



REPORT HIGHLIGHTS PERFORMANCE AUDIT

Our Conclusion

In 2008, the Legislature established the Office of Pest Management (Office) in the Department of Administration and directed the Auditor General to recommend an appropriate option for the Office's "reorganization and restructuring." We evaluated four options and considering the Office's purpose, its regulatory functions, the need for accountability and responsiveness to the public and the regulated community, and the potential for efficiency gains, it appears that consolidation within the Department of Agriculture (Agriculture) is the best option for restructuring the Office.



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Consolidation within Agriculture best option for restructuring

The Office regulates the structural pest management industry by licensing applicators and businesses, conducting inspections, investigating complaints, and disciplining licensees who have committed violations.

Elements considered for office restructuring—To evaluate the options, we used four elements that research identifies as critical to consider when restructuring an agency:

- Agency mission and purpose
- Regulatory nature of the agency
- Accountability and responsiveness to the public and the regulated industry
- Potential efficiency gains for the State

Most potential benefits come from consolidation within Agriculture—Most other states (39) primarily regulate structural pest management under an agriculture agency, and this option appears to offer the most benefits to Arizona.

Agriculture and the Office both have missions to protect public health and the environment by ensuring the proper use of pesticides. Both agencies perform similar regulatory functions, including licensing, inspecting, and investigating complaints, with Agriculture focused on agricultural pesticide use and the Office focused on structural pesticide use. Because both agencies perform similar functions, this option offers potential efficiency gains through combining these functions. Agriculture officials also indicated that it makes sense to have one pesticide regulatory agency in the State and that Agriculture possesses similar expertise as the Office.

Placing the Office within an agency such as Agriculture that reports directly to the

Governor would help ensure accountability. Continuing the Pest Management Advisory Committee, which advises the Office, or having the Department of Agriculture Advisory Council assume this committee's advisory role would promote responsiveness to the public and the regulated community.

According to five structural pest management industry representatives we interviewed, two preferred this option and the other three indicated that if the Office were not made a stand-alone agency and were consolidated within another agency, the most preferred option would be Agriculture.

Fewer potential benefits come from consolidation within Environmental Quality—Only five states and the District of Columbia regulate structural pest management under an environmental control agency, and this option appears to offer fewer potential benefits.

Both the Office's and the Department of Environmental Quality's (Environmental Quality) missions focus on protecting public health and the environment, but Environmental Quality's mission does not include a specific focus on the safe use of pesticides. Further, although Environmental Quality monitors soil and groundwater for pesticide contamination, it does not regulate pest management or perform similar regulatory functions. In fact, an environmental quality official indicated that the agency does not have the funding and expertise to regulate pest management. Also, there is limited potential for efficiency gains.

Finally, the five structural pest management industry representatives we interviewed indicated they would not prefer this option.

Continuation in Administration offers few benefits—

Other than Arizona, no state regulates structural pest management within an administrative agency. The Department of Administration's (Administration) and the Office's missions are not similar, and Administration is not a regulatory agency, nor does it have any responsibilities for regulating pesticides. Similar to Environmental Quality, this option offers limited efficiency gains. An administration official told us that it would not be the optimal solution to keep the Office permanently within Administration because the two agencies' missions are different.

The five structural pest management industry representatives we interviewed indicated they would not prefer this option, with four stating that Administration does not have the knowledge or expertise to regulate pest management.

Operation as a stand-alone agency offers fewest benefits and fails restructuring tests—No state

regulates structural pest management as a stand-alone agency, and we did not find a need or justification for creating a stand-alone agency in Arizona. The primary tests for whether an agency should stand alone is whether it has a unique function or to promote independence from the rest of the State because it should act more like a private sector company or has a specific fiscal function. Because its mission and functions are similar to those of Agriculture and do not require it to be independent, the Office does not meet these tests.

However, three of the five structural pest management industry representatives we interviewed said they would prefer this option, indicating that Arizona's structural pest management industry is large and this option offers the best opportunity to have the necessary staffing to protect the public.

Options for structuring the Office within Agriculture

In consolidating the Office within Agriculture, two options hold the most promise for the Legislature's consideration:

1. Merging all pesticide regulation activities into a new, comprehensive pesticides program within Agriculture—

Under this approach, all of Agriculture's pesticide activities and the Office's activities would be transferred to a new, comprehensive program within Agriculture. This option potentially enhances effectiveness by focusing solely on pesticide regulation. It would also promote some efficiency by allowing Agriculture to combine both agricultural and structural pest inspections and investigations. However, other potential efficiencies from combining licensing and registration functions—most of which Agriculture performs in a central licensing area—would be lost.

Eight of ten states we surveyed have created a comprehensive pesticides regulation program within their agricultural agencies. Officials from five of these states reported that this provides increased coordination and consistency for pesticide regulation and one-stop shopping for all pesticide needs. However, agriculture officials do not favor this option because it potentially produces fewer efficiency benefits. Structural pest management industry representatives also did not prefer this option, but agreed it could work, especially if some specialization

was maintained in structural pest issues.

2. Integrating office functions with existing Agriculture functions—

This option may promote greater efficiency but less effectiveness. Under this approach, the Office's licensing function would be placed in Agriculture's central licensing area. The Office's inspection and complaint investigation functions would be combined with Agriculture's other inspection and investigation functions. However, because Agriculture regulates pesticides in separate programs/areas in its Environmental Services Division, and because these programs also regulate other products, such as feed, fertilizer, and seed, the focus on pesticide regulation could potentially be diluted.

Two of the ten states we surveyed have organized their pesticide regulation in this manner. Agriculture officials preferred this option because of the potential for greater efficiency gains. Structural pest management industry representatives were divided about this option because of concerns such as diluting office and agriculture staffs' knowledge and expertise.

Additional factors to consider when restructuring the Office—

The report also discusses additional factors to consider, including funding, potential for cost savings, transition planning, and the continuation of the Pest Management Advisory Committee.