

## **15-Day Notice of Amendment to Regulation text and the Initial Statement of Reasons**

### **Title 3, Section 4900, Article 1. Registration of Industrial Hemp Growers**

**Publication Date: November 9, 2018**

The **Text** of the Regulation is amended to remove any reference to a license renewal late penalty.

The **Initial Statement of Reasons** was modified in the following ways (for exact text changes see below).

P. 2. The paragraph explaining the licensing fee was amended to clarify the roles of the Department and the County Agricultural Commissioners.

P. 3. The paragraph explaining the late penalty was removed, as it is no longer relevant.

P. 3. The amount of the renewal fee is justified.

P. 3. The costs directly incurred by the counties are clarified.

P. 7. A new supporting document (email from J. Kress) was included to document the average time spent in processing licenses in the CDFA Nursery and Cottonseed Program.

If you have any questions or comments specifically pertaining to the update, please contact the Department. Commenters should restrict themselves to comments pertaining to the proposed changes enumerated above. Comments may be submitted by mail, FAX or email. The written comment period closes at 5:00 p.m. on by April 14, 2019. The Department will consider only comments received at the Department offices by that time. Submit comments to:

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Text amendments to the Initial Statement of Reasons, Section 4900, Industrial hemp Licensing

**Modified paragraph:**

From the registration and renewal fee, an amount of \$700 will be used by the Department to cover the Department's actual costs of enforcing and administering the provisions of Division 24. The portion of the fee to cover the Department's cost is based on current program costs with the consideration that there will be more participation beyond the expected 300 registrants in the next three years as the industry grows. A fee of \$700 is comparable to programs in other states with industrial hemp regulations. The remaining \$200 will be used by the Department to reimburse the county's direct costs incurred in the collection of the fee. In accordance with FAC Section 483, the Department will enter into a Memorandum of Understanding (MOU) with the California Agricultural Commissioners and Sealers Association (CACASA) defining the enforcement and administration responsibilities of the Department and the commissioners' role in assisting the Department to carry out its duties in regard to this regulation.

The annual renewal fee is equal to the registration fee (\$900), as license issuance, administration, and enforcement of the regulated program will be ongoing and the ongoing costs will be closely related to the number of licensees throughout the state. Therefore, the cost of \$900 for each license renewal is appropriate to cover the costs of administering the regulation.

### Original paragraph:

From the registration and renewal fee, an amount of \$500 will be used by the Department to cover the Department's actual costs of enforcing and administering the provisions of Division 24. The portion of the fee to cover the Department's cost is based on current program costs with the consideration that there will be more participation beyond the expected 300 registrants in the next three years as the industry grows. A fee of \$500 is comparable to programs in other states with industrial hemp regulations. The remaining \$400 will be used by the Department to reimburse the county's costs to implement, administer, and enforce the provisions of Division 24. At its meeting on May 30, 2018, the Industrial Hemp Advisory Board estimated that each applicant would require an average of five hours of work by county staff for registration and enforcement activities. The average county staff hourly rate was estimated at \$84.36. The Board estimated that most of the counties where industrial hemp cultivation will occur will be rural, where county hourly rates are generally lower, and thus recommended rounding the fee to \$400 per applicant.

### Modified Paragraph:

The Department has estimated that its costs for enforcing and administering the provisions of Division 24 will be \$211,304 (including a 15% contingency buffer) in the first year of registration. This results in an estimated cost of \$705 per projected applicant).

The Industrial Hemp Advisory Board and the CDFA Nursery and Cotton Seed Program have estimated that each applicant would require an average of 2.5 hours of work by county staff for registration activities. They estimated a statewide average hourly rate for county staff of \$80, for a total average cost of \$200 per applicant per county per year. As costs can vary from county to county, this is meant to be an estimated average of costs incurred by a county. A county's actual direct costs can be retained, as per statute.

### Original Paragraph:

The Department has estimated that its costs for enforcing and administering the provisions of Division 24 will be \$183,743 in the first year of registration (\$612.48 per projected applicant). The Industrial Hemp Advisory Board has estimated that each applicant would require an average of five hours of work by county staff for registration and enforcement activities. It estimated a statewide average hourly rate for county staff of \$80, for a total average cost of \$400 per applicant per county per year.

A penalty amount of 15% is sufficient to discourage late payments, without being punitive, and is similar to penalty amounts for existing fees at CDFA.

### Modified Paragraph:

#### Information Relied Upon

The Department is relying upon the following studies, reports, and documents in proposing the adoption of Section 4900:

“Economic Impact Analysis: Registration of Industrial Hemp Growers – Registration Fees”, dated October 9, 2018, CDFA Hemp Program

Email from Joshua Kress dated March 29, 2019

Minutes, dated June 29, 2017, Industrial Hemp Advisory Board.

Minutes, dated October 19, 2017, Industrial Hemp Advisory Board.

**Original Paragraph:**

**Information Relied Upon**

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