

INDUSTRIAL HEMP PROGRAM REVENUE AND BUDGET UPDATE

Industrial Hemp Advisory Board – Registration Fee Task Force

October 26, 2020

Revenue Update

Fiscal Year	Registration Fees Collected
2018/2019	\$259,200
2019/2020	\$576,000
2020/2021	\$141,300
Total	\$976,500

Registration Activities Summary

	FY 18/19	FY 19/20	FY 20/21 Projection
Registrations Issued	275	644	600
Registered Acres	17,523	20,492	15,000
Registration Amendments for Site/Cultivar	254	2,125	825

Budget Summary

	PPPPY FY 2016/17	PPPY FY 2017/18	PPY FY 2018/19	PY FY 2019/20
TOTAL PERSONAL SERVICES	\$18,519	\$88,548	\$207,663	\$595,518
TOTAL OPERATING EXPENSES & EQUIPMENT	\$2,283	\$18,907	\$51,928	\$80,608
COUNTY AGREEMENTS	\$0	\$0	\$190,898	\$1,454,485
TOTAL COST RECOVERY	\$0	\$0	(\$497)	(\$24,766)
TOTAL BUDGET	\$20,802	\$107,455	\$449,992	\$2,105,845

As of 09/01/2020

	CY FY 2020/2021
TOTAL PERSONAL SERVICES	\$674,747
TOTAL OPERATING EXPENSES & EQUIPMENT	\$121,456
COUNTY AGREEMENTS	\$1,016,425
TOTAL BUDGET	\$1,812,628

FY 2020/2021 Budget Projections

TOTAL PERSONAL SERVICES

- Total Personal Services for FY 20/21 include:
 - Full Salary and Benefits for Program Staff:
 - 1 Sr. Environmental Scientist,
 - 3 Environmental Scientists,
 - 1 Associate Governmental Program Analyst, and
 - 2 Agricultural Technicians (seasonals).
 - Partial Salary and Benefits for Branch Support Staff:
 - Branch Chief,
 - NSC Program Manager,
 - Branch administrative staff
- 10% pay decrease for all state employees until 06/30/2022

TOTAL OPERATING EXPENSES & EQUIPMENT

Total Operating Expenses and Equipment for FY 20/21 include:

- General expenses
- Printing
- Communications
- Postage
- Insurance
- Travel (In-State)
- Facilities
- Cons/Profs
- Attorney General
- Intradepartmental Charges (indirect costs)
- Pro rata and SB 84
- Field/Agricultural Supplies

COUNTY AGREEMENTS

Reimbursable activities in FY 18/19 and 19/20

- Registration issuance
- Enforcement activities of non-registered plantings from non-registered cultivators
- Public outreach activities
 - Respond to public inquiries regarding the registration process
 - Develop outreach material on local hemp cultivation requirements
 - Present local regulations regarding hemp cultivation at public meetings
- Training
- Reporting/invoicing

Reimbursable activities in FY 20/21 and FY 21/22

- Registration and renewal issuance
- Enforcement activities of non-compliant plantings by non-registered cultivators
- Public outreach activities (Reimburse up to 8 hours per activity with prior approval)
 - Develop outreach material on local hemp cultivation requirements
 - Present local regulations regarding hemp cultivation at public meetings

Current Fund Condition

	PPPPY 2016/17 Actual	PPPY 2017/18 Actual	PPY 2018/19 Actual	PY 2019/20 Actual	CY FY 2020/21 Projection	Projection for FY 2021/22	Projection for FY 2022/23
BEGINNING RESERVE BALANCE	\$0	(\$20,802)	(\$128,257)	(\$319,049)	(\$1,849,126)	(\$3,121,753)	(\$4,361,796)
REVENUE CATEGORIES							
Registration Fees	\$0	\$0	\$259,200	\$576,000	\$540,000	\$660,000	\$660,000
Interest & Miscellaneous Income	\$0	\$0	\$0	(\$232)	\$0	\$0	\$0
TOTAL REVENUE	\$0	\$0	\$259,200	\$575,768	\$540,000	\$660,000	\$660,000
EXPENDITURES							
Personnel Services	\$18,519	\$88,548	\$207,663	\$595,518	\$674,747	\$762,161	\$843,603
Operating Exp & Equipment	\$2,283	\$18,907	\$51,928	\$80,608	\$121,456	\$121,456	\$121,456
County Agreements	\$0	\$0	\$190,898	\$1,454,485	\$1,016,425	\$1,016,425	\$1,016,425
COST RECOVERY							
Reimbursement 224c - Admin	\$0	\$0	(\$497)	(\$24,766)	\$0	\$0	\$0
TOTAL EXPENDITURES	\$20,802	\$107,455	\$449,992	\$2,105,845	\$1,812,628	\$1,900,042	\$1,981,484
ENDING RESERVE BALANCE	(\$20,802)	(\$128,257)	(\$319,049)	(\$1,849,126)	(\$3,121,753)	(\$4,361,796)	(\$5,683,280)

The Department recommends that programs maintain a reserve of between 1/3 and 1/2 of its annual expenditures

Potential Impacts Due Lack of Funding

- All borrowed monies must be repaid with 1% interest
 - Currently limited amount of reserves to borrow from
- Delays in fee increases will result in higher fees later
- Reduction of program activities → federal and state compliance issues
 - CDFA: rulemaking, board meetings, training and support for counties, public outreach
 - Counties: registration, regulatory enforcement
- CDFA may raise fees despite/lack of board recommendation
 - Obligation to establish a registration fee to cover actual costs

INDUSTRIAL HEMP TASK FORCE REGISTRATION FEE OPTIONS

Industrial Hemp Advisory Board – Registration Fee Task Force

October 26, 2020

FAC Section 81005(a)

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.

Current Structure (CCR 4900)

- NEW REGISTRATION: \$900 registration fee per applicant in each county applicant intends to cultivate hemp
- RENEWAL: \$900 registration fee per applicant in each county applicant intends to continue to cultivate hemp

IHAB Recommendation at 11/6/2019 Meeting

Increase registration fees from \$900 to \$1,200 per applicant in each county the applicant intends to cultivate hemp

Registration Fee Options

Option 1

- Base fee

Option 2

- Base fee
- Acreage fee
- Amendment Fee

Option 3

- Site Fee
- Acreage Fee
- Amendment Fee

Option 4

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

Option 5

- Base fee
- Revenue fee

Option 1 – Base Fee

Fee	Rate	Estimated Unit	Estimated Revenue
Base	\$4,550 per registration	550 registrations	\$2,502,500
Total Projected Annual Revenue			\$2,502,500

	CY FY 2020/21 Projection	Projection for FY 2021/22	Projection for FY 2022/23	Projection for FY 2023/24	Projection for FY 2024/25	Projection for FY 2025/26	Projection for FY 2026/27	Projection for FY 2027/28
BEGINNING RESERVE BALANCE	(\$1,849,126)	(\$3,121,753)	(\$2,519,296)	(\$1,998,280)	(\$1,434,973)	(\$871,666)	(\$308,359)	\$254,949
REVENUE CATEGORIES								
Registration Fees	\$540,000	\$2,502,500	\$2,502,500	\$2,502,500	\$2,502,500	\$2,502,500	\$2,502,500	\$2,502,500
Interest & Miscellaneous Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$540,000	\$2,502,500	\$2,502,500	\$2,502,500	\$2,502,500	\$2,502,500	\$2,502,500	\$2,502,500
EXPENDITURES								
Personnel Services	\$674,747	\$762,161	\$843,603	\$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
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
COST RECOVERY								
Reimbursement 224c - Admin	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES	\$1,812,628	\$1,900,042	\$1,981,484	\$1,939,193	\$1,939,193	\$1,939,193	\$1,939,193	\$1,939,193
ENDING RESERVE BALANCE	(\$3,121,753)	(\$2,519,296)	(\$1,998,280)	(\$1,434,973)	(\$871,666)	(\$308,359)	\$254,949	\$818,256

FUND CONDITION FOR OPTION 1

Option 2 – Base Fee + Acreage Fee + Amendment Fee

Fee	Rate	Estimated Unit	Estimated Revenue
Base	\$1,200 per registration	550 registration	\$660,000
Acreage	\$110 per acre	17,500 acres in FY 21/22 20,000 acres after FY 21/22	\$1,925,000 in FY 21/22 \$2,200,000 after FY 21/22
Registration Amendment	\$75 per amendment (except changes to contact information)	825 amendments (1.5 amendment per registrant)	\$61,785
Total Projected Annual Revenue			\$2,646,875 In FY 21/22 \$2,921,0785 After FY 21/22

	CY FY 2020/21 Projection	Projection for FY 2021/22	Projection for FY 2022/23	Projection for FY 2023/24	Projection for FY 2024/25	Projection for FY 2025/26
BEGINNING RESERVE BALANCE	(\$1,849,126)	(\$3,121,753)	(\$2,374,921)	(\$1,434,530)	(\$451,848)	\$530,834
REVENUE CATEGORIES						
Registration Fees	540,000	660,000	660,000	660,000	660,000	660,000
Acreage Fees	0	1,925,000	2,200,000	2,200,000	2,200,000	2,200,000
Amendment Fees	0	61,875	61,875	61,875	61,875	61,875
Interest & Miscellaneous Income	0	0	0	0	0	0
TOTAL REVENUE	\$540,000	\$2,646,875	\$2,921,875	\$2,921,875	\$2,921,875	\$2,921,875
EXPENDITURES						
Personnel Services	674,747	762,161	843,603	801,312	801,312	801,312
Operating Exp & Equipment	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
COST RECOVERY						
Reimbursement 224c - Admin	0	0	0	0	0	0
TOTAL EXPENDITURES	\$1,812,628	\$1,900,042	\$1,981,484	\$1,939,193	\$1,939,193	\$1,939,193
ENDING RESERVE BALANCE	(\$3,121,753)	(\$2,374,921)	(\$1,434,530)	(\$451,848)	\$530,834	\$1,513,516

FUND CONDITION FOR OPTION 2

Option 3 – Site Fee + Acreage Fee + Amendment Fee

Fee	Rate	Estimated Unit	Estimated Revenue
Site	\$400 per cultivation site	1,100 sites (2 site per registration)	\$440,000
Acreage	\$110 per acre	17,500 acres in FY 21/22 20,000 acres after FY 21/22	\$1,925,000 in FY 21/22 \$2,200,000 after FY 21/22
Registration Amendment	\$75 per amendment (except changes to contact information)	825 amendments (approx. 1.5 amendments per registrant)	\$61,785
Total Projected Annual Revenue			\$2,426,875 in FY 21/22 \$2,701,875 after FY 21/22

	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
BEGINNING RESERVE BALANCE	(\$1,849,126)	(\$3,121,753)	(\$2,594,921)	(\$1,874,530)	(\$1,111,848)	(\$349,166)	\$413,516
REVENUE CATEGORIES							
Registration Fees	\$540,000	\$0	\$0	\$0	\$0	\$0	\$0
Site Fees	\$0	\$440,000	\$440,000	\$440,000	\$440,000	\$440,000	\$440,000
Acreage Fees	\$0	\$1,925,000	\$2,200,000	\$2,200,000	\$2,200,000	\$2,200,000	\$2,200,000
Amendment Fees	\$0	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875
Interest & Miscellaneous Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$540,000	\$2,426,875	\$2,701,875	\$2,701,875	\$2,701,875	\$2,701,875	\$2,701,875
EXPENDITURES							
Personnel Services	\$674,747	\$762,161	\$843,603	\$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
County Agreements	\$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
TOTAL EXPENDITURES	\$1,812,628	\$1,900,042	\$1,981,484	\$1,939,193	\$1,939,193	\$1,939,193	\$1,939,193
ENDING RESERVE BALANCE	(\$3,121,753)	(\$2,594,921)	(\$1,874,530)	(\$1,111,848)	(\$349,166)	\$413,516	\$1,176,199

FUND CONDITION FOR OPTION 3

Option 4 – Base Fee+ Outdoor Acreage Fee + Indoor Square Feet Fee + Amendment Fee

Fee	Rate	Estimated Unit	Estimated Revenue
Base	\$1,200 per registration	550 registrations	\$660,000
Outdoor Acreage	\$100 per acre	17,000 acres in FY 21/22 20,000 acres after FY 21/22	\$1,700,000 in FY 21/22 \$1,950,000 after FY 21/22
Indoor Sq Footage	\$0.05 per square feet	10 million square feet	\$500,000
Registration Amendment	\$75 per amendment (except changes to contact information)	825 amendments (1.5 amendment per registrant)	\$61,785
Total Projected Annual Revenue			\$2,921,875 in FY 21/22 \$3,171,875 after FY 21/22

	CY FY 2020/21 Projection	Projection for FY 2021/22	Projection for FY 2022/23	Projection for FY 2023/24	Projection for FY 2024/25
BEGINNING RESERVE BALANCE	(\$1,849,126)	(\$3,121,753)	(\$2,099,921)	(\$909,530)	\$323,152
REVENUE CATEGORIES					
Registration Fees	\$540,000	\$660,000	\$660,000	\$660,000	\$660,000
Outdoor Acreage Fees	\$0	\$1,700,000	\$1,950,000	\$1,950,000	\$1,950,000
Indoor Square Feet Fees	\$0	\$500,000	\$500,000	\$500,000	\$500,000
Amendment Fees	\$0	\$61,875	\$61,875	\$61,875	\$61,875
Interest & Miscellaneous Income	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$540,000	\$2,921,875	\$3,171,875	\$3,171,875	\$3,171,875
EXPENDITURES					
Personnel Services	\$674,747	\$762,161	\$843,603	\$801,312	\$801,312
Operating Exp & Equipment	\$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
COST RECOVERY					
Reimbursement 224c - Admin	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES	\$1,812,628	\$1,900,042	\$1,981,484	\$1,939,193	\$1,939,193
ENDING RESERVE BALANCE	(\$3,121,753)	(\$2,099,921)	(\$909,530)	\$323,152	\$1,555,834

FUND CONDITION FOR OPTION 4

Option 5 – Base Fee + Revenue Fee

- Registration fee would include a base fee along with a fee based on the registrant's annual revenue.
- This option can be considered for the future, but it is not feasible at this time due to:
 - Lack of data on revenue
 - Difficulty in determining a rate for all potential multiple purposes/uses of the crop