

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (Department)

**FERTILIZER INSPECTION ADVISORY BOARD (FIAB)
SPECIAL MEETING
2399 GATEWAY OAKS DRIVE, STE. 200, SACRAMENTO 95833 / HYBRID**

**NOVEMBER 5, 2025
1:00 PM – 3:00 PM**

MINUTES

BOARD MEMBERS

Chris Gallo
David McEuen
Gary Silveira (Chair)
Greg Cunningham
Jake Evans
Melissa McQueen
Tucker Salles

MEMBERS ABSENT

Andrew Larson
William Oglesby

CDFA STAFF

Amanda Staudinger
Arima Kozina
Ashley James
Barzin Moradi
Brandi Alston
Emad Jahanzad
Jenna Leal
Karen Adler
Maria Tenorio Alfred
Natalie Jacuzzi
Natalie Krout-Greenberg
Nicole Smith
Yanhong Li

INTERESTED PARTIES

Jessica Lawrence
Renee Pinel
Tom Bottoms

ROLL CALL – ESTABLISH QUORUM

Gary Silveira, Chair, called the meeting to order at 1:01 PM. Self-introductions were made, and a quorum was established.

CDFA BANK ACCOUNTS

Natalie Krout-Greenberg informed FIAB that Deputy Secretary of Administration and Finance, Arima Kozina, joined the meeting today to assist with answering questions and providing background information regarding the potential of moving the program's bank accounts from Bank of America (BOA) into the State Treasury.

Kozina explained that the goal is to create efficiency within the Department and that the Department held this special meeting to get feedback from FIAB regarding the accounts. Kozina further stated that by bringing the funds into the State Treasury, increased interest would be earned and there would be less administrative costs associated with managing the accounts.

Krout-Greenberg stated that currently the Feed, Fertilizer, and Livestock Drugs Regulatory Services (FFLDRS) Branch has three accounts with BOA. Those accounts

are for the Commercial Feed Regulatory Program (CFRP), the Fertilizing Materials Inspection Program (FMIP), and the Fertilizer Research and Education Program (FREP). Funds are transferred quarterly from BOA into the State Treasury to ensure that funds are available for program solvency, based on the FIAB approved budget. Currently, the external accounts accrue very little interest; BOA is around 0.03% and the Surplus Money Investment Fund (SMIF), which is the State Treasury, is around 4.42%. Krout-Greenberg also reviewed other available options, including US Bank, which is around 0.05%, and BMO, which is around 4.08%. All these interest rates fluctuate slightly. There are also other options including Certificate of Deposits (CD), Money Market Accounts, and Public Funds Interest Checking that can be explored. Krout-Greenberg also reviewed annual revenue the programs are losing by keeping the funds in BOA. CFRP loses around \$35,000, FMIP loses around \$100,000, and FREP loses around \$92,000. There are also administrative costs associated with maintaining external bank accounts. CFRP's annual administrative costs are around \$7,000, FMIP's are around \$20,000, and FREP's are around \$19,000.

Krout-Greenberg discussed the historic reasons why funds have been maintained in external bank accounts. There are perceived vulnerabilities of the accounts being held within the State Treasury, as the funds could be swept in the face of budget deficits; therefore, FIAB voted to move the funds to external accounts. Since then, a case has been brought to the Supreme Court and now there are Control Sections within the Budget Act that are specific about state funds being utilized for specific purposes or swept. Currently, if special funds were borrowed from, the funds would need to be paid back expeditiously with interest and usually negotiations occur. Krout-Greenberg further explained that even if funds are held in external accounts, they can still be borrowed against, but this has not happened in many years.

Kozina elaborated that there have been two instances in which the State had borrowed against funds since the Supreme Court decision and none within Secretary Ross' tenure. Additionally, as described in Control Section 13.40 of the Annual Budget Act, there is specific language that the State can only borrow from idle resources. In discussion with Financial Services, idle resources have been interpreted to mean resources in excess of the reserve. If a situation arose where the State was trying to borrow funds, the approach would be to push back, especially if there was a board mandated or statutory requirement to maintain a reserve, and that going below that reserve level could be argued that those are not idle funds.

Krout-Greenberg explained to FIAB that if the decision is made to leave the funds in an external bank account, the programs would be losing revenue and would also be responsible for paying the administrative costs associated with managing those accounts. These administrative hours are equal to about 1,935 hours per labor year for the six accounts that are held externally, which is equal to around \$160,000. It is the Department's recommendation to move all industry funds currently in external bank accounts into the State Treasury.

Krout-Greenberg asked FIAB if they have any questions about the information presented and further asked, does FIAB wish to bring the funds into the State Treasury or leave the funds in external accounts. A recommendation from FIAB is needed by April 2026, to take effect at the beginning of the next fiscal year in July 2026.

Discussion ensued regarding the administrative costs, the rate of return on the external accounts versus the State Treasury, and the vulnerabilities with having funds in the State Treasury.

Krout-Greenberg stated that the Department recognizes that the numbers presented are not static numbers and they can fluctuate based on interests and account balances. Administrative costs may also fluctuate, but the presentation should give FIAB a general idea of where these numbers sit today.

Kozina elaborated on how the administrative costs were calculated. She explained that the Department looked at the total number of hours spent maintaining the external accounts, which can be tracked right now, and associated the dollar amounts to one lower-level analyst position. If FIAB wishes to keep the external accounts, the Department will track program specific hours to ensure the administrative charges are appropriately distributed after a more in-depth analysis.

Gary Silveria, Chair, requested additional time to review the information presented. The FIAB will decide the future of the accounts at the February 2026 meeting.

Krout-Greenberg stated the PowerPoint Presentation that was shared with FIAB will be emailed out after the meeting and if any additional questions arise, they should be directed to Jenna Leal, FFLDRS Branch Chief, so they can be addressed before the February 2026 meeting.

Jake Evans asked if there is another bank that can be used to better manage interest and administrative costs. Kozina responded and stated that the Department did explore a couple of different bank options and account types and SMIF still had the most consistent interest percentage. Krout-Greenberg added that discussion about acquiring an investment fund account can still occur if that is FIAB's request.

Greg Cunningham asked if there are any additional protections available to prevent the accounts from being swept if there is a budget shortfall. Kozina responded, stating that the Department checks every year to see if there are any additional protections placed in the Budget Bill, but there have not been any in addition to Budget Control Section under 13.10, which the Department always confirms is included in the Budget Bill.

Melissa McQueen asked for additional clarification regarding the term 'idle resources.' Krout-Greenberg explained that idle resources are those that are not actively being utilized by a program. As an example, Krout-Greenberg discussed the language that CFRP has in their law which requires a 25% reserve of annual operating expenses to be maintained. FMIP does not have that same language. Both programs strive to

maintain a 50% reserve to ensure sufficient funds if the program needs to be shut down. This reserve has always been maintained and if the funds were to be borrowed against, the programs would use that argument to the Department of Finance (DOF).

Silveira asked when the last time a program was repaid borrowed funds and inquired about what the definition of "expeditiously." He further inquired about the terms for repayment, including the interest rate, etc. Kozina responded, stating that the last loan was paid back over two years at that current SMIF interest rate.

Evans asked about the purpose of having separate bank accounts and inquired about whether it was a money-making strategy or a protecting the nest egg strategy. Krout-Greenberg explained that several years ago, the Department and the State were in a situation where there were budget deficits, and the revenues of special funds were looked at to close that deficit gap. Since then, lawsuits were brought forward and decisions were challenged. With that, decisions were rendered at a Supreme Court level which is how the control language section in the Budget Act was developed. At that point in time, the boards were reacting to the historic sweeps and the program's decided that they would hold their funds outside the State Treasury to protect the money from being taken by the State.

Renee Pinel explained that the legislature was sweeping funds, so it was decided to put the funds in an external account; it was not an investment strategy. It was a protection strategy with the thinking that those funds would not be as obvious to the Legislature and that on some level the bank would also put up a fight to keep those funds, as an added protection.

Evans asked if there is believed to be any additional safeguard to having external accounts, such as additional paperwork, or if it would be just as easy to borrow against if it was with the State Treasury versus BOA. Kozina explained that it is not exactly known because it has not happened in a long time, but it is her opinion that it would be just as easy to borrow against funds in external accounts. Since those are Department accounts, and if the funds were needed, the State could access them regardless. However, the idea was to be a deterrent and make it more difficult to access special funds. Kozina further explained that the Department does not know if the State was to borrow against those funds, if it would happen immediately or allow time for a conversation with industry; regardless of the accounts location, it would be required to transfer those funds into the State Treasury for the loan.

Silveira stated that the idea of additional protection of the account being in an external bank does not matter because the money still belongs to the State regardless of where it is held. Pinel reiterated that at the time the accounts were moved to external banks, it was understood that the State could still access the funds, but that it would make it less appealing to pursue; therefore, stall a possible sweep, and protest that the State should not be coming in and sweeping special funds. Kozina stated that the Food and Agricultural Code requires that funds that are collected by industry be used for a specific purpose and that would be the position the Department would take when a conversation

with DOF occurred. Pinel reiterated that at that time the funds were moved into external accounts, there was no protection for special funds nor Budget Control Section. Krout-Greenberg stated that at that time, all transactions were paper based, which felt like additional controls.

FREP SPECIAL RFP

Silveira introduced the topic of the FREP Special Request for Proposal (RFP) regarding Nitrogen Oxides (NO_x). He explained that the California Air Resources Board (CARB) is seeking more data on NO_x related to fertilizer. There are groups who are not accepting outstanding and valid research on NO_x because it is 25 years old, and regulations should not be based on old science. There is a newer study out, but it is causing a lot of issues as far as the need for more restrictive regulations on NO_x emissions and CARB is seeking longer-term research.

Pinel stated that if researchers re-evaluated the data from previous studies with more current input-type numbers then the results will likely be less because now there is less irrigated land, more refined fertilizers, and less high-ammonia emitting fertilizers in use. Pinel further stated that there is one study out there making some dramatic claims about fertilizer emissions and they know that interest groups will be waving the flag in support of the study. Additionally, CARB says that their board is uncomfortable making decisions based on 25-year-old research versus the most recent study, even though the bulk of the research says there is no issue. Pinel stated it is her opinion that NO_x is not a fertilizer issue or a land use issue.

Natalie Jacuzzi, FREP Supervisor, informed FIAB that its Technical Advisory Subcommittee (TASC) is in support of NO_x being a priority and developing a Special RFP. Jacuzzi further stated that an expert panel will need to be established to assist in developing our approach, the type of research, and possibly including literature reviews, as well as to gain knowledge of the cost of NO_x study and to identify the correct stakeholders and subject matter experts in the room. The TASC's recommendation was to pause the regular RFP process until the scope of the study is fully identified.

Tom Bottoms, TASC Chair, affirmed that the TASC is committed to making the Special RFP happen and wants to collaborate with FIAB on the needs for this study. Bottoms asked for FIAB's assistance in articulating to growers why this topic is important and why this money is being allocated to really clarify the importance of the data, and what it looks like for the fertilizer industry.

Silveria asked if the timeline was discussed. Jacuzzi replied stating that FREP is going to do some leg work by talking to the authors of the recent papers from CARB's Subject Matter Expert Review Panel (SMERP) and distribute some technical literature to bring TASC up to date on the visibility of the issue and then revisit the topic at the meeting in January 2026 to discuss next steps. Jacuzzi also explained that this will be happening concurrently with the 2nd Ag. Expert Panel in January 2026 to discuss the potential of fertilizer limits and targets on the Central Coast, which could potentially be promulgated

statewide. Delaying the regular RFP process also allows the program to take those recommendations into consideration as well.

Jacuzzi stated that she expects this project to be multi-year funding. FREP will be doing back-end work, including looking for experts and researchers that would be appropriate for this kind of research to ensure a robust study with a lot of integrity that will be taken seriously by CARB. Similarly to the normal RFP process, FREP will also be soliciting laboratories with experience in this space to see who has conducted this kind of research and if there is any interest in doing this type of work, have the capacity, or what that looks like. All that information will be presented to both the TASC (prior to the FIAB meeting) and the FIAB meeting in February 2026.

Chris Gallo asked for an explanation of the politics or situation that we are in with CARB and the other studies that were done to prompt a need for the special RFP. Pinel replied stating that CARB's scientists were really interested in a demonstration to their board and that they do not need to get involved in the space of Fertilizer reporting emissions, gathering emission data, etc. by being presented with a tangible, repeatable study to keep them out of this space. It was an opportunity for people to prove that CARB's request had been heard and that they would not need to engage in this space yet. Interest groups at the CARB meetings are very loud and very vocal, and if CARB can say they are working with the Department and this research is taking place then they can hold off making a judgement, but also not look like they are ignoring the issue. The interest groups are looking at Agriculture.

Gallo asked for confirmation that this is not an urgent study that needs to be completed in one year and costs \$1.5 million, it is just urgent to do something in response that CARB can use. Pinel confirmed Gallo's questions and Jacuzzi concluded that that the SMERP report released by CARB will be emphasized in the Special RFP and will address the gaps that are identified. The research that is needed will consider geospatial/aerial data, and continuous measurements because they are valid points from a research standpoint. The chosen researchers should be capable of doing that but also must be aware of the dialogue and the gaps that have been identified so that they can be appropriately filled with the data needed and also be reflective of current agricultural practices that do, and have been proven to, reduce these emissions. FREP's next steps have a short timeline but long-term goals.

PUBLIC COMMENTS

No public comments were made.

ADJOURNMENT

The meeting was adjourned at 2:05 PM.

ORIGINAL SIGNED BY NICK YOUNG

Nick Young, Environmental Program Manager I
Feed, Fertilizer, and Livestock Drugs Regulatory Services

11/05/2025

Date