

Nursery Advisory Board (NAB) Meeting
California Department of Food and Agriculture (CDFA)

California Department of Food and Agriculture
Plant Pest Diagnostics Center
3294 Meadowview Road
Sacramento, CA 95832

Tuesday, September 22, 2015
10:00 a.m. – 2:00 p.m.

Voting Members

Michael Babineau
David Cox
Robert Crudup
Don Dillon
Janet Silva Kister
Thomas Lucas
Steve Maniaci
Steve McShane
Scott Nicholson
Elizabeth Elwood Ponce
Ernest J. Rodriguez

Non-Voting Members

James A. Bethke
Ha Dang
Marilyn Kinoshita
Eric Larson
Lorence Oki
Karen Suslow
Chris Zanobini

CDFA & Guests

Gavin Kogan
Kathy Kosta
Joshua Kress
Phuong Lao
Erin Lovig
Amber Morris
Duane Schnabel
Roger Spencer
Kristina Weber
Josh Wurzer
Cathy Vue

1. Call to Order and Roll Call

Meeting was called to order at 10:05 a.m. by Steve McShane, Board Chair.

2. Opening Remarks and Housekeeping

Erin Lovig welcomed Board Members and guests, and reviewed housekeeping and agenda items. Steve McShane thanked Chris Zanobini and CANGC for providing lunch for the meeting.

3. Review of Minutes from August 26, 2014 Board Meeting

Robert Crudup moved to approve the Minutes for the February 24, 2015 Board Meeting as submitted. Janet Silva Kister seconded. Board unanimously voted in favor. Motion carried.

4. Cannabis Production in California– Legislative Update and Potential Regulatory Impacts

Gavin Kogan, Vice President/General Council/Co-Founder of Alta Brands presented information on the cannabis industry including the revenue collected in other states where it has been legalized. Kogan discussed how legalization would affect the black market sales of cannabis and the tax revenue that would be collected once products are legal to sell in California. Kogan gave a history of the laws that have been passed since 1996 regulating the use of medical cannabis. Kogan further discussed the correct legal requirements of a medical marijuana collective. Kogan also discussed the potential revenue from legalizing medical marijuana, the impact to California and the possibility that recreational cannabis will be legalized in 2016. Kogan reviewed the different regulatory agencies and their roles as outlined in the bills under consideration by the legislation.

The Board discussed the Federal Government's involvement in the new laws as well as the industrial uses for hemp.

Joshua Wurzer, President of SC Laboratories, presented information on the pharmacodynamics of cannabis. Wurzer included information about the economics of producing cannabis and the consumers of the products. Wurzer reviewed the variety of tests SC Laboratories offers including cannabinoids (potency), microbiological contaminations, mycotoxins, pesticide residues and pesticide solvents. Wurzer also presented information about safety and quality assurance

requirements when producing cannabis and cannabis products, some of which are currently not regulated. However, he noted that SC Laboratories does provide quality assurance testing by request for Palm Springs and Berkeley.

The Board discussed the use of unregistered pesticides, the use of plant growth regulators on cannabis, genetic sex determination, the different cultivation practices, plant patents and determination of cannabis as an agricultural product.

5. State Interior Quarantines Update

Duane Schnabel discussed the record breaking number of fruit fly quarantines this year due to the warm weather. These included Oriental fruit fly, guava fruit fly, and Mediterranean fruit fly.

The Board discussed what actions are taken in residential areas. Schnabel reported that the project normally performs treatment, puts a hold notice on the property and, depending on the time of year, they may remove fruit. Generally homeowners are very cooperative. They also work with the regulated businesses, which include wholesale produce markets and farmers markets. Compliance agreements are issued and the project checks on compliance weekly. The Board further discussed funding sources, county involvement and pathways of introduction.

Schnabel also provided quarantine updates for European grapevine moth, light brown apple moth (LBAM), Japanese beetle, Asian citrus psyllid (ACP) and Huanglongbing (HLB).

The Board discussed the development of new options for regulating retail citrus nursery stock in HLB quarantine areas and the current impact to the industry. Schnabel reported that CDFA is working on a new compliance agreement to address this issue.

The Board also discussed available products for treatment for LBAM and the required steps for adding new products under the framework of the Program Environmental Impact Report (PEIR) to the available treatment lists and the associated costs. James Bethke reported on the research he is involved with, working to put together a list of treatment options for LBAM to provide to CDFA for review.

Janet Silva Kister moved that the Board make a recommendation to the Secretary for CDFA to prioritize and expedite the consulting contract for the Program Environmental Impact Report (PEIR) analysis process.

Tomas Lucas seconded. Board unanimously voted in favor. Motion carried.

Amber Morris reported that the Peach Mosaic Disease quarantine that regulates Prunus nursery stock was reviewed by CDFA with input from industry, the California counties and the UC Cooperative Extension. It was determined that the disease is not known to exist in California and as a result regulatory quarantine enforcement has ceased and a repeal will be submitted. Morris also reported that her staff will continue to review other quarantines starting with the Citrus Tristeza Virus Quarantine.

6. PD/GWSS Nursery Subcommittee and Program Update

Robert Crudup provided an update on his new role as chair for the PD/GWSS Nursery Subcommittee. Crudup shared that one of the goals of the committee going forward is to re-energize activities, increase participation and build a chain of succession. Crudup also spoke about the committee working to develop different approaches to address possible future regulation/protocol changes to the program.

Roger Spencer, Environmental Program Manager II, Branch Chief for the Pierce's Disease Control Program, provided a program update. Spencer discussed the usage of neonicotinoid in the PD program and the issues that would arise if those products were no longer available for use. From January 1, 2015 through July 1, 2015 there had been 26,434 program regulated shipments of treated nursery stock that came from infested areas in Southern California to northern areas of California.

During that time, four notices of rejection (NORs) were issued. There was a decrease in NORs issued from the prior year but there were also less shipments. The approved treatment protocol has been shown to be very effective. The shipments originating from participating nurseries using the approved treatment protocol have shown that the treatment has been 100% effective in treating egg masses.

Spencer further discussed the effects of climate change on the program, emphasizing the need for cool, wet winters in the San Joaquin Valley to kill off populations of glassy-wing sharpshooters (GWSS), as well as *Xylella fastidiosa*, the causal agent of Pierce's Disease (PD) in grapevines. As a result, the program is seeing more PD on the north coast. Populations of GWSS are increasing, especially in Kern County. The program is seeing more generations of GWSS per year than they had seen in the past. Previously there were three generations of GWSS per year and now there are at least four generations per year. Populations are being detected in Visalia along the 198 Corridor and Fresno. However, thanks to the efforts of the nursery industry, there have been no notices of rejection since July 1, 2015.

The PD/GWSS Board is looking to approve funding from the Wine Grape Assessment to do research and outreach for two new pests. These include Fan Leaf and all mealy bugs that affect grape production.

The only ongoing urban infestation of GWSS is in Santa Clara County. Historically there have been six separate infestations in the southern San Jose area but five of them have been eradicated. GWSS has been trapped two times in two different traps, about two weeks apart in Alameda County; however, all subsequent trapping and visual surveys have not detected any additional GWSS.

The Board discussed the steps necessary to declare the infestation in Santa Clara eradicated. In addition, the Board discussed the possibility of having less inspections and the effect it would have on the confidence of industry in non-infested areas. The Board also discussed the possible reasons for the decrease on program regulated shipments and allocations of funds from the Wine Grape Assessment. The Board further discussed overall funding issues for nursery programs and possible suggestions for improved funding sources.

7. Systems Approach to Nursery Certification (SANC)

David Cox provided an update on the National Plant Board's Systems Approach to Nursery Certification (SANC). SANC is in the process of putting together a pilot to test the theories of the program, which is not as arduous as the national program. They are in the process of reviewing the risk assessment on the participating nurseries. Two nurseries are undergoing ownership changes; however, they expect the review to be complete in about a year for all of the eight participating nurseries. There are two nurseries participating from each plant region. They hope to be on-line for the next shipping season. The Board further discussed how much California exports. Amber Morris, Environmental Program Manager I for CDFA Interior Pest Exclusion Program added that the National Plant Board had inquired if the SANC program has the ability to be scaled up and implemented on a statewide level. Karen Suslow gave an update on the efforts of the SANC program to provide outreach to industry at the American Hort meeting and the Farwest trade show. The Board further discussed the benefits of the SANC program. (<http://sanc.nationalplantboard.org/>).

8. Training Updates

Erin Lovig gave an update on the upcoming fall Pest Prevention University, a training for county inspectors in Colusa, Fresno and San Bernardino. The training session will focus on nursery inspections and include topics on incoming nursery certification, upcoming pests of concern, and a presentation by the National Plant Diagnostics Network First Detector.

Lorence Oki noted that the Californian Nursery Conference that will be held on October 22, 2015. This year the focus will be on emerging diseases and pests of concern.

9. Regulatory Updates

Joshua Kress provided an update for regulatory projects currently underway in the Nursery, Seed, and Cotton Program. The Deciduous Fruit and Nut Tree Registration and Certification Program's regulations are in the process of being updated. A small group is reviewing the disease list and is working to correct names and remove diseases that do not exist in California. These updates are mostly complete and CDFA is close to moving forward with a rulemaking package that will be sent to the Office of Administrative Law for review and then it will be made available for the public to make comments, and possibly include public hearings. The public comment and hearing period will be up to but no longer than a year. The total process takes six months to a year to complete.

A working group is reviewing and updating the Grapevine Registration and Certification Program which was previously reviewed and updated in 2010. At the last working group meeting there was a recommendation to move forward with a rulemaking package to add Red Blotch Disease to the program disease list. A rulemaking package is being developed and the group will continue to meet to discuss other improvements. The Nursery Program will continue to update additional regulations and look for ways to include and engage the industry in the process.

Amber Morris provided an update on new requirements for *Xylella fastidiosa* hosts for export to the European Union (EU). This affects 160 hosts and the requirements to ship may be difficult to meet, which include a physical barrier and a rigorous testing protocol. Morris requested that anyone planning to export host material to contact CDFA. The Board discussed possible ways to meet the requirements.

10. Nursery Services Budget Update and Fund Condition Update

Joshua Kress provided the Board with a Budget Summary and Fund Condition Statement (Attachment 1-2). Kress reported that on the Budget Summary the costs for Personnel Services may change due to a slight salary increase for staff. The Budget Office is still calculating the impacts of that increase and final calculations are expected in early October. Another increase is expected in the next year and it was estimated at a five percent increase but once the Budget Office release their calculations more accurate numbers will be available. There is an increase in the general expense line item than has been spent in the past couple years. This is due to the computer replacement cycle that occurs every three to four years and costs associated with resupplying certification tag reserves. Kress reviewed training costs, equipment costs, facility costs, and county contract costs. The Board discussed the county contract costs including the distribution of funds and actual costs to the counties to complete the nursery services enforcement. The Board also discussed the use of CASS (Temporary Labor Service) and clarified the 'Attorney General Charges' and 'Cons and Prof' line items.

Kress further discussed FY 13/14 and the repairs that were done to the greenhouse, part of which was paid by the nursery program and the remaining costs were paid out of the building fund. Duane further added that the program was able to obtain \$140,000 for the asbestos remediation project to reroof and reside the greenhouse, from the building fund which is a pool of funds for CDFA building maintenance. The program also obtained a \$42,000 grant to improve the water use infrastructure for the greenhouse. Another \$177,000 was obtained from a Specialty Crop Block Grant for upgrades to the equipment at the lab.

Kress reviewed the Fund Condition Statement and the reserve requirement for the program. In FY 13/14, there was a spike in the nursery program revenue and then in FY 14/15 the revenue decreased back to historical levels. Kress reviewed the different revenue categories and the expected revenue for FY 14/15 and FY 15/16. Kress clarified that the reason there was a slight difference in revenue in FY 13/14 compared to FY 14/15 is because of the time in the year that revenue was collected. The program took actions to normalize the collection of revenue so that it was reflected in the year that it was billed. It is expected that the revenue for the program will plateau over the next few years and expenditures will increase due to increases in personnel costs. Kress reviewed the cost recoveries from the Fruit Tree, Nut Tree, and Grapevine Improvement Advisory Board (IAB) program, which pays for field work for the Deciduous Fruit and Nut Tree Registration and

Certification Program performed by Nursery Services staff. Reimbursement for the Unclaimed Gas Tax (Food and Agriculture Code, Section 224c) was also listed as a recovered cost.

Overall there was an increase in the reserve last fiscal year (FY13/14) and a decrease in the reserve this fiscal year (FY14/15). If the trend continues, it is expected the reserves will continue to decrease. With the legalization of medical marijuana, those businesses selling plants will need to have a nursery license and be inspected by the counties once regulations are in place. It is unclear how these new regulations will affect the program long term.

The Board further discussed the expected timeframe and the overall role of CDFA under the new medical marijuana laws that include regulation of cultivation, fertilizer regulations and nursery licensing. CDFA has been working with the Department of Finance to determine the fiscal impact of these new activities. The Board discussed the possibility of separate licenses for medical marijuana growers and the potential impacts to the nursery program.

The Board also discussed the fee exempt nursery license. Issues with the required reporting for these licenses was brought up. Kress reported that because the nursery licensing laws are very general then fee exempt licensing regulations needed clarification as well as other licensing regulations. The Nursery Program will be working with the counties to update the regulations and address these issues. The Board discussed the annual nursery stock cleanliness inspections, how the counties are being reimbursed for these activities under the program and the training that is provided by CDFA.

Kress proposed that the Board hold a conference call once the budget numbers have been finalized by the Budget Office in late October or early November to provide a recommendation to the Secretary on the Nursery Program Budget. A request for this call would be sent out in October.

11. County Agricultural Commissioner's Update

Marilyn Kinoshita, Tulare County, reported that they have received approval to solicit bids for a pest control officer to do treatments for the GWSS infestation along highway 198 in Tulare County. Kinoshita also reported that they have had a request from a citrus nursery that is completely under screen, to have the county take over shipment inspections to allow for more flexibility in shipping and to address the anticipated workload. Kern County would need four to five months to arrange staff to undertake these activities.

Ha Dang, San Diego County, thanked CDFA for their assistance and responsiveness in dealing with the Mediterranean Fruit Fly Quarantine and the Oriental Fruit Fly Quarantine. Dang reported that their main concern is LBAM. Currently, San Diego County has five separate areas under quarantine, totaling about 200 square miles. There are 55 production nurseries that total approximately 450 acres that are inspected by county staff every 30 days. County staff also does the trapping and services 1,900 LBAM traps. To address strain on staff from the program, San Diego County is working with the Farm Advisor, Farm Bureau, and state agencies to find alternatives to the 30-day inspection requirements. San Diego County has over 450 production nurseries, totaling 10,000 acres of production. If the whole county is quarantined, there would not be the resources to carry out the current requirements and it would severely impact the nurseries.

Dang reported that the San Diego County Board of Supervisors has an Agriculture Promotion Program and a component of the program is bees. There has been a proposal to amend the bee ordinances to reduce the setback restrictions. Included in the proposal to mitigate the public safety issues due to Africanized bees in San Diego is a Bee Program that requires best management practices, hive registration, compliance monitoring, and public outreach.

Dang also reported that the Regional Water Control Board is currently drafting the Ag Order. San Diego County is following it to determine how it will affect the nursery industry.

Duane gave an update concerning Ventura County and actions against a nursery owner who was prosecuted by the Ventura District Attorney for a variety of charges. He pled guilty to two felony

counts of conspiracy to sell nursery stock among other changes. He received a 10 months jail sentence, a five year formal probation, \$10,000 in restoration fees, the remaining nursery stock destroyed, and he is barred from nursery operations for five years.

12. Best Management Practices program (BMP) Update

Kathy Kosta, CDFA, provided an overview of CDFA's Best Management Practices program. It is a volunteer program that is flexible and is customized to the needs of the participant. In collaboration with Karen Suslow, the project design will allow participants to easily transition into the SANC program. Kosta also provided an update concerning the interest of the native nursery industry in the BMP program and a possible certification program. Currently there are 20 native plant nursery participants in the program. Kosta reported that the funding for the program is through the Farm Bill and the funding has been decreased for next year. It is anticipated that the funding will continue to be reduced and a new funding source will need to be developed to continue the program.

13. Committees Updates: None

14. New Items: None

15. Public Comments

16. Next Meeting/Agenda Items

The next meeting will be held in Sacramento in February/March. A Doodle poll will be sent out by Erin Lovig around December 1, 2015 to determine the best date available.

17. Adjournment

Meeting was adjourned at 1:54 pm.

Respectfully submitted by:
Erin Lovig
Senior Environmental Scientist
CDFA Nursery, Seed, & Cotton Program

Approved by Board Motion on March 2, 2016

Nursery Services Program Budget Summary

	PPY 2013/14 per 9/4/2015	PY 2014/15 per 9/4/2015	CY FY2015/16	Proposed FY 2016/17
Permanent Salary	877,995	907,742	1,032,296	1,083,911
Temporary Salary	99,322	119,447	89,266	93,729
Staff Benefits (includes Unemployment Ins)	472,661	535,779	502,968	528,116
TOTAL PERSONAL SERVICES	1,449,978	1,562,969	1,624,530	1,705,757
General Expenses	20,499	24,044	40,000	40,000
Printing	3,496	3,806	5,000	5,000
Communications	12,780	13,581	14,000	14,000
Postage	6,328	6,704	8,000	8,000
Insurance-Vehicles	2,484	2,026	3,000	3,000
Travel In-State	25,624	31,367	37,000	37,000
Travel Out-of-State	2,141	5	0	0
Training	730	3,324	10,000	10,000
Facilities	192,837	152,626	142,000	142,000
Utilities	3,427	7,201	3,000	3,000
Cons & Prof	1,801	1,308	2,000	2,000
Atty General Charges	0	0	5,000	5,000
CASS (Temp Labor Services)	77,940	5,667	0	0
Intradeptl Charges (includes Division Costs, Executive/Administration, IT)	412,485	435,833	408,247	408,247
Pro Rata	86,918	108,201	108,608	108,608
IT Purchases	5,577	9,920	14,000	14,000
Equipment	24,786	48,847	45,000	45,000
Field Expenses/Agri Supplies	16,964	16,522	16,472	16,472
Lab Supplies	4,445	0	5,300	5,300
Vehicle Operations	35,636	32,029	50,000	50,000
Other Misc. Charges (incl. Taxes)	-197	448	0	0
Subtotal Oper Exp/Equip	936,701	903,460	916,627	916,627
County Contracts	694,431	720,000	648,299	648,299
Nematode Lab Costs	52,920	68,520	60,000	60,000
TOTAL OPER EXP/EQUIP	1,684,052	1,691,980	1,624,926	1,624,926
TOTAL BUDGET w Personnel & Benefits	3,134,030	3,254,949	3,249,456	3,330,683

Nursery Services Program Fund Condition

	PPY 2013/14 EOY Actual	PY 2014/15 EOY Estimate	CY 2015/16 Projection	Projection for 2016/17 Fund Condition	Projection for 2017/18 Fund Condition
BEGINNING RESERVE BALANCE	\$1,541,243	\$1,613,232	\$1,424,644	\$1,246,085	\$986,300
REVENUE CATEGORIES					
Nursery License Fee	1,964,624	1,755,475	1,800,000	1,800,000	1,800,000
Acreage Fee	314,712	301,294	305,000	305,000	305,000
Delinquent (Penalty) Fee	37,212	42,600	40,000	40,000	40,000
Directory Sales	140	105	100	100	100
R&C & Nematode Certification	584,566	648,107	611,500	611,500	611,500
Interest & Miscellaneous Income	5,414	4,614	5,000	5,000	5,000
TOTAL REVENUE	2,906,668	2,752,195	2,761,600	2,761,600	2,761,600
EXPENDITURES					
Personnel Services	1,449,978	1,562,969	1,624,530	1,705,757	1,705,757
Operating Exp & Equipment	936,701	903,460	916,627	916,627	916,627
County Contracts	694,431	720,000	648,299	648,299	648,299
Lab Services	52,920	68,520	60,000	60,000	60,000
TOTAL EXPENDITURES (BUDGET)	\$3,134,030	\$3,254,949	\$3,249,456	\$3,330,683	\$3,330,683
COST RECOVERIES					
Recovery from other programs	257,881	271,911	266,970	266,970	260,000
Reimbursement 224c - Admin	41,470	42,254	42,327	42,327	40,000
TOTAL COST RECOVERIES	299,351	314,165	309,297	309,297	300,000
ENDING RESERVE BALANCE	\$1,613,232	\$1,424,644	\$1,246,085	\$986,300	\$717,217

NOTES OF INTEREST:

Reserve Calculation: The Department recommends that this program maintain a reserve of between 1/3 and 1/2 of its annual expenditures; this calculates to between \$1M and \$1.5M.