



ARIZONA

Janet Napolitano
Governor

Office of Pest Management

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NOTICE OF PUBLIC MEETING

WEDNESDAY, January 14, 2009, 10:00 A.M.

Minutes

Call to order: Ellis M. Jones

Staff present: Ellis Jones, Robert Tolton, Vince Craig, Charmayne Skow, Nancy Holmes

- I. **Proposed License Fee Increases**
- II. **Proposed TARF Fee Increases**

Ellis Jones thanked all for attending and stated that the purpose of the meeting is to discuss fee increases for both Licensing fees and TARF fees. Mr. Jones asked that anyone who wishes to speak must fill out the "Request to Speak Form" and turn it in. Mr. Jones went on to say that when the meeting is over all are invited to stay and discuss other issues anyone may have and reminded all that by speaking today it becomes part of the public record.

Mr. Jones stated that some members have been appointed to the Pest Control Advisory Committee and were in attendance – three from the Governor's office (Carmella Ruggiero, Doug Seeman and Nate Tamialis) and one from the Senate (Ken Frederick) and that we are awaiting appointment of one more from the State Senate and two from the State House of Representatives. After talking with Representative Crandall last month Mr. Jones was assured that once the House goes into session other appointments will be made. If anyone is interested in applying for an appointment just go online and apply and I will be speaking with Representative Crandall again next week and will see when he'll be making those appointments.

(The following filled out "Request to Speak Forms" and were called in the order they were received).

Mr. Rick Rupkey – University Termite & Pest Control said that for the sake of brevity he has written comments down and will read them rather than speak extemporaneously this morning. Mr. Rupkey said he was in support of the License fee increases and in strong opposition to any TARF increases and any late penalty fees on them. “My belief is that the Office of Pest Management is adequately funded to carry out their mandate. Both Government and Private sector have to tighten their belts and perhaps OPM needs to recast their projections by decreasing expenditures and not increasing fees. By imposing burdens on an industry already suffering it will put undo strain on those businesses that are trying to survive in these tough economic times and cause some companies to fail. The pest management industry has responded to these tough times by reducing staff, parking and selling vehicles and suspending purchases not absolutely required to keep their doors open. We expect that the Office of Pest Management should, can and will do the same. Lastly, with respect to Final Grades – 180 day filing date was determined to be a realistic timetable and imposing a penalty on something that cannot be done is wrong. So let’s tighten our belts, plan and support the industry that is the very reason for your existence.”

Ellis Jones stated that both items on the agenda are tied together and we will continue in that manner.

Mr. Bert Putterman – Arizona Exterminating concurs with Mr. Rupkey’s remarks

Mr. Kenneth Edwards – Valleywide Termite & Pest Control stated he has been in business for over 35 years and has dealt with many licensing boards commissions over that time and said that “Arizona is one of the most difficult to deal with and can’t believe we’re looking at rate increases.” He stated his staff has been cut 75% and he’s down to 2-3 trucks so that he can honor warrantees and guarantees to his customers. He is very unhappy about this situation.

Mr. Jack McClure – Chem Tech Supplies concurs with Mr. Rupkey’s remarks

Mr. Paul Staron – Chairman of Arizona Home Inspection Coalition and represents Home Inspectors and stated “I feel the TARF fees are high at the present \$8 fee and at \$15 would be excessive.” He further stated “it would put a burden on the consumer and more of a burden on the Pest Control companies. If there is a law in place that TARF fees are to be paid for the maintenance of the database then it appears we’re trying to use those fees for other things.” Mr. Staron submits, “If a study has been done on what the cost would be to just maintain the database?” Mr. Staron said OPM should be using TARF fees strictly for TARF database. Mr. Staron stating he is against any TARF increase.

Mr. Kevin Etheridge – Contractor’s Termite & Pest Control concurs with Mr. Rupkey’s remarks. He further stated that in the Pre-treatment segment of his business when he signs a contract with the general contractor or home owner he puts the company name on the bottom of the contract and is locked in to that fee and cannot change the order if

TARF fees are increased. He further stated that "Contractor's can be locked in for an extended period of time and there's no way to recoup the increased fees." At this time Contractor's has nine trucks for sale and just yesterday wrote a personal check to the company so that he can continue to stay in business. They've gone from 55 associates to 30 associates. Lastly, Mr. Etheridge stated that "No more anchors need to be thrown off the boat dragging us down."

Ms. Lisa Gervase – representing several Pest Control businesses stated revenues were directly tied to appropriations and that although the Legislature appropriates a certain amount of money the Agency does not necessarily need that amount to pay its operating costs. Ms. Gervase stated that forever 1/3 of the industry has subsidized the Agency through TARFs and feels that the whole industry should subsidize the Agency and this was examined a few years ago. Ms. Gervase further stated that Licensing and Renewal fees are very low and believes that they need to be looked at; historically license applications have stayed steady where TARFs are tied to the housing market. The number of licenses has increased. Ms. Gervase feels that if much more pressure is put on the Pest Control companies that do termite work then they will start cheating. Ms. Gervase said "Why put additional burden on 1/3 of the industry." Ms. Gervase recommends that we "(1) seek some law changes and one area is to raise ceiling on licensing and renewal fees and (2) seek some authority not to issue business licenses to those whose license was revoked or otherwise went out of business and didn't pay TARF fees and is currently associated with a current business and (3) to seek authority to collect TARF fees for those companies that close their doors and (4) have late fees on Final Grades of the date it should be done. Ms. Gervase also feels that OPM should turn in trucks not being used. Do a TARF audit if the Agency isn't currently doing this." Again Lisa stated that the dollars in appropriations could be more than what the actual cost is.

Mr. Ken Frederick – Conquistador Pest and Termite Inc and Acting President AzPPO noted that his letter was attached to the handout along with the Agenda. Mr Frederick stated that as President of AzPPO he "is opposed to the TARF increase and feels it is totally unjust for the industry at this time." Mr. Frederick further stated he was rethinking the whole TARF fee completely. Mr. Frederick stated that laws and regulations are necessary otherwise there's chaos. He believes most companies want to do good work and to serve the public in an effective way and the TARF proposal is unacceptable. The AzPPO represents over 60 companies and most employ fewer than five employees. Mr. Frederick, just to put on public record, said, "We value this industry but cannot let this Agency impose this fee." Mr. Frederick strongly opposes the increase but is willing to sit down and work with the Agency on finding alternatives.

Mr. Samuel Aubrey – Southeast Valley Regional Association of Realtors stated that Main Street is impacted and any fees imposed affect the housing industry and opposes the proposed increase and feels there may be other ways to generate additional revenues. Mr. Aubrey feels

that companies would support an increase if valid and is willing to work with the Agency to give his perspective.

Ellis Jones acknowledged those who spoke and thanked them for their input and then introduced the Pest Control Advisory Committee consisting of Doug Seeman (entomologist), Carmella Ruggiero, Nate Tamialis and Ken Frederick. Mr. Jones said we're waiting for three additional appointments.

Ellis Jones addressed the attendees and stated "the Master Plan is to take a look at the worst that can happen to us and based on that what needs to be done to fix the problem". Mr. Jones clarified one point and that is that ninety percent of TARF fees are used in the running of the Agency as well as for the database. Mr. Jones stated that "most of the argument today is on the TARF increase and I understand where industry members are coming from. The number of TARFs has gone down over the past three years and our flexibility is in the TARF fees; we are charged with how to reduce our cost without necessarily having to raise fees". Mr. Jones said we did that. The whole process for raising fees is to get it implemented and the Legislature has already given the okay and now the rules have to be changed and the purpose for that is that if sometime in the future the Agency needs to make those changes he can put it out for 30 days and do it. Mr. Jones said "if OPM waits till we go down and then try to go through the process to do it, as you know, it's not easy going through the Legislature and GRRC (Governor's Regulatory Review Council). So now the process is to get it approved so that I can if I find a need to. Staff is at less than 50%. In addition to taking \$500,000 from me they also hit me with a \$200,000 suspension of payments and many 90-10 agencies are to be hit with another \$500,000 by the end of the FY." "We're implementing a one-stop shop meaning when you can come here you can take care of most of the things you need to do rather than to go elsewhere and we will continue to streamline our processes which also saves money to include TARFs especially the electronic TARFs that are in place and set to go live in mid February or March which will reduce the cost. License processing time has decreased significantly which saves you time and money and saves us time and money. We are reducing the time it takes to initiate an investigation to its resolution time and we're able to quantify that. Any training that's required of our inspectors we are looking at doing in-house so that we don't have to pay external fees." Mr. Jones stated that OPM would be charging \$10 for three hour continuing education classes and will be implemented with the February classes. Testing will also be done at the Agency that will generate income and should reduce some of the burden of raising fees. OPM is also conducting in house fingerprint and we continue to look at various ways of reducing our expenses. If the rules are approved our Licensing fee increases will go through and the TARF increase still up in the air. Two balloon payments are due in July and Mr. Jones is negotiating with Department of Administration to get them pro rated. If we can get our balloon payments pro rated we'll be okay and we should be able to make it without increasing the TARF fees up to \$15. The purpose for getting the rule change is to be able to implement if needed. Any increase in fees requires a 30-day notice to

the industry. Staff is looking at a myriad of ways to generate income and reduce costs. Mr. Jones expressed his appreciation for all of the comments and will seek an increase approval of \$2 to TARFs if an increase is necessary. The OPM will go back and revisit the late fees. Mr. Jones' vision for the Advisory Committee is to meet quarterly and to let him know what the industry concerns are. The Advisory Committee members are your reps so please contact them and when making comments please be specific about your concerns. Mr. Jones said he is not planning on submitting anything without first going out to Industry members.

Lisa Gervase asked about the flexibility of TARF fees – “that everyone needs to know what they have to pay”. Mr. Jones said the Statute says raise or lower as needed and the wording in the Statute may need to be amended.

Jack McClure said that a lot of industry members were shocked at the proposed increase in TARF payments. The Agency has not been fully abreast of understanding how things are done in the field by industry members' i.e. huge number of people who are on the edge of bankruptcy and if they survive it will be amazing. Mr. McClure said that 1/3 of his accountant's clients will be filing for bankruptcy in the next couple of months and most are in the contracting business.

Ellis Jones stated the Agency is hoping the last three appointments will be made before the end of the month but in any case is looking to have the first Advisory Committee meeting in February. The word is that the Agency will be going before GRRC (Governor's Regulatory Review Council) in May so the Advisory Committee will have a chance to look at making any changes.

Mr. Rupkey asked “if OPM is at a break-even point financially how could the State sweep any money?” Mr. Rupkey also asked about renewing licenses biannually. Mr. Jones stated that OPM looked at it but suggested it was not doable.

Ellis Jones said we have a partnership and will be up front with the industry so no one will be in the dark; we'll have our Advisory Committee and we'll talk about these very issues. OPM is looking at reciprocity due to the large number of pest control people coming in and going out of AZ. Let me recap - some of the wording may need to be changed, the Advisory Committee is to meet in February. We may revise the language we're using now. We're reducing costs by not replacing staff who've left. We're doing everything we can to increase revenue and reduce costs in order not to increase fees.

Meeting adjourned at 10:50 A.M.