

HOUSE BILL REPORT

HB 2290

As Reported by House Committee On:
Agriculture & Ecology
Appropriations

Title: An act relating to the fruit and vegetable inspection account.

Brief Description: Creating the fruit and vegetable inspection account.

Sponsors: Representatives Linville and Schoesler; by request of Department of Agriculture.

Brief History:

Committee Activity:

Agriculture & Ecology: 1/25/02, 2/7/02 [DPS];
Appropriations: 2/9/02 [DPS(AGEC)].

Brief Summary of Substitute Bill

- Replaces the fruit and vegetable district funds located locally with a Fruit and Vegetable Inspection Account in the custody of the State Treasurer, provides for the use of monies from the new state account, authorizes the account to receive its share of its earnings, and requires accounts for each of the districts to be created within the new account.
- Requires at least two, rather than three, inspection districts and provides for reducing fees in a district in certain instances.
- Requires a study of certain funding provided for departmental administration.
- Repeals the Fruit and Vegetable Trust Account.

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Linville, Chair; Hunt, Vice Chair; Schoesler, Ranking Minority Member; Chandler, Cooper, Delvin, Dunshee, Grant, Kirby, Quall, Roach and Sump.

Minority Report: Do not pass. Signed by 1 member: Representative Holmquist.

Staff: Kenneth Hirst (786-7105).

Background:

State laws require the Director of Agriculture to establish standards and grades for apples, apricots, Italian prunes, peaches, sweet cherries, pears, potatoes and asparagus and allows the director to establish them for other fruits and vegetables. For the purposes of these laws, the state is divided into not less than three fruit and vegetable inspection districts. The director may assign a district manager to each district to administer the regulatory and inspection program within the district. The fees collected for these services are deposited in a district fund, which is used as a revolving fund to carry out services within the district. Some of the monies in the district fund are also transferred to the state Fruit and Vegetable Inspection Trust Account.

Beginning in 1997, legislation has authorized a transfer of \$200,000 in District #2 funds to the Plant Pest Account for activities related to apple maggot control. Funds from this transfer that are unexpended by June 30, 2003, are to be returned to the district fund. District #2 is composed of Kittitas, Klickitat, Skamania, and Yakima counties and the portion of Benton County containing Prosser, Kiona, and Benton City.

Summary of Substitute Bill:

New State Account. The Fruit and Vegetable District Funds maintained in banks located in the districts are replaced by a Fruit and Vegetable Inspection Account in the custody of the State Treasurer. The new account is subject to allotment procedures but is not subject to appropriation. The account is to receive its proportionate share of any earnings on the account. The director, rather than the district managers, may authorize expenditures from the account. The expenditures authorized are those solely for the implementation and enforcement of the state's laws for grades and packs of fruit and vegetables and those authorized by statute or session law specifically applying to the account.

The Director of Agriculture is to establish accounts within the new state account for each inspection district. The state must be divided into not less than two (rather than three) such districts. However, any consolidation or alteration of inspection district boundaries during 2002 must not reduce inspection services or the availability or quality of inspection services in the districts.

Transfer of Monies; Fee Reductions. The monies remaining in the district funds on the effective date of the bill are to be transferred to the new state account. The monies from the district that includes Yakima County are to be transferred to the sub-account for the district containing Yakima County. If the remaining monies in a district fund exceed a certain sum, the fees accruing to the district account are to be temporarily reduced by 12 percent until the monies in the district account reach a specified sum. Any monies

previously transferred from the district fund for District #2 for apple maggot control and unspent by June 30, 2003, are to be deposited in the district account for the district containing Yakima County. The Fruit and Vegetable Inspection Trust Account is repealed. Monies remaining in the trust account are to be equally divided among the sub-accounts.

By August 1, biennially beginning in 2004, if the monies in a district account exceed a certain sum, the fees accruing to the account from the district are to be temporarily reduced until the monies in the account reach a specified sum. The director must attempt to reduce temporarily the fees such that the fee reduction will be in effect for 12 months. The temporary fee reduction is to be initially accomplished through emergency rules. These and subsequent rules for the reduction are exempt from the provisions of the Administrative Procedure Act regarding pre-notice statements of inquiry and negotiated and pilot rule-making and from the Regulatory Fairness Act.

Study. The department and the Office of Financial Management (OFM) must examine the funding that is provided from fruit and vegetable inspection services to the department for administration. They must identify the positions funded, the amount of the funding for each position, and the proximity of the functions performed by those positions to the delivery of inspection services.

This information must be compared to the same type of information regarding funding derived from other unappropriated accounts from which the director may make expenditures. The department and OFM must report the results of the examination to the Governor and the Legislature by December 1, 2002.

Substitute Bill Compared to Original Bill:

Provided by the substitute bill are provisions: further limiting the types of authorized expenditures from the new state account; authorizing a minimum of two inspection districts, prohibiting any consolidation of districts from affecting the quality or availability of inspection services, and requiring a sub-account for each inspection district; providing for the transfer of residual funds from the district funds and the state trust account; providing for fee reductions; and requiring a study.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Substitute Bill: The bill takes effect July 1, 2002.

Testimony For: (1) The bill will streamline accounting for an program that employs 30

percent of the workforce of the Department of Agriculture. (2) Currently, each district manager must administer and invest the district funds separately. The bill will allow consolidation in the State Treasury and remove this burden from the district managers. (3) Surpluses in the district accounts should be used to reduce fees if they exceed a certain specified amount. The department wants to return approximately \$600,000 from the district containing Yakima county to the industry. (4) To save administrative costs, the department proposes to consolidate the districts currently serving Wenatchee and Moses Lake.

Testimony Against: (1) The amount of money raised by district inspection fees but used to support departmental administration needs to be reviewed and cut. It is currently 8.5 percent of the funds; it should be reduced to 4 percent. (2) The discretion of the director to make expenditures from the new state account should be limited.

Testified: (In support): Leslie Emerick and Jim Quigley, Department of Agriculture.

(With concerns): Charlie Brown, Washington State Potato Commission; Jim Halstrom, Washington Horticultural Association; and Dave Ducharme, Yakima Growers and Shippers.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Agriculture & Ecology be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Sehlin, Ranking Minority Member; Alexander, Boldt, Buck, Clements, Cody, Cox, Dunshee, Grant, Kagi, Kenney, Kessler, Linville, Lisk, Mastin, McIntire, Pearson, Pflug, Ruderman, Schual-Berke, Talcott and Tokuda.

Staff: Jeff Olsen (786-7157).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Agriculture & Ecology:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: None.

Testified: No testimony.