

State Export Certification Fee - BACKGROUND

Export Certification

For many years, CDFA has teamed up with the USDA and county agricultural commissioners to serve California's exporters of agricultural commodities by issuing certificates providing official verification that a given commodity meets the phytosanitary requirements of importing states or countries. This service is a linchpin of the state's agricultural trade. Without it, obstacles to trade could create deep economic hardship for California's farmers and ranchers.

Funding

Historically, CDFA's portion of the state General Fund has been sufficient to cover its costs to participate in this system, while counties and the federal government have charged fees to cover their costs. However, with CDFA now facing, at minimum, \$31 million in General Fund reductions over a two-year period, these costs can no longer be absorbed. The budget reduction consortium of industry leaders assembled by Secretary Ross to help evaluate potential cuts and alternatives joined CDFA in considering a fee-based phytosanitary certification system and signaled support for the concept. Existing federal regulation establishes that states may charge to recover their costs for issuing federal phytosanitary certificates and such charges shall conform to Code of Federal Regulations, Title 7, Chapter III, subsection 354.3(5).

CDFA has established Section 4603 in the State Code, subsection (i), the Department's schedule of charges for providing non-regulatory services related to Phytosanitary Certification which is a requested non-regulatory service. The charges are based upon a "cost-per-certificate."

Phytosanitary Export Services

CDFA will continue to provide two types of phytosanitary export services:

- Establishing and maintaining **pest-free areas** for pests of concern to importing state and countries; pests that do not occur within the state or are of limited distribution.
- **Trade facilitation** for pests that are known to occur in areas of production.

Pest-Free Areas

The pest prevention system conforms to international standards (NAPPO RSPM 1) for the establishment and maintenance of pest free areas. The specific programs and their main functions that contribute to the maintenance of Pest Free Areas are:

Emergency Quarantine Response Program

- Inspection and certification of all host commodities grown inside state/federal emergency quarantine zones.
- Issuance and enforcement of compliance agreements for all establishments that grow, handle, or process host crops grown inside state/federal emergency quarantine zones.

Pest Detection Program

- Monitor and survey the state for exotic pests.
- Develop trapping programs for each county considering pest risk, climatic conditions, and the probability of pest establishment.
- Systematic visual surveys for plant diseases and other surveys for newly introduced plant pests.

Emergency Pest Eradication Program

- Develop and implement action plans for exotic pests.

Exotic Pest Trapping

- Maintain a statewide network of exotic insect traps through contracts with 46 counties and state operated trapping programs in 10 counties.

Plant Pest Diagnostics Laboratory

- Quickly and accurately test or identify pest survey sample organisms.

Trade Facilitation

These services are provided by the Interior Pest Exclusion Program. The specific services include:

- Assisting the USDA in the enhancement and development of market access by providing California commodity-based pest information to prospective trade partners.
- Assist in the enhancement, development, and maintenance of market access and domestic trade through information review, interpretation and analysis.
- Facilitating the self-certification of qualifying domestic shipments thru the use of Master Certificates.

Calculating Fees and Costs

Certificate Fee Calculation:

CDFA's allowable support costs for Pest Free Areas and foreign Trade Facilitation are:

$$\$1,416,496 \times 3.2\% \text{ (Prorata)} = \mathbf{\$1,461,823.}$$

The cost per certificate is:

$$\$1,461,823 \text{ divided by } 276,000 \text{ total certificates} = \mathbf{\$5.30.}$$

Annual Master Certificate Fee Calculation:

CDFA's support costs for Master Certificates are:

$$\$67,002 \times 3.2\% \text{ (Prorata)} = \mathbf{\$69,146.}$$

The annual fee for a Master Certificate user is:

$$\$69,146 \text{ divided by } 550 \text{ total users} = \mathbf{\$125.}$$

Any funds remitted to the Department under this regulation may only be used to offset the Department's qualifying support costs and cannot be diverted to other programs.