

Seed Advisory Board Meeting
Stanislaus County Agricultural Center
Modesto, CA
8:30 AM, Thursday May 3, 2012

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1. Call to Order – Roll call

Vice Chairman Falconer announced that he would conduct the meeting due to Chairman Hansen’s inability to attend. Vice Chairman Falconer called the meeting to order at 8:32 am. The following members and guests were present:

Kelly Keithly	Dennis Choate	John Heaton
Rick Falconer	Paul Frey	Sue DiTomaso
Bob Prys	Larry Hirahara	Allen Van Deynze
Janice Woodhouse	Michael Campbell	Kent Bradford
John McShane	Betsy Peterson	Duane Schnabel
Marc Meyer	Deborah Meyer	

2. Oath Administration

Vice Chairman Falconer announced the appointment of two new Board members: Janice Woodhouse and Bob Prys. He reviewed the oath, the establishment of headquarters and the form for authorization to use private vehicles. John Heaton acknowledged receipt of all forms signed by the new Board members.

3. Acceptance of Minutes from November 2011 Seed Advisory Board meetings

Kelly Keithly motioned that the minutes of the November 3, 2011 meeting be accepted. Paul Frey seconded the motion. Motion carried.

Kelly Keithly motioned that the minutes of the November 18, 2011 subcommittee meeting be accepted. Marc Meyer seconded the motion. Motion carried.

4. Summary of Recent Activities by the Seed Services Program

Heaton noted that in prior meetings, several members stated they were not as familiar with the breadth of activities performed by staff in the seed laboratory. He suggested that it would also be beneficial to review some of the efforts performed by staff in the Seed Seed Services Program. He provided a handout (attachment 1) that summarized twenty-seven different tasks or activities performed since the last meeting. Some of the more significant activities included:

- Facilitating a public meeting of a Seed Advisory Board Subcommittee
- Preparation of minutes
- Conducted numerous seed complaint investigations
- Tracked statewide compliance monitoring of seed lots
- Prepared correspondences about:
 - Label violations – sent to approximately 50 firms
 - Reduction in the rate assessment from 28 to 25 cents – sent to all firms
 - Amendment to the lab MOU – sent to CDFA Financial Services unit
 - Board vacancies – posted on the Dept. webpage and various publications
 - Contract purchases – particularly for the description of sample forms (attachment 2)
 - Early payoff of the bond debt
 - Regulatory changes for the assessment rate changing from 28 cents to 25 cents

SAB Subcommittee recommendation

Heaton referenced the minutes from the November 18, 2011 meeting of the Seed Advisory Board subcommittee. He noted that the subcommittee made a recommendation to the full Board that funding for the seed laboratory be \$500,000.

AASCO Seed Sampler Trainer Accreditation

Heaton provided a handout about the Accredited Seed Sampling Program (attachment 3) offered by the USDA. The description was originally presented in the USDA's newsletter called Items of Interest in Seed - October 2007. The article described a process verified system which utilizes audits to verify that participants have created and implemented a quality management system (QMS) that complies with the program requirements. A key component of a QMS is to have a specific training procedure. One difficulty that potential participants have expressed is finding qualified Seed Sampler Trainers. Heaton informed the Board that as President of the Association of American Seed Control Officials (AASCO), he has been very involved in the development of a procedure for AASCO to accredit qualified Seed Sampler Trainers. He provided a 3rd draft of AASCO's process requirements and stated that he hoped to finalize the process for accrediting Seed Sampler Trainers during the July meeting of AASCO in New Orleans. He cited AASCO's effort as an example why it is very important for staff to attend annual meetings of professional organizations. One obstacle he cited for completion of the AASCO accreditation process is his ability to obtain permission to travel to the annual meeting of AASCO. Heaton noted that the very organizations who can offer viable alternatives to government services are the same organizations that are being threatened because government employees are not allowed to travel and membership of these organizations is in steep decline.

Out of State Travel Proposal

Heaton presented a copy of a request he submitted to the Department for out of state travel during FY2013-14. He noted the proposal was essentially the same proposal as last year, with a few minor updates. The total amount requested was \$16,176 for twelve trips by various staff in the seed laboratory and the Seed Services Program. He stated that not all of the trips will be taken and for some of the trips, there will be no cost to the Program since outside organizations will cover the costs for meeting participants to attend.

John McShane motioned that the Board accept the proposed trips as presented and recommend expenditure of funds for the listed trips.

Kelly Keithly seconded the motion. Motion carried.

5. General Overview of CDFA Budget Reductions

Summary of General Fund Reductions in the Department – Duane Schnabel

Duane Schnabel, Branch Chief for the CDFA Plant Diagnostic Center, provided a summary of recent reductions in general funding of CDFA. He explained the Department receives about one-third of its total funding from the state's general fund, one-third from federal funds and one-third from industry funds. Prior to fiscal year 2011-12, the total funding from general funds for the Department was roughly \$120 million dollars and fifty percent was used to fund the Plant Health Division. For fiscal year 2011-12, the Department received a \$61 million cut in general funds. He noted the following planned reductions:

\$30 million from Fairs and Expositions
\$21 million from Plant Health Division
\$10 million from other Divisions and Programs

Schnabel stated there were cuts of \$19 million dollars in FY2011 and there will be additional cuts of \$12 million dollars effective June 30, 2012. Of the \$31 million in cuts, \$21 million of

the cuts are being made to the Plant Health Division. This represents a 33% reduction in the Plant Division's total budget. Schnabel noted that the majority of all general funds allocated to the Department have historically gone to the Plant Health Division. The current reductions have resulted in the following programs in the Plant Health Division being reduced or eliminated entirely.

- The Interior Pest Exclusion Branch, which includes parcel inspections, took a 75% reduction in general funds.
- The Exterior Pest Exclusion Branch, which includes border stations, took a 60% reduction in general funds
- The Quarantine Response Program, which facilitates eradication via quarantines, took a 25% reduction in general funds.
- The High Risk Exclusion Program, which includes funds given to the local agricultural commissioners for inspections at high-risk pathways, took a 50% reduction in general funds.
- The Terrestrial Weed Program, which operated continuously since 1898, was closed when the Weed Management and Noxious Weed Programs were eliminated.
- The Hydrilla Program, which is an aquatic weed program, lost 100% of their general funds. They continue to operate with reduced funding from Boating and Waterways.
- The Biological Control Program was eliminated.
- The Pest Detection Program took an 8% reduction in general funds.
- The Mexican Fruit Fly rearing facility was eliminated
- The Red Imported Fire Ant Survey and Eradication Program was eliminated
- The Plant Diagnostic Center took a 9% overall reduction.
- The Seed Laboratory took a 100% reduction in general funds.
- The Light Brown Apple Moth Program took a 100% reduction in state general funds but continues to operate with some federal funds.

The Department was able to replace \$3 million of the \$21 million in cuts to the Division by implementing fees for services and procuring funds from other sources. This included:

- Phytosanitary fees, which are being used to help offset the 9% reduction in the plant lab.
- Funds from Cal Recycle to help prevent illegal importation of recyclables for cash by utilizing border inspections.

In addition to the cuts in state general funds, the Department is worried about future cuts in federal funds for agricultural programs. There is also concern about the level of funding from industry. Some industries have increased their funding while others have reduced their funding. Sentiment for industry to fund CDFA seems to be dependent on market conditions. For example, because of weather conditions, some of the production from fruit trees and vines is down, consequently CDFA has received lower collections from those industries. The water situation in the central valley has impacted the acreage of cotton production for several years. This had a direct impact on funding of the Cotton Program.

Schnabel noted that in just the last couple of weeks, there are reports that the state's collections from tax revenue were much lower than expected and the Department may receive another \$10 million cut in general funding. He stated that the situation does not look good and that any further cuts will seriously impact core programs.

Mike Campbell asked who made the decisions about which programs will experience cuts and how much to cut?

Schnabel replied that the Secretary's Office, the Governor's Office and the Department of Finance make the final decisions based on recommendations from a consortium of industry representatives.

Larry Hirahara inquired if programs that lost general funds will find other sources of funds to continue.

Schnabel replied that the programs he mentioned will not be replaced and the offices are being closed. The personnel were given the choice of being reassigned or retiring. Most chose to retire. Any assets remaining in the programs are either being transferred to other programs or being donated to counties, USDA or universities.

Heaton noted that when one program closes it often has an indirect effect on other programs. For example, when numerous employees in multiple programs housed at one facility, the cost to maintain that facility gets shared by all of the programs. If one or two programs close, the cost to maintain the facility gets spread across fewer programs. This is exactly what happened at the CDFA Redding facility. The elimination of certain programs made it necessary for the Nursery Seed and Cotton Program to cover the entire cost of that facility. Fortunately the closure of the programs coincided with the end of the building lease. The remaining program was able to move to a much smaller facility and reduce costs.

Fund Condition of the Seed Lab Revenue Account (PCA 13016)

For the benefit of new Board members, Heaton explained that PCA 13016 is a revenue account for collections on services provided by the Seed Laboratory. PCA 13016 is also used to track certain expenditures by the seed lab. It should not be confused, however, with PCA13015 which is the lab's budget account for operating expenditures.

Several years ago, it became apparent that expenditures of PCA 13016 were greater than collections. The Board recommended that no expenditures be charged to PCA 13016 and that all collections for lab services be used to pay the bond debt. Heaton provided a handout (attachment 4) that summarized the funds in the seed lab's revenue account (PCA 13016). He stated the amounts represented are the best estimate he could obtain from current financial reports and that some adjustments may occur later due to erroneous postings of certain collections. He explained that occasionally payments are received with little direction as to what they are for. The accounting staff does their best to classify the payments but occasionally they get the classification wrong and future adjustments are needed. For example, if the check is from a seed company, the accounting staff may assume the collection should go to the seed lab or even the Seed Services program. Later it is learned that the payment was for special work done by the pathology lab and they should have received the collection.

Heaton noted that the starting cash balance for PCA 13016 in FY2011 was approximately \$125,541 and is projected to stabilize at that level for a short time. In fiscal year 2012-13 the last bond debt payment will occur and the balance for PCA13016 will start to increase. Heaton projected that because of no more bond payment, the ending balance for FY 2012 will be approximately \$153,777. He cautioned however, that after adjustments, that figure may actually be about \$15,000 lower.

Marc Meyer motioned that the fund condition report for PCA 13016 be accepted.
Kelly Keithly seconded the motion. Motion carried.

6. Seed Biotechnology Center Report

Vice Chairman Falconer reminded the Board that the current level of funding for the Seed Biotechnology Center is at \$200,000 per year through June 2013. In July of 2012 funding for the last year of a 3 year grant will begin. The grant agreement between CDFR and the SBC requires the Seed Advisory Board to notify the SBC of its intentions for future funding prior to the last year of funding. This means that the present task of the Board is to determine if the Board intends to recommend continued funding for the SBC. Falconer referenced a copy of letter from the Board of Directors at the California Seed Association (attachment 5). They recommended continuance of funding for the SBC.

SBC Activities Report

Dr. Kent Bradford briefly summarized recent developments for the following outreach activities at the SBC:

- Seed Business 101 Horticulture – a short course for professional development
- Seed Business 101 Field Crops – a short course for professional development
- UCD based Plant Breeding Academy – recruitment underway for class four
- European Plant Breeding Academy – 2nd class in middle of process
- Asian Plant Breeding Academy – starting in the fall of 2012 in Thailand
- African Plant Breeder Training in conjunction with African Orphan Crop sequencing
- Planning a new course about managing a Plant Breeding Program
- Offering a course in February about breeding with molecular markers
- Provided input about GMO Labeling Initiative and participated in a discussion with the Legislative Analysts Office about the cost to implementing such initiatives.
- Participated in the Plant Variety Protection Advisory Board Meeting in Beltsville, Maryland.
- Working with Francois Korn on the startup of Seed Central, an initiative to energize the seed industry around Davis.
- Developing plans for a collaborative research lab(s) on the UC Davis campus
 - Sue DiTomaso clarified that activities related to Seed Central are being funded by a gift from the College of Ag and staff support is paid by Seed Central participant contributions.
- Organized administrative, academic and scientific research meetings with industry representatives as part of the SBC's continuing outreach to industry.
- Conducted a stakeholders meeting where continued outreach to the public about seed biotechnology was strongly supported.
- Dr. Allen Van Deynze, along with his colleagues, received an award of excellence from USDA for their work on Solanaceae CAP Project.
 - Dr. Allen Van Deynze also mentioned recognition by USDA for outreach activities that were part of a grant for research on phytophthora of peppers. The activities included an outreach to about fifteen-hundred K through 12 students with the assistance of the UCD Student Plant Farm and specially trained undergraduate students.
- Desiccant-based seed drying project as part of Horticulture CRISP which is funded by US AID.
- Sue DiTomaso mentioned the success of a symposium called Seeds to Supermarket which was organized by four UCD students, including one of Dr. Van Deynze's PhD students.

SBC Financials Report

Sue DiTomaso provided a summary of the current SBC budget (attachment 6). She noted that the bulk of the salaries line represents partial support for her and Alan's salaries.

John McShane asked what percent of the grant money received from the Board is related to overall income received at SBC.

Sue provided a fund overview (attachment 7) which showed the total funds received by SBC was approximately \$2.2 million and expenses were \$2.2 million. She noted that both expenses and income can change significantly depending on the projects undertaken.

Dr. Kent Bradford noted that the grant received from CDFA via the Seed Advisory Board provides about nine to ten percent of the SBC's operating funds and is very important to provide core support of the SBC.

Paul Frey asked which programs at SBC are considered to be self-funding and if any of the programs generate a profit.

Sue replied that all of the courses, the Plant Breeding Academy and research are pretty much self-funding except for some of the management that the core group provides. She explained that the SBC is a non-profit organization and therefore is only looking to cover costs. Any reserves beyond expenses get used to start other needed endeavors.

Paul Frey asked if the SBC would be able to cover expenses previously covered by the grant if it were not renewed.

Dr. Bradford replied "No."

Dr. Van Deynze explained that stable funding is essential to retain staff who are then able to pursue additional funding from other grants for scientific research on seeds. He explained current research grants do not allow researchers to charge much of their salary to a grant. Consequently without a source of stable funding, it would be necessary for researchers to do nothing but pursue grants, which limits their ability to conduct the very research they were hired to do in the first place.

Heaton agreed and explained that he found the above scenario so objectionable that he left UCD after fourteen years of employment as a staff researcher.

Sue DiTomaso thanked the Board for their support over the years and expressed how much pleasure it has been to work on so many important issues with them.

Marc Meyer congratulated the staff of the Seed Biotechnology Center for the numerous successes they have had each time they have accepted a challenge.

Kelly Keithly motioned that the Board accept the SBC Report.

Marc Meyer seconded the motion. Motion carried.

Renewal of Three-year Commitment to Support the UCD Seed Biotechnology Center

Vice Chairman Falconer reminded the Board that the present grant to support research and outreach efforts by UCD SBC will expire in June 2013. Per agreement with the SBC, the

Board is to inform the SBC one year in advance if they will provide another three year grant. Consequently, he asked if the Board wanted to entertain a motion to provide another three year grant to the UCD SBC to support of outreach, research efforts and administrative overhead at SBC.

Marc Meyer motioned that the Board provide another three year grant to the UCD SBC to support outreach, research efforts and administrative overhead at SBC.

Kelly Keithly seconded the motion.

John McShane inquired if the amount of funds has been designated or if the motion is just for a commitment.

It was clarified that the motion is just for the commitment and no dollar amount was attached at this time. The present level however is \$200,000. The future level of support will have to be determined later, perhaps after the financial status of the Seed Services Program is discussed.

Larry Hirahara asked if there will be any changes to the conditions of the grant.

John Heaton replied that there currently are conditions on how funds of the grant are spent and that the SBC is periodically audited to make sure the funds are being spent accordingly. In fact, he stated that their reporting at the Seed Advisory Board meetings is one of the ways the SBC fulfills conditions of the grant.

The motion was called. Motion carried. In summary the Board recommended continued funding of the SBC for three more years. The amount was to be determined later.

7. Seed Services Financial Reports

Seed Services Fund Condition

Heaton provided a handout for the fund condition of the Seed Services Program (attachment 8). The handout had columns representing best estimates of the fund condition from the prior prior year, the prior year, and the current year. A fourth column had a previous projection for the estimated fund condition in FY 2012 and the last column represented Heaton's current projection of funds for the Seed Services Program in fiscal year 2013.

Heaton observed that in FY2009, the fund condition increased about \$500,000. He stated that much of this increase can be attributed to salary reductions and assessment collections and the thirty-two cents per one hundred dollars of reported sales.

Paul Frey requested Heaton explain the line item labeled Ag Trust Fund on the Fund Condition Report.

Heaton briefly described the Ag Trust Fund as a pool of funds that each program contributes to each year if necessary. The amount of contribution is specified by the Secretary. The idea is that the pool can be drawn upon by a program that might come up short in collections or have unforeseen expenses that were not anticipated in its budget. Under those circumstances, the program could borrow from the Ag Trust Fund and remain operational. Any interest payment received from the pool of funds gets divided among the programs proportionately to their individual balances.

Duane Schnabel added that his recollection is that the balance of the Ag Trust Fund is about \$50 million dollars, with some of the larger programs having a proportionately larger share of the Ag Trust Fund.

Heaton explained that the Seed Service's portion of the Ag Trust Fund is about \$130,000, as stated on the Fund Condition Report.

He further explained that the balance of the Ag Trust Fund is different than the set aside amount indicated by the reserve calculation presented on the Fund Condition report. He stated that the Department wants each program to maintain a reserve of about 25% in case it's necessary to close a Program without any additional revenue coming in. The handout showed that the reserve calculation for the Seed Services Program was approximately \$300,000 in FY2009 but will need to increase to about \$435,000 in FY2013. Given the program's total projected cash balance of almost \$1.9 million, that increase should not present a problem.

Heaton then summarized the collections (revenue) and expenditures in the prior year and current year. He explained that since FY2012 was yet to occur, the figures in that column were previously approved and essentially static for the present discussion.

He also noted that starting FY2013, his estimate of beginning cash balance is slightly less than the beginning cash balance of FY2012. The main reason for the decline in cash balance is the recent reduction in the assessment rate from twenty-eight cents to twenty-five cents per one hundred dollars of reported sales, and an increase in projected operating costs. Heaton noted this scenario was previously discussed and reflected the wishes of the Board to bring down the cash balance. He further stated that although expenses are projected to exceed collections in FY2013, he is not concerned and does not foresee a need to increase the assessment rate in future years. He explained that projected increases in reported sales of future years will result in increased collections, and once again put collections greater than expenses.

Paul Frey inquired why the interest income on the Program's cash balance was so low?

Duane Schnabel explained that in prior years there used to be considerable return on cash balances and many programs counted on that to supplement their collections. In the present economy however, the interest rate is close to zero. He added all programs are experiencing the same situation.

Paul Frey asked who decides how the money is invested.

Schnabel explained that it can only be invested according to rules provided by the Department of Finance.

Heaton explained that he previously reported about what it would entail to have the Board direct investments. Since the policy and meeting requirements were so great, the Board decided it would be better to simply bring the cash balance down by reducing the assessment rate; which is what the Board has been doing.

Heaton noted that the projections on the Fund Condition Report included annual funding of the UCD SBC at the \$200,000 level since that was the amount of the current grant. He stated

that if the Board wished to change that amount, the adjustments to the cash balance can be made quite easily.

Heaton summarized that the Fund Condition Report shows the Seed Services Program is in excellent financial health. The cash balance has grown from \$1.3 million at the start of FY 2009 and is projected to be \$1.9 million at the start of FY 2013; despite two cuts in the assessment rate.

Mike Campbell commented that since the Ag Trust Fund has a balance in the millions of dollars, he did not see why additional funds from a program should be added to that balance.

Heaton noted that the Secretary can specify what percentage of a Program's annual budget shall go into the Ag Trust Fund. He did not know exactly what that percentage currently is. He added that the Fund Condition Report simply lists the balance of the Program's portion of the Ag Trust Fund so the Board can keep track of it from year to year.

Duane Schnabel clarified that none of the Boards are contributing to the Ag Trust Fund at this time.

John McShane made a motion to approve the fund condition report. Mike Campbell seconded the motion. Motion carried.

Seed Services Proposed Budget for FY2013

Heaton explained that it is difficult to account for all of the factors that may influence projections for expenditures that may occur two years from the present. He stated that he monitors economic reports to learn the scale of adjustments that he should consider. Two recent articles reported the following financial considerations by two large companies, Kellogg and General Mills.

- In early 2011, Kellogg, raised prices with the expectation of a 7% increase in supply costs.
- In March 2012, General Mills reported they experienced a 10 to 11% increase in commodity costs.

Heaton used the above information to arrive at an estimate of the percent increase he should use to accurately project expenses in FY2013. He used a 9% increase over the current year (FY2011) budget to project expenses in FY2013. This works out to approximately a 4.5% increase over the current year and a 4.5% increase over the next fiscal year (FY2012). A handout was provided to show the various projected expenditures (attachment 9).

Three items on the proposed budget reflected figures discussed earlier in the meeting but which could be changed if the Board desired.

- \$16,176 for out-of-state travel
- \$200,000 for the UCD SBC
- \$500,000 for the CDFR Seed Lab was recommended by the Seed Advisory Board Subcommittee

Mike Campbell asked why expenditure for Facilities has increased so much.

Duane Schnabel explained that some agencies in state government are non-line item on the state budget and derive their funds to operate by charging other programs. Those agencies are looking to fully recover their expenditures.

He further explained that the combination of utility cost increases and charges by the Department of General Services are expenditures that CDFA Programs really have no control over. Many programs were previously housed in the CDFA Annex building on "O" Street, which CDFA owned. The Annex had to be abandoned for safety reasons. About two years ago Programs moved into the building owned by DGS at 1220 N Street, where rents were considerably higher. Currently the rent for office space in Sacramento is about \$2.25 to \$2.50 per square foot. The price per square foot at 1220 N Street is about \$3.50 per square foot and is expected to rise to \$3.67 per square foot.

Paul Frey asked why there is a dip in permanent salaries in FY2012 and consequently a fairly large increase over the prior year when you look at permanent salaries for FY2013.

Heaton reminded the Board that the figures in the column for FY2012 were estimated in May 2011. Figures used to make the estimate for cost of permanent employee salaries used a figure that was low due to the 15% salary reduction due from furloughs. If the figures from the current year are used as the base, then the projected total cost for personal services in FY2013 are about 16.6% higher, or approximately 8.3% higher for two successive. He hastened to add however, that this is just one line in an overall budget that only increases 4.5% for two successive years. Heaton added that the cost of benefits significantly increased between FY2009 and FY2011 and that pushed the percent increase for total personal services higher.

Amendment to Seed Lab Funding for FY2012

Vice Chairman Falconer asked if anyone wished to discuss the recommendation from the Subcommittee to increase the funding for the Seed Lab in FY2012-13 from \$488,564 to \$500,000.

Kelly Keithly motioned that the Board accept the recommendation. John McShane seconded the motion.

Under discussion of the motion, Duane Schnabel noted that due to the \$200,000 reduction in general funds to the lab for FY2011, the Department reduced two positions and eliminated some services. On July 1, 2012, there will be another \$200,000 cut of general funds to the seed lab. This will translate into layoffs for the lab of 2.6 Personal Years and a split duty assignment for the lab supervisor. These cuts will leave the lab with one scientist, one technician and a one-third supervisor.

The Department has estimated that it would cost \$650,000 to maintain services at an acceptable level. In the absence of the additional money, one scientist will be laid off, the technician will likely be relocated and the services will cease.

Heaton commented that the lab has been instrumental in identifying situations that could have potentially cost seed companies tens of thousands of dollars, if not hundreds of thousands of dollars. Without the depth of knowledge in the lab, certain work will not get done on a timely basis and Heaton believes there will be a direct negative effect on the seed industry and farmers.

Paul Frey asked if it is the state's responsibility to catch mistakes made by companies. Shouldn't it be the responsibility of the company to maintain excellent quality control?

Heaton replied that the intent of the seed law is to maintain an orderly market. When mistakes are found by the lab, he tries to work with companies to correct them so they don't create disorder in the market and cause economic hardship for the parties involved.

Betsy Peterson asked if fees for services were considered as a source to offset part of the \$150,000 needed.

Duane Schnabel stated that Department has looked at fees and is only asking for an additional \$150,000 to offset a loss of \$200,000 because they are hoping to collect fees for certain services.

Heaton noted that the activities previously identified by the subcommittee would only generate \$40,000 to \$50,000 in fees at the most. He added there are still certain restrictions in the law that prevent the Department from charging for certain activities.

Mark Meyer asked if it was possible to amend the law and if prices could be raised.

Deborah Meyer stated that the CDFA Seed Lab already charges more than other labs.

Kelly Keithly noted that some state labs have closed and he does not favor shutting down the CDFA Seed lab, especially during a time when the Board is lowering the assessment rate. He suggested that without inspection services and testing, it is more likely that an infestation of a weed species will occur and cost the industry and customers more money in the long run.

Janice Woodhouse added that the situation being discussed is the same for many other programs. In essence, if you want the services you have to figure out a way to pay for them.

Marc Meyer noted that the goal of the Committee was to reduce lab activities only to the essential activities. He said there is serious concern that the Seed Services' budget increases each year, even during a period of extended economic recession. He observed that some items on the budget just keep increasing.

Heaton agreed and explained that he is equally frustrated that managers have no control over certain line items of the budget, particularly charges from other Departments which the program must use for certain services.

Schnabel explained that the Department controls the items it is able to and has squeezed out as many efficiencies as it can. Without additional funds, there will be severe cuts.

Heaton commented that he does not see the need to increase the assessment rate in the near future, even if the Board increased their recommended level of support for the seed lab to \$650,000. He stated that his projections for reported sales show that in the short term collections may be slightly less than expenditures, but very soon collections will once again be greater than expenditures, even with funding the lab at \$650,000. He noted that the beginning cash balance for July 1, 2012 is projected to be \$1.9 million. These are funds that can be used to help the lab.

John McShane noted that the Board is being asked to recommend the Seed Services Program fund the entire cost of the seed lab, through collections from the industry. He wanted everyone to understand that the lab's budget will increase each year in the same way that the Seed Services' budget increases. Funding for the lab will not be static at \$650,000.

Heaton agreed. He added however, that as a percentage of reported sales over the last nineteen years, the requested level of funding for the Seed Services Program, the lab, SBC and seed subvention paid to the counties, is the same as it has been historically; namely 0.29% of reported sales. He noted that as a percentage of sales, the services are not costing any more than what the industry has paid for the last 20 years even with the increased level of support for the seed lab.

Several Board members expressed concern about the implications to the seed industry and California agriculture in general of losing services provided by the state seed lab.

Larry Hirahara suggested that the Board consider the motion on the floor and then talk about augmentation for the seed lab.

Vice Chairman Falconer called the motion on the floor to accept the recommendation of the subcommittee to fund the Seed Lab in FY2012-13 at the \$500,000. Motion carried.

Augmentation of Seed Lab Funding for FY2012

Larry Hirahara motioned the Board recommend augmentation of funding to the lab in the amount of \$100,000.

Duane Schnabel recognized that \$100,000 goes a long way but there will still be a need to make reductions at the level of augmentation being recommended. He believed it would be necessary to cut one personal year and split the supervisor's assignment between the seed lab and two other labs, thereby saving expenses on personal services.

Marc Meyer stated that he would like to see some action taken on recommendations of the subcommittee that called for fees on various services performed by the lab. He was hoping some progress in that direction was already done and would have been reported at the present meeting.

Heaton stated that it would take some legislative action for the Department to obtain the authority to charge for some of the services that are currently provided without fees per statute. He suggested that during the next agenda item, the legislative update, it might be appropriate to discuss how the law can be changed to address those recommendations.

Dennis Choate stated he believes it is philosophically difficult to reconcile cutting lab staff while the Program is increasing its cash balance. He was in favor of supporting augmentation of the previously recommended level of funding (\$500,000).

Heaton noted that salaries and benefits alone for lab personnel are already slightly more than \$500,000. A \$100,000 augmentation helps but it will probably still mean some cuts in staffing in order to cover other operating costs.

There was a brief discussion about how the reduction in county and border station staffing has led to a reduction in quarantine samples submitted to the seed lab; thereby limiting the possible revenue that might be gained by charging fees for quarantine samples.

Several members suggested that Larry Hirahara's motion should be amended so that augmentation of the lab's budget is provided at the \$150,000 level. Dennis Choate formally amended the recommendation and Larry Hirahara accepted the amendment.

Kelly Keithly provided a second to the motion to provide a one year augmentation of \$150,000 to the previously approved level of \$500,000 to support the seed lab in FY2012.

Vice Chairman Falconer called the motion. Motion carried.

There was a brief discussion to clarify that the augmentation was just for FY2012-13. Several members requested that next year CDFA staff provide a breakdown of how well "fees-for-services" is working, and if there are any additional opportunities to charge fees.

FY2013 Budget Recommendation

Vice Chairman Falconer then called for a motion to approve the recommended budget proposed for FY2013-14, which included funding of the seed lab at the \$500,000 level.

It was noted that the proposed budget also included funding for the UCD SBC at the \$200,000 level.

There was no discussion to change the lab or SBC funding amounts.

Paul Frey motioned to approve the recommended budget as presented in the handout by Heaton. John McShane seconded the motion. Motion carried.

8. Recommendation for Assessment Rate

Heaton reminded the Board that the assessment rate is currently in the regulation at twenty-five cents per one hundred dollars of reported seed sales. Because of the lead time necessary to make changes in regulations, the Board must make a recommendation at the present meeting about the assessment rate on sales that will occur in FY2012. In this way, there will be adequate time to change the regulations so that the assessment rate is in place by FY 2013.

Heaton stated that if the current assessment rate is used for projected sales in FY2012, the amount of funds collected will be approximately \$1.7 million for use in FY 2013-14. He observed that \$1.7 million is slightly less than the budget recommended in the prior agenda item but he was confident the Program would not spend the total budget and if there was a shortage of collections, it could be covered with part of the \$1.9 million in the cash balance.

Paul Frey recommended the Board keep the assessment rate at twenty-five cents per one-hundred dollars of reported seed sales in FY2012. Kelly Keithly seconded the motion. Motion carried.

9. Legislative Report

Betsy Peterson reported there is a proposed initiative being circulated that would mandate all food containing a GMO ingredient be labeled as such, and would also restrict the use of terms such as natural and organic unless they are certified GMO-Free and organic certified. Several

groups, including the California Seed Association (CSA) Board and the California Farm Bureau are opposing the initiative.

Betsy then reported that CSA sponsored SB1187 by Senator Rubio. The bill clarifies the definition of person to include corporations as part of the seed law. The bill also clarifies the term neighbor for the purposes of seed labeling. It defines neighbor to be a person that lives in close proximity, which means someone that lives within three miles, rather than someone who lives adjacent. The bill is presently active on the floor.

Several water bills are being watched closely by CSA. The crux of two bills is that they would allow Regional Water Board members to seek information directly from stakeholders and industry, which is something they are currently barred from doing. These reforms would allow the Regional Water Board members to work directly with the staff of the Regional Water Boards and facilitate communication.

Betsy Peterson concluded by inviting Seed Advisory Board members to participate with the American Seed Trade Association (ASTA) on June 20th to June 23rd when they visit politicians in Washington D.C.

Recommend Amendment to SB1187 to Change FAC 52331(d)

Heaton asked Betsy if it would be possible to amend SB1187 to allow the Department to charge fees for quarantine samples. She replied it might be possible.

Kelly Keithly made a motion to recommend to CSA that SB1187 be amended to include changes to section 52331(d) to allow the Secretary to establish a reasonable schedule for fees for tests, examinations and services that are not directly related to enforcement of the chapter.

Larry Hirahara seconded the motion. Motion carried.

Heaton commented that he has concerns about SB1187's attempt to define neighbor as someone being within three miles. He stated that if passed, the bill would broaden the labeling exemption and might lead to increases in brown bagging.

Heaton also expressed concern that the bill changes the intent of the legislature. Presently the intent is to ensure that the quality of seed sold is accurate. If passed, the bill would change the intent of the legislature to quality and "*amount*" of seed sold is accurate. He feared that placing *amount* into the seed law might create a weights and measures role for the Seed Services Program. He noted that there are already provisions in the Business and Professional code that give county sealers the authority to seize any container that has a false weight on it.

Betsy suggested Heaton contact Dennis Albiani to discuss his concerns.

10. Nominating Committee Report

Term Expirations

Marc Meyer noted that the terms for Kelly Keithly, Paul Frey and his own term are set to expire on March 31, 2013. He stated that during the fall meeting the nominating committee can make recommendations for Board appointments. Meyer then inquired about the policy

regarding Board member appointments. He stated he was surprised by what appears to be a recent decision to not reappointment members.

Heaton explained that subsequent to the last posting of upcoming Board vacancies, the Department received several letters of interest for appointment to the Seed Advisory Board from qualified individuals. Even though some Board members had served three or even four consecutive terms on the Seed Advisory Board, and their service was exemplary and valuable, the Department felt compelled to adhere to a communication from the Governor's Office; namely that people only serve two consecutive terms on a Board in order to provide opportunity for other individuals. Heaton explained that the policy does not preclude an individual from returning to a Board once they have had a brief separation. In addition, the policy does not necessarily preclude someone from staying longer than two terms if nobody else wants to serve. Since several qualified people expressed an interest to serve on the Seed Advisory Board, the Secretary felt obligated to adhere to the policy and allow other individuals a chance to serve.

Marc Meyer asked if there was a memorandum for that policy.

Heaton did not have a memorandum to reference but he recalled first seeing the notice about three years ago. He suggested that a review of old vacancy postings could demonstrate the Departments desire to be consistent. He offered to provide some of the old postings.

Heaton suggested the nominating committee could make recommendations for reappointment of current Board members at the next meeting or identify other interested individuals that may want to serve. He added that the vacancies due to term expirations will be posted as required by Departmental policy in case other qualified individuals wish to serve.

Election of Officers

Vice Chairman Falconer requested Heaton report the status of nominations for officers.

Heaton reported that during the previous meeting Rick Falconer was nominated to be Chairman of the Seed Advisory Board and Paul Frey was nominated to serve as Vice Chair.

Kelly Keithly made a motion to elect the slate of nominated officers as presented. John McShane seconded the motion. Motion carried.

Appointment of New Nominating Committee

Newly elected Chairman Falconer stated that he will appoint a nominating committee later.

11. Closed Executive Session

No requests

12. Reconvene Executive Session

Not necessary

12. Public Comment

Vice Chairman Falconer if there were any additional comments from the public in attendance.

None were made.

13. Other Items – Next Meeting Date

Vice Chairman Falconer set the date for the next meeting on Tuesday, November 13, 2012 at 8:15 a.m.

14. Adjournment

Janice Woodhouse motioned for adjournment.

Bob Prys seconded the motion. Motion carried.

Vice Chairman Falconer adjourned the meeting at 12:56 p.m.

15. Attachments 1 through 9

Respectfully Submitted

John Heaton

Seed Services Activities – Reported May 3, 2012
Business completed since last Board Meeting

1. Posted approved Minutes of May 2011 meeting.
2. Completed TECs for Board members.
3. Posted SAB Vacancies to the internet for public announcement.
4. Wrote congratulatory letter on behalf of SAB to Dr. Richard Payne _USDA SRTD.
5. Attended SAB Subcommittee meeting about recommendation for lab funding.
6. Prepared Minutes of the SAB Nov 3, 2011 meeting.
7. Prepared Minutes of the SAB Nov 18, 2011 meeting.
8. Amended MOU with lab to reflect the Board's decision to use as much as \$500,000 collected from assessments to fund the lab's total expenditures.
9. Sent notification about the lower assessment rate to all firms authorized to sell seed.
10. A request to pay off the Bond Debt with Seed Services funds and to no longer charge PCA 13016 was sent to my supervisor.
11. A request to implement changes in the regulations regarding a one year limit to changes in reported sales, thus avoiding unpredictable requests for refunds, was sent to my supervisor.
12. Numerous seed complaint activities.
 - a. Melons – growout scheduled
 - b. Tarweed – So. Cal. Edison reveg. - Scheduling Investigative Committee
 - c. Orchardgrass – was resolved – released to pursue other remedy
 - d. Romaine Lettuce – possible complaints. Lab results o.k. - Temperature Graphs to labelers
 - e. Mislabeled Endive – Carrots – Quick Lab ID – significant savings
 - f. Treated seed – Cooperation with DPR - stop sale – significant savings
13. Legal referral regarding section 52485
 - a. Unlawful to treat seeds with pesticide for which pesticide residue tolerances have not been established for that specific crop.
14. Appointments to the Seed Advisory Board were made by the Secretary. Terms.
15. Executed contract to print new Description of Sample Forms for CDFA samplers [flip]
16. Three CDFA Staff assigned to seed experienced disability issues in the last year
 - a. Reassigned responsibilities to cover central district
17. Staff Training - provided demonstration to CDFA Inspectors about seed sampling.
18. Tracked progress of CDFA Compliance Monitoring Program - seed sampling.
19. Completed partitioning of \$120,000 to subvent cost of seed law enforcement by 52 counties. Payments were made in March 2012.
 - a. Each invoice requires reconciliation of reported work to assigned work
20. Completed new MOUs to 52 counties for seed law enforcement work in FY2011
 - a. Each MOU requires a separate scope of work – signatures by counties.
21. Sent approximately 25 enforcement letters to firms not authorized to sell seeds in CA.
22. Sent approximately 35 enforcement letters for label violations.
 - a. Enforcement letters almost always generate call backs to CDFA.
23. Requested assistance from FSRTD for enforcements on one OS labeler.
24. Met with Quarantine and Lab Staff about Seed Gall Nematode - annual ryegrasses
 - a. 2011-12 samples clean per Nematology lab.
 - b. Processing 2010-11 samples.
25. Prepared outreach about treated seeds and FAC 52485 for the SIC and CACASA.
26. Attended numerous mandatory trainings, departmental and industry meetings.
27. AASCO accreditation procedures for Seed Sampler Trainers...in progress.
 - a. California host annual meeting? Industry support – sponsorships.

Indicate the trier or sampling device used.

State of California
DEPARTMENT OF FOOD AND AGRICULTURE
Pest Exclusion/Nursery, Seed, and Cotton Program
68-024 (Rev. 9-11)

For Departmental Use Only

INSPECTOR'S DESCRIPTION OF SAMPLE

Sampled at:

Firm: _____ Date: _____

Address: _____ City: _____ Zip: _____

Description of Lot/Container(s) Sampled

Type	Packets	Cans	Bags	Totes	Bins	⚡	Containers
Total No.							<input type="checkbox"/> Open <input type="checkbox"/> Closed
wt/container							
lbs/lot							<input type="checkbox"/> Foundation <input type="checkbox"/> Registered <input type="checkbox"/> Certified <input type="checkbox"/> Not Applicable
# Sampled							
# probes (1° samples) per container sampled							

Label Information(or attach label here)

Lot Number: _____ AMS # if any _____

Labeled as: (Brand, blend, mixture)

Variety and Kind	PVP Notif.	Purity %	Germ %	Hard %	Total %	Tested
	Y N					
	Y N					
	Y N					
	Y N					
	Y N					

For agricultural seed	Other Crop	Treated Seed? <input type="checkbox"/> Yes <input type="checkbox"/> No
	Inert Matter	Materials:
	Weed Seed	
	Noxious Weed Seeds	Y* N

* Number of noxious weeds/lb. _____ Weed _____

Carrying Label of: _____

Labeler Address: _____ City _____ State _____ Zip _____

Remarks

The above described lot has been sampled in a manner prescribed by law and truly represents the material sampled.

Inspector's Sample No: _____ County: _____

Inspector _____ Firm Representative _____

Distribution: Original with sample 1st Copy with Firm 2nd Copy with Inspector

Nobbe type seed triers

- Small; 8 mm (1/2")**
 - Probe diameter 16mm (5/8")
 - Probe length 860mm (34")
 - Slot length 95mm (3 3/4")
 - Slot width 8mm (5/16")

- Medium; 11 mm (5/8")**
 - Probe diameter 22mm (7/8")
 - Probe length 1070 mm (42")
 - Slot length 95mm (3 3/4")
 - Slot width 15mm (9/16")

- Large; 15 mm (3/4")**
 - Probe diam. 29mm (1 1/8")
 - Probe length 1070 mm (42")
 - Slot length 95mm (3 3/4")
 - Slot width 15mm (13/16")

- Largest; 20 mm (1.0")**
 - Probe diam. 29mm (1 1/8")
 - Probe length 1070 mm (42")
 - Slot length 95mm (3 3/4")
 - Slot width 15mm (13/16")

- 1/2" OD X 20" Single Tube

- 3/4" OD X 20" Single Tube

Double Sleeve Tube Triers

- Small; 8 mm w/ 6 openings**
 - Probe diameter 16mm (5/8")
 - Probe length 860mm (34")
 - Slot length 95mm (3 3/4")
 - Slot width 8mm (5/16")

- Med. 15 mm w/ 7 openings**
 - Probe diameter 22mm (7/8")
 - Probe length 1070 mm (42")
 - Slot length 95mm (3 3/4")
 - Slot width 15mm (9/16")

- Large; 20 mm w/ 7 openings**
 - Probe diam. 29mm (1 1/8")
 - Probe length 1070 mm (42")
 - Slot length 95mm (3 3/4")
 - Slot width 15mm (13/16")

Partitioned Double Sleeve Triers

- Small; 8 mm w/ 6 openings**
- Med; 15 mm w/ 7 openings**
- Large; 20 mm w/ 7 openings**

Grain Probe for Bins

- 63" Partitioned-10 openings

Miscellaneous

- Hand Scoop
- Auto mechanical sampler
- Hand-held stream sampler
- Other -explain in remarks

ACCREDITED SEED SAMPLING PROGRAM

USDA Items of Interest in Seed, October 2007

In cooperation with the Audit, Review, and Compliance (ARC) Branch of the Agricultural Marketing Service (AMS), Livestock and Seed Program, the Seed Regulatory and Testing Branch (SRTB) administers three ISO-based quality management programs—the Accredited Field Inspection Program, the Accredited Seed Sampling Program, and the Accredited Seed Laboratory Program—for providing accreditation to field inspectors, seed samplers, and seed testing laboratories. Of these, the Accredited Seed Sampling Program (ASSP) provides accreditation to seed samplers under the Process Verified Program (PVP) of AMS.

ASSP and other programs under the PVP provide agricultural suppliers with the ability to assure customers that they are capable of consistently providing quality products or services. A process verified system is audit-based in order to provide assurance that participants have created and implemented a quality management system (QMS) that complies with the program requirements.

Value of the ASSP

Becoming an accredited seed sampler or sampling entity under the ASSP can be of considerable value:

1. The establishment of a quality management system in conformity with a PVP enables customers to place greater dependence on the quality and consistency of sampling.
2. Accredited entities may have the potential to sample for the Accredited Seed Grader Program, the Organization for Economic Cooperation and Development (OECD) Seed Schemes, Accredited Seed Laboratories, the Animal and Plant Health Inspection Service, and USDA Seed Analysis Certificates.
3. If desired, the participant can use the USDA PVP logo and shield with ARC Branch approval.
4. The participant may also be listed as an approved sampler on the USDA Web site of sampling programs.

Characteristics of the ASSP

The program is funded by user-fees and is completely voluntary in that samplers or sampling entities are under no obligation to seek accreditation. Once accredited under the program, they may choose to leave it at any time.

USDA requires accreditation audits of the program every three years and the submission of an annual internal audit report prior to the anniversary date of the program approval. In these instances, the only costs to the participant are for the yearly desk review of the internal audit and for audits by AMS to determine whether the applicant has met or continues to meet the specified requirements. Also, since the typical participant will only be subject to an onsite audit every three years, the major costs to the participant will also occur on a three-year basis.

The basic objective of the ASSP—to improve the quality of sampling and consequently the quality of the sample—is attained in two ways. The ASSP encourages uniform procedures and methodology for sampling seed and tries to improve sampling operations by promoting quality management principles. Consequently, seed customers are provided with an additional assurance of consistent sampling quality which may lead to improvements in seed trade both domestically and globally.

The Process

How does the process for becoming an accredited sampler under the ASSP work?

1. The first step is to have in place, or create, a quality management system (QMS) which meets the requirements of the Accredited Seed Sampling Program and of the Process Verified Program as stated in the standard for that program, ARC 1001. If there is already a QMS in place, certified under the ISO 9001 standards, the process is slightly different than for an organization creating one from scratch. AMS, in effect, recognizes that a QMS under a valid ISO 9001 certificate satisfies many of the requirements of ARC 1001. In turn, this will have an effect on the length and breadth of the audit which AMS performs. While ISO 9001 meets many of the requirements of the Process Verified Program, it does not meet all of them. ARC 1001 has two additional areas not included in ISO 9001..

The first of these involves the need for additional written procedures. ARC 1001 requires procedures for training, identification and traceability, receipt of product, and, if applicable, control of promotional material, specifically the USDA PVP logo and shield. If the organization does not intend to use the logo and shield, a simple statement to that effect negates the requirement for this procedure.

A second major difference between ARC 1001 and ISO 9001 is the requirement of the former for delineation of process verified points. Process verified points are specific requirements achieved through the implementation of a quality management system. They are, in effect, actions which add value to the product. One example might be a specific training procedure, perhaps unique to the organization, or at least of such value that it makes an improvement to some aspect of the stem that results in a more consistently representative sample.

2. Once an approved QMS is in place, the sampler or sampling entity submits LS Form-313 *Application for Service* to AMS (available on the ARC Web site, <http://www.ams.usda.gov/lsg/arc/reqasl.htm>). At the same time, a cover letter requesting accreditation under the specified program should be included. Finally, documentation of the QMS should also be provided.

3. ARC will first assess the process verified points to determine if they meet certain criteria, such as auditability and feasibility and are factual, value-adding, and within the scope of the program.

4. Once the process verified points have been accepted an auditor is assigned to perform a desk audit of the applicant's documentation.

5. An internal audit must also be supplied to the auditor prior to the on-site audit.

6. The last step is the on-site audit, during which applicants will be audited for compliance with the PVP and ASSP and for **evidence of fulfilling the requirements of their QMS.**

Responsibilities of the Program Participant

There are several responsibilities which are incumbent upon the accredited sampler or sampling entity.

1. The approved QMS must be maintained, and any significant changes to it must be relayed to AMS immediately.
2. Samplers must comply with all provisions of the ASSP and applicable elements of ARC Procedures 1001 and, consequently, should be familiar with the provisions of these documents.
3. Samplers are also accountable for sampling seed in accordance with the Association of American Seed Control Officials Handbook on Seed Sampling, OECD Authorization Guidelines, or the Federal Seed Act.
4. Sampling records must be maintained for a minimum of 5 years.
5. Internal audits must be conducted annually and the results supplied to AMS prior to the anniversary date of the accredited party's participation in the ASSP.
6. Samplers or sampling entities must participate in check-sampling of seed lots entered for official certification for OECD Seed Schemes (this is not applicable to seed lots sampled by approved automatic samplers).

Summary

In summary, the Accredited Seed Sampling Program involves a commitment of resources by the interested party. In the beginning, that commitment includes developing and implementing a quality management system that complies with the Process Verified Program. Upon accreditation, the participant commits to fulfilling the responsibilities that accompany acceptance into the program. **However, the benefits of the ASSP can be of considerable value to the accredited entity.** The potential opportunity to sample for various programs and laboratories can provide new avenues for sampling activity. The adoption of a QMS in compliance with the PVP may add further value by improving the sampling quality and the consistency of that quality.

For information regarding this article, contact Seed Marketing Specialist Gene Wilson at (704) 810-8888; gene.wilson@usda.gov.

AG FUND CONDITION

SEED LABORATORY 13016

May 3, 2012

	PPY 2009/10	PY 2010/11	2011/12 Estimate	2012/13 Projection	2013/14 Projection
CASH BALANCE FORWARD	115,975	186,014	125,541	126,773	124,509
Uncleared revenue (suspense)	1,089	-24,121	5,882	1,089	1,089
Transfer between codes (actually Bond Debt - see below)					
Controller Transfers	0	0	0	0	0
BEGINNING CASH BALANCE	117,064	161,893	131,423	127,862	125,598
Prior Yr Expenditures - Adjustment	-103	-148	-180	-299	-299
Prior Prior Yr Expenditures - Adjustment	0	0	0	0	0
ADJUSTED CASH BALANCE	116,961	161,745	131,243	127,563	125,299
REVENUE					
<i>Testing Fees & Services</i>	69,589	35,001	30,000	30,000	30,000
Miscellaneous	205	0	370	250	250
Interest	652	963	500	500	500
TOTAL REVENUE COLLECTED	70,446	35,964	30,870	30,750	30,750
TOTAL CASH BALANCE (AG FUND)	187,407	197,709	162,113	158,313	156,049
EXPENDITURES (Ag Fund)					
Plant Lab Bond Debt **	0	70,313	33,240	31,620	0
Seed Lab Ag Fund: salary	0	0	0	0	0
Other	1,393	1,855	2,100	2,184	2,271
TOTAL PROGRAM EXPENDITURES	1,393	72,168	35,340	33,804	2,271
BALANCE (ENDING RESERVE)	186,014	125,541	126,773	124,509	153,777
AG TRUST FUND	14,295	14,423	14,496	14,552	14,608
Interest	128	73	56	56	56
TOTAL AG TRUST FUND (RESERVE)	14,423	14,496	14,552	14,608	14,664

FY 2012 should be end of Bond Debt Repayment

California Seed Association

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SACRAMENTO
CALIFORNIA
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FAX (916) 446-1063
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April 30, 2012

Seed Advisory Board
c/o John Heaton
Sr. Environmental Scientist
CDFA Seed Services Program
1220 N Street Room 344
Sacramento, CA 95814

RE: Seed Advisory Board support of the Seed Biotechnology Center

Dear Mr. Heaton

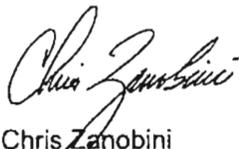
The California Seed Association (CSA) at its February board meeting discussed in detail the ongoing funding provided by Seed Advisory Board (SAB) to the Seed Biotech Center (SBC).

It was the consensus of the CSA Board of Directors, with one abstention, that there is value in the SBC and the work they do and the service they provide the seed industry. The California Seed Association recommends that the Seed Advisory Board continue to provide funding for the Seed Biotech Center.

The CSA Board of Directors also discussed the level of funding that the SAB provides the SBC and agrees that the Seed Advisory Board should discuss and determine the appropriate level of funding provided to the SBC.

Thank you for the opportunity to weigh in on this issue.

On behalf of the California Seed Association



Chris Zanobini
Executive Vice President

Finances

UC Davis Seed Biotechnology Center

2012- Current Budget
(second year of three year contract)

		Actual 2010-11	Actual 4/23/2012	Budget 2012-13
INCOME				
1 California Seed Advisory Board	\$	200,000	200,000	200,000
EXPENCES RELATED TO THE CDFA GRANT				
2 Personal salaries & benefits	\$	170,339	143,353	163,000
3 Computer equipment & software		2,503	2,484	3,000
4 Office communications		6,919	3,820	6,000
5 Publications		4,046	349	6,000
6 Office supplies and misc. expenses		1,868	1,779	3,000
7 Industry outreach travel and meeting expenses		13,695	8,455	18,000
8 Research and program support		0	0	500
9 Other		630	0	500
TOTAL EXPENSES	\$	<u>200,000</u>	<u>160,239</u>	<u>200,000</u>
NET INCOME OVER EXPENSES	\$		<u>39,761</u>	



Fund Overview

Seed Biotechnology Center

Fund Overview

Income

CDFA Seed Assessment	\$	200,000
College of Ag & Env Sciences		26,000
Courses & Outreach		932,000
Research Grants		1,115,000
		<hr/>
Total	\$	2,273,000

Expenses

*Salaries	\$	983,000
General Office & Travel		30,000
Course & Outreach Operations		645,000
Research Grants		615,000
		<hr/>
Total	\$	2,273,000

*Does not include Director's Salary

5/1/2012



FUND CONDITION FOR SEED SERVICES - May 3, 2012

Version 1

	PPY 2009/2010	PY 2010/11	CY 2011/2012 EOY Estimate	2012/2013 Static Column Approved 5/5/2011	Est. 9% Inc over PPY Sales. Projection for 2013/2014 Fund Condition
BEGINNING CASH BALANCE	\$1,320,054	\$1,822,385	\$1,799,441	\$1,912,540	\$1,899,580
REVENUE CATEGORIES		had 28 cent assessment rate on sales in FY2009	had 28 cent assessment rate on sales in FY2010	BCB estimate last year was \$74k higher than PY EOY proj.	With assessment at 25 cents /\$100 sales made in 2011
Assessment \$	1,527,611	1,393,413	1,574,290	1,556,023	1,534,013
Miscellaneous	1,046	1,225	2,743	200	200
License Fees	20,240	21,010	22,080	20,000	22,400
Penalties	42,368	10,894	9,692	10,000	10,000
Interest	11,555	10,597	4,440	14,000	10,000
Interest from Infrfund Loan	639	750	509	750	700
TOTAL REVENUE	1,602,820	\$1,437,139	\$1,613,245	\$1,800,223	\$1,576,613
Reimbursement 224c - Admin	36,299	32,503	31,786		38,614
PY & PPY Adjustments and Encumbrances	56,412	(45,759)	(1,077)	(35,787)	
TOTAL RESOURCES before Expenditures	\$3,015,585	\$3,246,268	\$3,444,472	\$3,476,976	\$3,514,807
EXPENDITURES					
Seed Services	493,289	702,898	738,747	775,843	919,326
Seed Laboratory	379,911	423,929	500,000	481,553	500,000
Ag Commissioners	120,000	120,000	120,000	120,000	120,000
UCD SBC	200,000	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES (BUDGET)	\$1,193,200	\$1,446,827	\$1,558,747	\$1,577,396	\$1,739,326
BALANCE IN AG FUND (Resources - Expenditures)	\$1,822,385	\$1,799,441	\$1,885,725	\$1,899,580	\$1,775,481
AG TRUST FUND					
Interest	130,835	131,999	132,670	136,339	137,256
	1,164	671	411	1,492	1,115
ENDING AG TRUST (RESERVE)	\$131,999	\$132,670	\$133,081	\$137,831	\$138,371
Notes of Interest					
Reserve Calculation: The amount required to keep in reserve = 1/4 budget (expenditures)	\$298,300	\$361,707	\$389,687	\$394,349	\$434,832
Number of Licenses	506	525	552	500	560
Reported Value of Seed Sold In CA	\$477,378,422	\$497,647,500	\$562,246,371	\$555,722,500	\$613,605,200
Assessment Rate	0.32	0.28	0.28	0.28	0.25
		4.7% inc sales value	6.8% inc sales value	orig. proj. with 0.28	used 18 yr graph
NOTES To Point Out to Board	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
Approved by Board at Prior Meetings	\$1,674,291	\$1,697,243	\$1,714,600	\$1,557,396	
Estimated Total Expenditure	\$1,193,200	\$1,446,827	\$1,558,747	\$1,577,396	\$1,739,326
Difference SAB Approv-Proj Expend	\$481,091	\$250,416	\$155,853	\$0	\$0
% of approved budget spent	71% of SAB Approv	85% of SAB Approv	91% of SAB Approv	Not yet occurred	Not yet occurred

Proposed Budget for FY 2013/14

SEED SERVICES PCA 15551

SAB Mtg. May 3, 2012

	PPY FY 2009/2010 per 4/25/2012	PY 2010/2011 per 4/25/2012	CY 2011/2012 EOY Proj.	Static FY2012/13 App.SAB (5/5/11)	Proposed FY 2013/2014 SAB 5/3/2012	
Permanent Sal	235,580	268,384	326,751	282,319	381,090	1
Temporary Help Sal	18,043	8,683	8,974	17,865	10,466	
Staff Benefits	89,911	126,960	135,912	134,597	158,514	2
Sal Sav	0	0	0	0	0	
Salary & Benefit Recovery	0	0	0	0	0	3
TOTAL PERSONAL SERVICES	343,534	404,027	471,637	434,781	550,070	
General Expenses	8,296	7,198	7,088	10,000	10,000	4
Printing	434	328	450	500	545	
Communications	4,571	4,799	4,800	4,500	5,808	
Postage	707	1,838	1,930	1,750	2,335	5
Insurance-Vehicles	977	1,249	1,274	1,500	1,542	6
Travel In-State	11,148	8,521	13,502	10,000	16,337	7
Travel Out-of-State	3,968	1,175	5,600	22,008	16,176	8
Training	165	500	250	1,500	1,000	
Facilities	21,610	37,391	43,801	38,000	51,999	
Utilities	416	450	600	600	726	
Cons & Prof	285	322	1,500	10,000	3,500	9
Data Processing	0	0	0	0	0	
Interdeptl Charges	0	0	0	0	0	
Division - Indirect	25,099	24,104	26,514	25,000	32,082	10
Dept. - Indirect - Exec/Admin	48,604	55,713	75,062	60,000	85,825	
Legal Svs-Indirect	0	0	0	0	0	
Production Services - Direct	0	0	0	0	0	
Plant IT	6,469	2,639	2,439	2,500	2,951	11
Centralized Svs	850	1,237	1,338	1,750	1,619	
Other Interdeptl Charges	0	0	0	0	0	
Pro Rata	39,969	56,137	51,542	71,443	69,107	12
Equipment	0	0	50,000	54,000	54,000	13
Misc. Ag. Services	0	0	0	2,000		14
Field Expenses/Agri Supplies	1,703	405	500	1,000	750	15
Vehicle Operations	10,783	8,746	10,706	16,000	12,954	16
Research Contracts UCD SBC	200,000	240,000	200,000	200,000	200,000	17
Other Misc. Charges (PY Expend & neg 24c)	-36,299	46,119	-31,786	0	0	18
Subtotal Oper Exp/Equip	349,755	498,871	467,110	534,051	569,256	
Ag Commissioners	120,000	120,000	120,000	120,000	120,000	
Seed Laboratory (Gen Fund) Annual Agreement	379,911	423,929	500,000	488,564	500,000	19
TOTAL OPER EXP/EQUIP	849,666	1,042,800	1,087,110	1,142,615	1,189,256	
TOTAL BUDGET	1,193,200	1,446,827	1,558,747	1,577,396	1,739,326	20