted on charging ahead with quarantines and thoughtless toxic treatment programs that weren’t necessary, couldn’t work, weren’t well thought out, and were injurious to both the livelihoods of farmers and growers and to the health and environment of the state that is paying the agency’s bills.

“CDFA made farmers and growers its enemy rather than the glitch in international trade policy that caused the whole LBAM ruckus. I have been stunned by how nonsensical, intellectually dishonest, and arrogant CDFA’s conduct has been. Its policies are regressive. Its actions lack transparency or

logic, and so very little of agency's official positions seem to be influenced by contemporary thinking about the complexities of the biosphere or notions of sustainability.

"I am a native Californian; and while I have lived in other parts of the country, I have always been glad to come back home. I am proud of how California has the general reputation of being the most forward-looking state in the union. CDFA, with is insular—we are right and everyone else is wrong—irrational, don't complicate issues with facts, and bullying institutional culture—does not reflect the innovative thinking California has always represented on the global stage. A state agency, which inspires fear in both the constituency it is supposed to serve, farmers and growers, and the general public is not one that deserves scarce California state dollars.

"My hope is that a reformed CDFA could foster the good growing practices in agricultural polices that would add to California's reputation of global leadership. A state which leads the world in technology innovation shouldn't be shamed by a state agency whose incompetence and backwardness might seem comical in another context. I believe that government can be a force for the good; I also believe California deserves the Department of Agriculture which isn't backsliding fearlessly into the paths but is moving positively into the future."

Thank you.

MS. MARTHA GUZMAN: Mr. Chairman, Martha Guzman with the California Rural Legal Assistance Foundation. I apologize for not having anything in writing for you before the committee, but we really do appreciate having this hearing and really looking at the oversight of CDFA. Although we don't agree necessarily that the department needs to be abolished, we do think there's a tremendous need for reform and the fact that there simply are no checks and balances within the department.

Even just in this testimony related to eradication, there is an extremely powerful influence of the fertilizer and pesticide manufacturers within the

decision making of the department. That is a matter of course, not just an eradication but in other programs.

And I would ask, that you proceed and having additional hearings or whatever forums some of these proposals come forward, that you consider one that is not necessarily how the General Fund costs directly. But indirectly we certainly believe it does because it is not run to its fullest extent, and that is the Fertilizer, Research and Education Program. This program, if held at extension, which is our proposal, that it be shifted from the department to extension, would provide much more value added in terms of research that is building on additional research at UC, as well as having direct and comprehensive communication with growers that actually gets this research on the ground. Right now this program is heavily influenced again by the manufacturers. It is conducting some, certainly valuable research, but it's nowhere near where we need to go.

And in relation to the General Fund is many fold. But one in particular is with the drinking-water situation in our communities. As you know, nitrate contamination, primarily from fertilizers, is a huge cost to the state and to local governments and to local communities.

So I would love to work with your staff in further developing this proposal. But just to reiterate, that there really does need to be some further checks and balances within the department. This is one small program that we're very familiar with. It just doesn't go to the level of public protection and public benefit that it could. Thank you.

SENATOR FLOREZ: Any other public comment? Okay. More public comment? Yes, okay.

MS. JUDY STEWART LESLIE: Good afternoon, Senators. My name is Judy Stewart Leslie. I'm with the Consolidated Central Valley Table Grape Pest and Disease Control District down in Tulare and Kern Counties.

I want to say today that pests and diseases have the ability to change the course of history and that, as did the Irish potato famines, the state of California is under constant assault by invasive pests and diseases which

threaten the environment, jobs, and economic well-being of the state and the nation and our food security. No other agency has the authority or the expertise to do what CDFA does.

Invasive pests, exclusion, detection, and eradication is not a job for amateurs. Our main question is, Where would the cost savings occur by merely moving CDFA divisions to other agencies? Breaking up CDFA for the purpose of saving overhead is merely a shell game where costs are transferred elsewhere. The perceived efficiency of streamlining upper management will not turn into reality. The truth is, is that the administrators of these successful programs have a specialized knowledge in these areas that cannot be replaced. The efficacy of a program—invasive pest exclusion—would be compromised to the detriment of an entire nation.

We understand that with this looming budget deficit that all departments must be scrutinized for savings and efficiencies, but we ask that careful consideration be taken to make sure that there is a real savings and not a long-term cost to the California taxpayers. With \$36.6 billion of agricultural products sold and the generation of an estimated \$100 billion in related economic activity, the agricultural industry is too important to the welfare of California economy and the overall public good.

Agriculture is different. The oversight, support, and protection of what we eat does warrant a specialized agency. The management of resources, people, infrastructure, biological organisms, and support industries, and many other factors make agriculture a different industry. Our ability to provide a constant variety of economical and nutritious food for this nation is contingent on a specialized and functional CDFA. It is not hyperbole to say that the compromising—the ability of CDFA to protect our food supply—threatens our nation's food security. CDFA should be left intact and whole, and I thank you for your time this afternoon.

SENATOR FLOREZ: Great. Thank you.

Any other public comment?

Okay. Seeing and hearing none, let's go ahead and close the hearing. I will tell you that, as I said at the very beginning, that no particular function of state government will be immune to change. We're going to start that process and have started that process today. I can also tell you, that while streamlining in government seems to be a very popular notion around here, coming from both sides of the aisle, it is very interesting when we start actually trying to implement it, how much things change very quickly in terms of people's resistance to the word *streamlining*.

I can tell you that, you know, there are folks around here that will continue to hold onto past structures, but I think you can tell today, even by some of the discussion of where some departments need some streamlining, it's clear to me that we can do that. We can downsize; there is value for the taxpayers here; and it's going to take a whole set of new ideas in terms of restructuring some of these pieces and putting them in the right places. It's very clear to me that the appropriate burden here belongs in many cases on those who can pay for it, particularly if they're getting to benefit. And if the taxpayers aren't getting the benefit and a proven benefit, then we ought to make sure that the taxpayers aren't paying the tap at a time that they can't afford to pay the tap.

I can tell you that the next steps for the committee are to take the information provided today, begin formulating a reform proposal. We very much look forward to working with CDFA. We always enjoy working with the folks there. They're very pragmatic. I've worked with a lot of different administrations, and I think this is one who actually comes to the table with some solutions. And so I look forward to working with Ms. Pegg and John and others as we try to figure out this issue of how to downsize this or streamline in a more efficient way. I can't tell you the options to not do anything. We're going to do something. The question is, we pick the right—we pull the right levers.

Let me close by simply saying thank you to everyone. It's been a long hearing. It's been very informative. And we will now go about trying to figure

out how to streamline delivery services in this particular work. So thank you all for being here. We'll adjourn.

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