



Industrial Hemp Fee Proposal Update



Industrial Hemp Advisory Board
October 26, 2022



Summary

- Program mandate
- Hemp fee history
 - Board Motions
- Current Budget
- Fee considerations
- Original proposed fee
- Comments
- Revised proposed fee



Food and Agricultural Code 81005

The department shall establish a registration fee and appropriate renewal fee to be paid by growers of industrial hemp and hemp breeders, not including an established agricultural research institution, to cover the actual costs of implementing, administering, and enforcing the provisions of this division.



Industrial Hemp Fee History

- The initial recommended fee was \$900 per registrant per county by the Industrial Hemp Advisory Board (IHAB)
- Took effect by regulation on April 30, 2019.
- Intended by the IHAB to be a placeholder
 - bring in revenue during the first season
 - after which a fuller scope of the program could be identified and a more appropriate fee structure be put in place



Industrial Hemp Advisory Board (IHAB) motions

- Fees have been discussed at 14 of the 23 IHAB meetings that have been held since 2018
- 11/6/2019- The Board proposed to increase the fee from \$900 to \$1,200
 - Projected to cover 33% of program costs
- 5/19/2021 - Board proposed to increase the fee to \$2,000
 - Projected to cover ~58% of program costs



Current Budget

- Since program inception (FY 2018/19) to FY 2021/22
 - Total revenue ~\$1,445,441.
 - Total expenditures ~\$4,802,847
 - Total program deficit projected ~ 3,357,406



Considerations for Fee Structure

- Actual costs of registration activities
 - CDFA staff
 - County Agricultural Commissioner costs
- Hemp program fee structures currently in effect in other states
- Costs to small, medium, and large growers and breeders
 - Based on current registration data



Considerations for Fee Structure

- Previous proposals discussed at meetings
 - IHAB
 - Registration and Fees Task Force
- Workload required for review and approval of hemp applications (grower and breeder)
 - CDFA Staff hours
 - County Staff hours

Presented Proposed Fee Structure

Fee Schedule	
Fee Structure	Amount
Grower application	\$225.00
Breeder application	\$450.00
Site Fee	\$150.00
Outdoor Acre	\$150.00
Indoor Square Footage	\$0.15



Public Comments

- Concern that the total fee is too high
- Grain and fiber cultivation revenue differences
- Indoor cultivation fee is too high
- Suggested tiered systems
- Look at other states fee
- Reduce cost of program

Revised Proposed Fee Structure

Fee structure	Amount
Grower Application	\$225
Breeder Application	\$450
Site fee	\$150
Outdoor acre (10k cap)	\$150
Outdoor grain/fiber (10k cap)	\$50
Indoor Square Footage (15k cap)	\$0.15



Revised proposed fee

- Address public comments concerns
 - Revised proposed fee 20% of current registrants would pay less than the \$900 currently in place
 - 50% or registrants would pay less than the \$2000 proposed fee



Revised proposed fee

- CDFA is statutorily obligated to fund the program through registration fees
 - no additional sources of revenue for this program
- Program has taken measures to reduce costs,
 - minimal staffing
 - Reduced/limit reimbursable activities for the counties