

# INDUSTRIAL HEMP TASK FORCE Registration Fee Proposal

*Industrial Hemp Advisory Board Meeting*

*May 19, 2021*

# Task Force Meeting Recap – 10/26/2020

- Presented on five options for fee structure and schedule.

Option 1	Option 2	Option 3	Option 4	Option 5
<ul style="list-style-type: none"><li>• Base fee</li></ul>	<ul style="list-style-type: none"><li>• Base fee</li><li>• Acreage fee</li><li>• Amendment Fee</li></ul>	<ul style="list-style-type: none"><li>• Site Fee</li><li>• Acreage Fee</li><li>• Amendment Fee</li></ul>	<ul style="list-style-type: none"><li>• Base fee</li><li>• Indoor square footage fee</li><li>• Outdoor acreage fee</li><li>• Amendment Fee</li></ul>	<ul style="list-style-type: none"><li>• Base fee</li><li>• Revenue fee</li></ul>

# Task Force Meeting Recap – 02/09/2021

- Proposed option 4 for fee structure and schedule

**Option 4**

- Base fee
- Indoor square footage fee
- Outdoor acreage fee
- Amendment Fee

Fee	Rate	Estimated Unit	Estimated Revenue
Base	\$1,100 per registration	550 registrations	\$605,000
Outdoor Acreage	\$100 per acre	16,000	\$1,600,000
Indoor Sq Footage	\$0.01 per square foot	1 million square feet	\$10,000
Registration Amendment	\$100 per amendment (except changes to contact information)	825 amendments (1.5 amendment per registrant)	\$82,500
<b>Total Projected Annual Revenue</b>			<b>\$2,297,500</b>

- Proposal would increase reserve balance by a projected \$350,000 each year
- IHAB made no motions
- Proposed to further evaluate a fee structure

# Task Force New Registration Fee Proposal

## 1. Base Fee of \$2,000 per registration

Base Fee	Rate	Estimated Unit	Estimated Annual Revenue
Current	\$900 per registration	550 registrations	\$495,000
Proposal	\$2,000 per registration	550 registrations	\$1,100,000
Estimated Annual Revenue			\$605,000

## 2. Proposal regulation change to Section 4900 in Title 3 of the Code of Regulations from \$900 to \$2,000 per registration.

# Reasons for Proposed Registration Fee

- The funds generated from the \$2,000 registration fee would cover the costs for county agreements and lift the burden from the counties and the likelihood of banning hemp.
- It is a small step towards the program becoming self-sustainable.
- The registration fee can be reevaluated 6-12 months after regulation is in effect with new registration fee and adjust, as necessary.

# Potential Impacts Due Lack of Funding

- Currently limited amounts of reserves are being borrowed from other CDFA programs.
  - All borrowed monies must be repaid with 1% interest
- Reduce budget for County Contract Agreements → Reduction of program activities → Federal and state compliance issues
  - CDFA: rulemaking, board meetings, training and support for counties, and public outreach
  - Counties: registration, regulatory enforcement, and public outreach
- CDFA may raise fees despite of board recommendation
  - Obligation to establish a registration fee to cover actual costs
  - Delays in fee increases will result in higher fees later

# Fund Condition Based on Proposed Registration Fee

	CY FY 2020/21 Projection	Projection for 2021/22	Projection for 2022/23	Projection for 2023/24	Projection for 2024/25	Projection for 2025/26	Projection for 2026/27	Projection for 2027/28	Projection for 2028/29	Projection for 2029/30	Projection for 2030/31
BEGINNING RESERVE BALANCE	(\$1,848,894)	(\$3,166,522)	(\$4,571,564)	(\$5,453,049)	(\$6,292,241)	(\$7,131,434)	(\$7,970,627)	(\$8,809,820)	(\$9,649,012)	(\$10,488,205)	(\$11,327,398)
REVENUE CATEGORIES											
Registration Fees	\$495,000	\$495,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000
TOTAL REVENUE	\$495,000	\$495,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000
EXPENDITURES											
Personnel Services	\$674,747	\$762,161	\$843,603	\$801,312	\$801,312	\$801,312	\$801,312	\$801,312	\$801,312	\$801,312	\$801,312
Operating Exp & Equipment	\$121,456	\$121,456	\$121,456	\$121,456	\$121,456	\$121,456	\$121,456	\$121,456	\$121,456	\$121,456	\$121,456
County Agreements	\$1,016,425	\$1,016,425	\$1,016,425	\$1,016,425	\$1,016,425	\$1,016,425	\$1,016,425	\$1,016,425	\$1,016,425	\$1,016,425	\$1,016,425
COST RECOVERY											
Reimbursement 224c - Admin	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ENDING RESERVE BALANCE	(\$3,166,522)	(\$4,571,564)	(\$5,453,049)	(\$6,292,241)	(\$7,131,434)	(\$7,970,627)	(\$8,809,820)	(\$9,649,012)	(\$10,488,205)	(\$11,327,398)	(\$12,166,591)

# Proposed Future Task Force Activities

- Review the impacts of the revised registration fee after regulation is in effect.
- Review the program's budget and reserve balance in late 2021.
- Propose amendments to the registration fee for Board consideration in early 2023, if necessary.



# Proposed State Legislation for Hemp

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## Senate Bill (SB) 292

- Introduced by Senator Wilk on February 1, 2021
- SB 292 proposes legislative changes related to industrial hemp cultivation
- Text of SB 292 is available at [https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=202120220SB292](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220SB292)

## Assembly Bill (AB) 45

- Introduced by Assembly Member Aguiar-Curry on December 7, 2020
- AB 45 proposes changes to the Health and Safety Code to clarify the requirements and enforcement for manufacturers of dietary supplements, food, beverages, cosmetics, and pet food that contain industrial hemp
- Text of AB 45 is available at [https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=202120220AB45](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB45)

## Senate Bill (SB) 235

- Introduced by Senator Allen (Assembly Member Aguiar-Curry as Principal coauthor) on January 19, 2021
- SB 235 currently mirrors proposed changes in AB 45
- Text of SB 235 is available at [https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=202120220SB235](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220SB235)

# Brief Update on State Plan, Rulemaking, and other Program Activities

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INDUSTRIAL HEMP ADVISORY BOARD MEETING

MAY 19, 2021



# Rulemaking Update

California Code of Regulations Section(s)	Type of Rulemaking	Description	Status	Effective Date
4901-4902	Emergency	Registration and Criminal History Report	Readopted	01/07/21
4940, 4935, 4940-4946, 4950-4950.1	Regular	Planting, Sampling and Testing for THC Content, Harvest, Destruction	Adopted	01/11/21
4940, 4944, 4946	Emergency	Timeframes for Pre-harvest notification, sampling, laboratory notification, and harvest	Adopted	04/09/21

*A copy of the California industrial hemp law and regulations is available on the CDFA Hemp webpage.*

# Status of California State Regulatory Plan for Hemp Cultivation

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- USDA established the interim final rule on October 31, 2019.
- CDFA submitted proposed state plan based on the interim final rule to USDA for review and approval on September 17, 2020.
- USDA published the final rule on January 15, 2021, which took effect on March 22, 2021.
- CDFA is communicating and coordinating with USDA to amend the proposed state plan based on final rule. CDFA is also developing proposed regulations to harmonize with the final rule.
- Once CA's state plan is approved, the following sections will take effect:
  - Amendments to FAC Section 81000, related to definitions
  - FAC Section 81004.5, related to registration requirements for established agricultural research institutions
  - FAC Section 81012, related to violations

# Additional Program Activities

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- Board Vacancies
  - Routing letter of interests for board vacancies to Secretary for selection
  - Will be advertising for additional two board vacancies
- Review and approval of testing laboratories
  - 10 laboratories have been approved
  - 10 laboratories are still pending
- Continue to collaborate with county agricultural commissioners on administering and enforcing the program
- Update online information including FAQs, forms and templates
- Responding to public inquiries