

Dear Secretary Ross,

I hope this finds you well.

As you know, we recently reached the maximum allowable level for our license fees. To ease the burden on smaller nurseries, we are also restructuring the acreage fees.

Unfortunately, this has resulted in more nurseries reaching the upper limit of both fee categories.

The attached chart shows that overhead and indirect expenses have averaged around 16% since 2011—the earliest point for which I have records. Under Agricultural Code Section 242, these expenses are intended to remain pertinent to the program and below 5% of total program income. While I may not have all the exact figures that the Department uses, the difference appears quite large. From this data, it seems that the rising overhead/indirect costs have become a key factor behind the need for higher fees.

We fully understand that operational realities have changed since Section 242 was written. Our goal is not to challenge that, but rather to gain a clearer understanding of how these numbers align with the Code and what options exist for reconciliation. If raising fee limits is necessary, we recognize that this would require legislation—and could face understandable consternation from segments of the industry. Adjusting Section 242 itself to reflect today's conditions may be even more difficult.

We have often been told where the funds are going, but not yet how those allocations connect to the limits set forth in Section 242. Some clarity there would be very helpful for our members.

As you know, California's nursery industry is vital to the state's economy, agriculture, and environment. We grow the plants that beautify our communities, sequester carbon, and sustain orchards, vineyards, and farms. Many nurseries are already facing significant challenges—limited water, regulatory pressures, and tight margins—so fee increases are deeply felt.

We deeply value the Department's partnership and your continued leadership. Our hope is to work together to ensure that both the program and the industry remain strong and sustainable for years to come.

Sincerely,

David H. Cox

Chair, California Nursery Advisory Board

| Nursery Advisory Board 242 overages | | | | | | | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|-----------------------|-------------------|------------------|---------------------------------|--------------|------------------|-----------------------|-----------------------|----------------|--------------------------|-----------------------|
| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | EOY actual 2016-17 | Actual 2017-18 | Final 2018-19 | 12/10/2021 not final 2019-20 | 2020-21 | final 2021-22 | Not closed 2022-23 | Not closed 2023-24 | CFY 2024-25 | Prop to board 2025-26 | Change 2011-25 |
| Program Income | 2,612,625.00 | 2,688,023.00 | 2,906,668.00 | 2,750,353.00 | 2,828,081.00 | 2,873,864.00 | 2,847,811.00 | 2,935,049.00 | 2,840,264.00 | 2,565,550.00 | 3,009,572.00 | 3,208,996.00 | 3,441,271.00 | 3,081,000.00 | 3,161,000.00 | |
| Reimbursed Expenses | 306,011.00 | 293,454.00 | 299,351.00 | 314,165.00 | 300,710.00 | 314,845.00 | 318,089.00 | 345,825.00 | 516,037.00 | 479,973.00 | 479,067.00 | 506,180.00 | 309,571.00 | 509,694.00 | 365,511.00 | |
| Total Program Income | 2,918,636.00 | 2,981,477.00 | 3,206,019.00 | 3,064,518.00 | 3,128,791.00 | 3,188,709.00 | 3,165,900.00 | 3,280,874.00 | 3,356,301.00 | 3,045,523.00 | 3,488,639.00 | 3,715,176.00 | 3,750,842.00 | 3,590,694.00 | 3,526,511.00 | 21% |
| UGT | | | | | | | | | | 450,000.00 | 450,000.00 | 450,000.00 | 456,000.00 | | | 49,408,610.00 |
| | | | | | | | | | | | | | | | | |
| Indirect Expenses * | 466,361.05 | 470,114.00 | 499,403.00 | 550,121.00 | 524,777.00 | 532,514.00 | 535,061.00 | 551,205.00 | 521,395.00 | 457,861.00 | 487,278.00 | 590,615.00 | 618,656.00 | 689,108.00 | 634,105.00 | 36% |
| % charged | 15.98% | 15.77% | 15.58% | 17.95% | 16.77% | 16.70% | 16.90% | 16.80% | 15.53% | 15.03% | 13.97% | 15.90% | 16.49% | 19.19% | 17.98% | 8,128,574.05 |
| 5% allowed under 242 | 130,631.25 | 134,401.15 | 145,333.40 | 137,517.65 | 141,404.05 | 143,693.20 | 142,390.55 | 146,752.45 | 142,013.20 | 128,277.50 | 150,478.60 | 160,449.80 | 172,063.55 | 154,050.00 | 176,325.55 | 0.164517 |
| Difference | 335,729.80 | 335,712.85 | 354,069.60 | 412,603.35 | 383,372.95 | 388,820.80 | 392,670.45 | 404,452.55 | 379,381.80 | 329,583.50 | 336,799.40 | 430,165.20 | 446,592.45 | 535,058.00 | 457,779.45 | TOTAL 5,922,792.15 |

Income includes recovery from other programs and reimbursement 224c-Admin Does not include Unused Gas Tax (UGT)

* Indirect plus Pro Rata