

Pesticide Registration Fee Proposal

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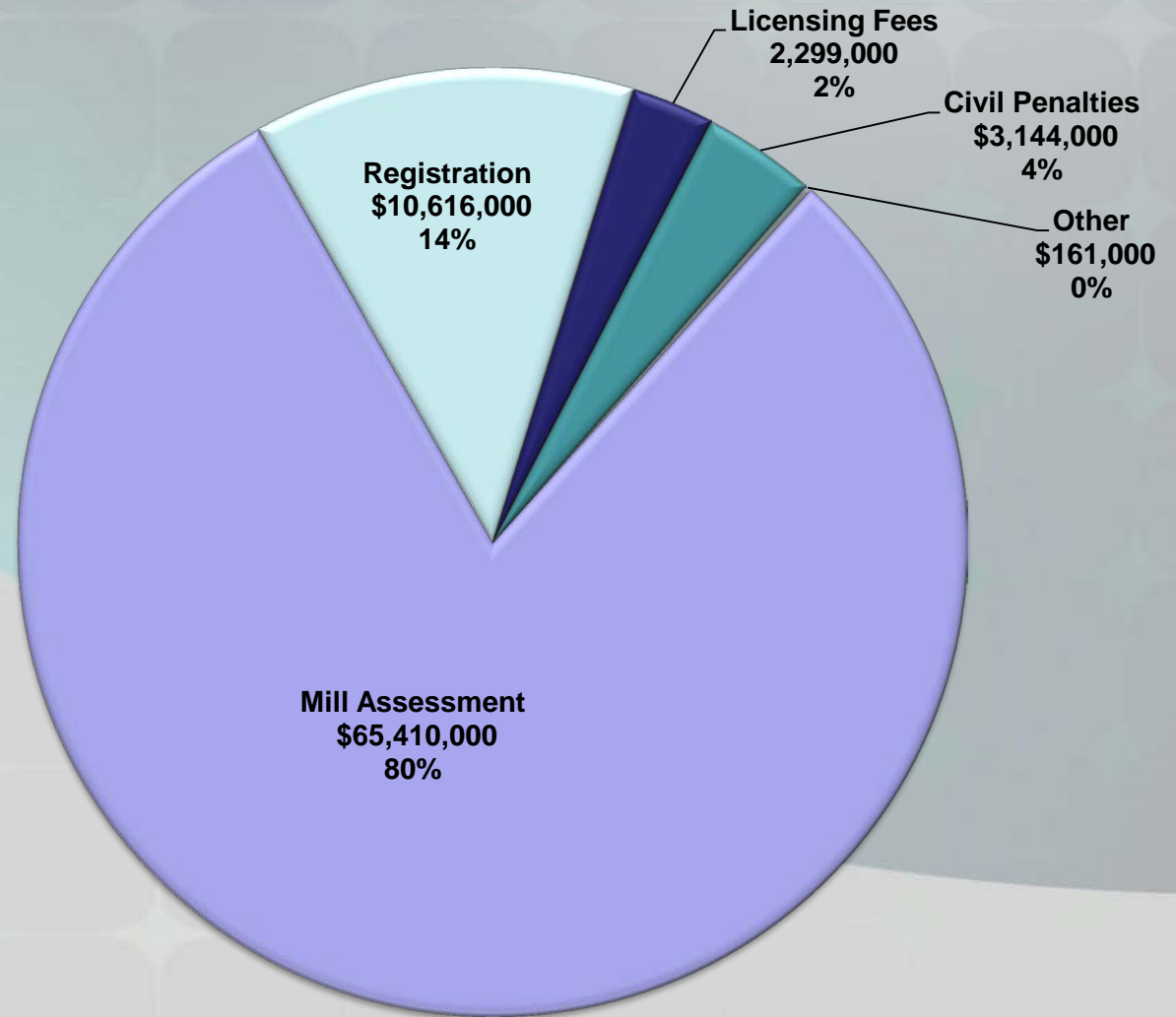
January 14, 2015

Purpose of Workshop

- Provide an overview of DPR revenue fund sources
- Discuss registration fee history and mandate
- Provide an overview of historical and projected registration revenues and expenditures
- Review registration costs and workload
- Present proposed registration fee scenarios and considerations
- Obtain input from stakeholders

DPR Fund Revenue Sources

- Mill assessment is a fee on sales of registered pesticides, currently set in statute at 21 mills, or 2.1 cents on each dollar of sales.
- Manufacturers, importers, or dealers who wish to label and sell a pesticide product for use in California pay product registration, renewal, and label amendment fees.
- Licensing fees are paid by individuals and entities in various pest control, agricultural adviser, and restricted pesticide applicator businesses.
- Violators of registration and labeling requirements, or pesticide sales reporting and payment of mill assessment fees are subject to civil penalties. Civil penalties are deposited into the DPR Fund.



Product Registration Fees

- Law passed in 2003 allows DPR to set fees to cover the costs of registration activities
- DPR has broad authority to adjust fees and set the fee schedule to ensure that program costs are covered
- Fees last changed in 2004
 - Registration and Renewal Fees changed from \$200 to \$750
 - Fees on certain label amendments were established
- Fees are currently \$750 for applications and renewals and \$100 for certain label amendments

Registration fees shall include, but are not limited to, the following:

- “(1) Annual fees for each product submitted for registration.**
- (2) Penalties for the late payment of registration fees.**
- (3) Fees for amendments to registered products.”**

Registration fees “shall be set so that the total revenue collected each fiscal year is sufficient to support the expenditure levels for the registration program contained in the annual Budget Act.”

Registration Fees No Longer Support Program

- **Registration fee revenues can no longer support registration program expenditures**
- **Starting in fiscal year 2010-11, registration expenditures exceeded revenues**
- **Deficit between revenues and expenditures will continue to grow in coming years**
- **Shortfall between registration fee revenues and expenditures is covered by Mill Assessment revenues**

Registration Expenditures and Revenues

Fiscal year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15*	2015-16*	2016-17*	2017-18*
Revenues	\$10,379,000	10,210,000	10,207,000	10,460,000	10,616,000	10,370,000	10,370,000	10,370,000	10,370,000
Expenditures	\$9,936,000	10,446,000	10,533,000	10,674,000	11,220,000	13,106,000	15,585,000	15,939,000	14,655,000
Surplus/Deficit	\$443,000	-236,000	-326,000	-214,000	-604,000	-2,736,000	-5,215,000	-5,569,000	-4,285,000

*Estimated



Registration Expenditures & Revenues



Increasing Registration Program Cost

Fiscal Year	2014-15	2015-16	2016-17	2017-18
2014-15 Baseline	\$12,452,000	12,452,000	12,452,000	12,452,000
2014-15 Employee Compensation	\$482,000	430,000	430,000	430,000
2014-15 CalPERS Contribution	\$172,000	172,000	172,000	172,000
2015-16 Employee Compensation		216,000	216,000	216,000
2015-16 CalPERS Contribution		151,000	151,000	151,000
Pesticide Registration Data Management System		1,958,000	1,961,000	400,000
2016-17 Employee Compensation			206,000	206,000
2016-17 CalPERS Contribution			145,000	145,000
2017-18 Employee Compensation				206,000
2017-18 CalPERS Contribution				71,000
Total	\$13,106,000	15,379,000	15,733,000	\$14,449,000



Pesticide Registration Data Management System (PRDMS)

- **Started Project – March 2013**
- **Key Project Dates:**
 - **Request for Proposal (System solicitation document): Early 2015**
 - **Select Vendor: Mid-2015**
 - **Develop New System: 2015-2017**
 - **Implement New System: 2017**

Product Registration Cost

- **Costs of registration activity shared by more than Registration Branch**
- **Includes:**
 - **Applications for registration of new pesticide products (including new active ingredients)**
 - **Requests to amend currently registered pesticide products**
 - **Applications for renewal**
 - **Business functions such as intake, indexing scientific studies, label coding, maintaining pesticide data library, licensing**

Product Registration Cost (cont.)

- **Scientific and technical evaluation (multiple branches)**
- **Special Local Needs (SLNs) registrations**
- **Emergency exemptions from registration (Section 18's)**
- **Research Authorizations**
- **Adverse effects submissions**
- **Reevaluation (administrative aspects)**
- **Ombudsman**

Registration Workload Outputs

	2011	2012	2013
Number of new product submissions	1,385	1,483	1,370
Number of amendments requiring fee	805	900	775
Number of amendments w/o fee	2415	2700	2325
# of products containing new active ingredients	29	29	16
Products renewed	12,102	12,091	12,320
SLNs approved	12	9	13
Section 18s approved	9	11	8
Research authorizations	519	525	443
Adverse effects submissions	526	620	653

Current Fees

- Fees set at \$750 for renewal or new registration
- \$100 fee for label amendment that must be supported by scientific data
- Late penalties
- Based on best available data in 2003
- Data reviewed in 2009

Proposed Fee Factors Considered

- **Currently, label amendment (\$100) revenues account for less than 1% of total registration fee revenues**
- **Application and renewal fee revenues account for over 99% of total registration fee revenues**
- **Having one fee for *all* amendments will eliminate confusion and benefit the IT registration project**
- **An increase in label amendment fees may lower the number of label amendments requested and may have an effect on revenues**
- **A lower label amendment fee may increase compliance**

Proposed Fee Factors Considered

- **Broad Base:** sufficiently diverse so cost is shared broadly?
- **Economically Neutral:** does it influence economic decision making of registrants?
- **Administrative feasibility:** can the fee be administered and collected in an efficient, effective, and uniform manner with minimal compliance and enforcement costs?
- **Stable and Reliable:** Are the fees reliable enough to generate stable revenues to support the services provided?

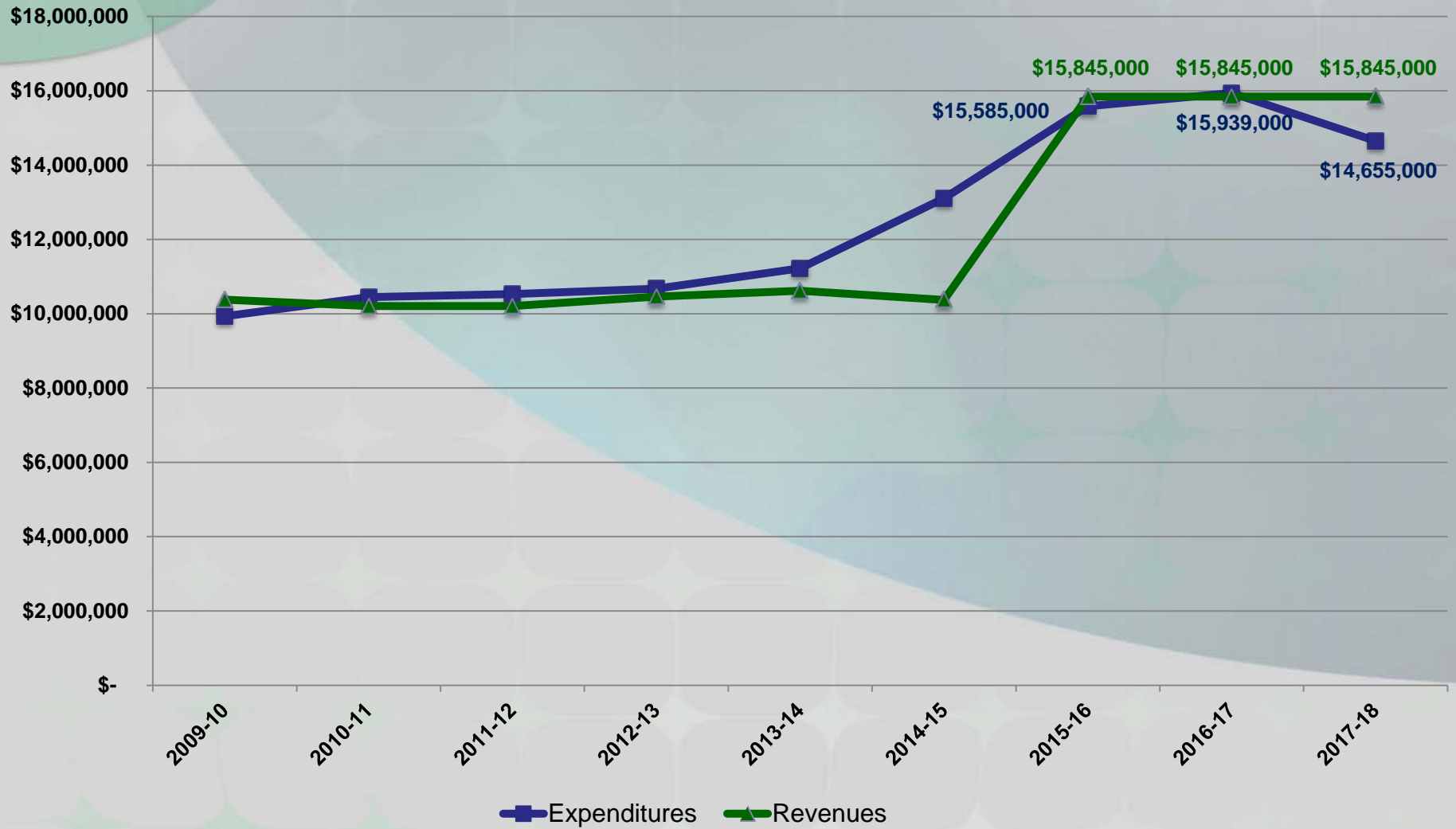
Scenarios

	Current Fees	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Application Fee	\$750	\$1,150	\$1,100	\$1,100	\$1,125	\$1,150
Renewal Fee	\$750	\$1,150	\$1,100	\$1,100	\$1,125	\$1,150
Amendments That Require Data	\$100	\$100	\$0	\$0	\$0	\$0
All Amendments	\$0	\$0	\$200	\$100	\$100	\$25
New Active Ingredients	\$0	\$0	\$0	\$30,000	\$0	\$0
Revenues Generated	\$10,370,000	\$15,845,000	\$15,721,000	\$15,701,000	\$15,743,000	\$15,845,000

Proposed New Fee

- **DPR proposes Scenario 5:**
 - **Application/Renewal = \$1,150**
 - **All Label Amendments = \$25**
- **Relies on stable, predictable revenues from applications and renewals**
- **Lowers and simplifies label amendment fee**
- **Provides buffer for future cost increases (future employee compensation costs)**

Proposed Solution



Going Forward

- **DPR proposes to evaluate fees every three years, looking at a three-year period**
- **Consider making adjustments if disparities between revenue and costs are greater than 10 percent**

Stakeholder Feedback

- **Do you support DPR's fee schedule and adjustment criteria?**
- **Considering that registration fee revenues must support registration program expenditures, what changes to the fee schedule should DPR consider?**
- **Are there registration functions for which DPR should be charging that we are not?**
- **What would be the best interval for evaluating the need for a fee adjustment?**

Open for Stakeholder Input

- **Comments should be specific to the proposal and scenarios**
- **Staff available to provide responses to questions about the information covered in the presentation**

Submission of Written Comments

- Accepting written comments by February 27, 2015 to the following email: regfees@cdpr.ca.gov

- **Target date for final decision:
April 1, 2015**
- **File emergency regulation in
May 2015**
- **Effective Date: July 1, 2015**