Thank you.

Thank you for joining our Mill Assessment Study Kickoff call.

I'm really glad to have all of you joining us today as we launch this really exciting project, in partnership with our contractor Crowe LLC, to look at the mill assessment and funding for the Department of Pesticide Regulation.

My name is Karen Morrison.

I'm the Acting Chief Deputy Director at DPR.

I'll provide a couple of opening comments and then kick it off to our various teams to walk through what this is going to look like in the coming months, and how all of you can get engaged.

Next slide, please.

We're going to start by providing context for our mill assessment and how this study project came to be as well as to share the study goals that we have for the mill study.

I'm going to introduce the Crowe LLP team (who's going to be working through and with all of you and developing recommendations), share a timeline of project milestones, and then details on how to get involved, and then we'll close with a Question and Answer session.

I want to, on my end, introduce the DPR team who's going to be leading the work that we're doing on mill as well as assisting with today's webinar.
Our key team is composed of Julissa De Gonzalez, Martin Barela, and Natalie Gasca.

They are, respectively, our Assistant Director of Legislation and Policy, our Manager for Fiscal and Business Services, and a fellow working for the department this year.

They are covering a whole range of different issues including thinking about fiscal impacts to the department, department resources, and stakeholder engagement.

They'll all be sharing different pieces over the course of today's webinar.

We also have Eryn Shimizu who's helping on the logistics end and will be working as a part of the Q&A session at the end, so you'll be seeing more from her later on this morning.

With that, I believe I'm going to hand this over to talk about context for the mill assessment.

Hello, everyone.

Just a couple of housekeeping items.

As we move forward through this presentation, please feel free to use the Q&A feature at the bottom of your screen.

We'll address your questions during our Question and Answer session at the end of this presentation.

Please also keep in mind that this presentation will be recorded and posted on our website for your future reference.
With a budget for Fiscal Year 21/22 of approximately $147 million, the Department of Pesticide Regulation is able to support the critical work of over 400 staff across the state and the enforcement activities at the local level.

The department's core source of ongoing funding (known as the DPR Fund) comes primarily from the mill assessment, though licensing and registration fees also contribute to it.

The mill assessment is collected by DPR on the sale of all registered pesticide products in California.

Since 2004, the mill assessment has remained the same for 18 years and is capped at 21 mills.

It is collected quarterly and is assessed at the point of first sale in California.

In addition, the statutory requirements by Food and Agricultural Code 12481 stipulate the CACs receive 7.6 mills of the 21 mills collected to carry out and enforce pesticide and environmental laws and regulations locally.

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For the first 10 years, 2.1 mills was sufficient to cover the department's needs.

However, the department has faced cost pressures ever since due to several factors: an ongoing expansion in the scope of programs and activities; an increase in staffing levels to keep up with the changing and increasing demand on DPR; an increase in employee compensation, benefits, retirement requirements; and an obligation until 2024/2025 to pay down DPR's SB 84 loan of approximately $10 million.

Given these, the DPR Fund has been in a structural imbalance for the last few years, with expenses being greater than revenues.
DPR has sustained this imbalance for several years through its fund reserve and careful budgeting.

In order to maintain a positive fund balance and appropriate reserve, DPR reduced its expenditures by $2.5 million on a one-time basis in Fiscal Year 19/20.

Since the start of the COVID pandemic, we've seen an increase in mill revenue largely due to the increased sales of disinfectants.

We collected $10 million more in 20/21 than in Fiscal Year 19/20, whereas in the previous three years on average we had only seen an increase of $1.6 million annually.

Because of the variability in revenue resources, one key goal for this study is to think about how to sustain the DPR Fund in the long term.

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In January of last year, DPR proposed an increase to the mill assessment that also changed the structure of the mill in order to incentivize the use of lower-risk pest management products.

As part of last year's budget negotiations, DPR received funds to conduct a study with the help of an outside vendor to identify the appropriate structure, source or sources, and level of funding that will allow the department to continue to fulfill its mission.

The study will also examine current and future funding needs of the department and of County Agricultural Commissioners.
The goals of this study are to identify how to incentivize the use of safer, sustainable pest management practices and support the state's pest management program in the long term.

The study will result in a report with recommendations for alternatives to the current mill structure.

In practice, we'll be studying how we collect revenue and how revenue is spent.

Next slide, please.

Last month, DPR went into contract with Crowe LLP.

We wanted to provide an opportunity for the project team to introduce themselves.

Wendy?

Thank you.

Good morning, my name is Wendy Pratt.

I'm a Managing Director with Crowe, and I'll just provide a brief overview of Crowe and our team and then pass it on to Eric Nylund to introduce the rest of the team.

Crowe is a national accounting and consulting firm.

We've been in business for a little over 75 years and have 4000 employees around the country.
Our Sacramento team started in 2012 (our public sector consulting team), although a few of us have been doing state of California work for many years before that.

We have focused much of our state work on environmental resource management, working with departments including DPR (several years ago), CalRecycle, CalEPA, Department of Water Resources, and Division of Boating and Waterways.

We've done numerous cost allocation studies, program evaluations, workload studies, and rate setting work.

Many of our projects involve complex and controversial issues for the state and diverse stakeholders.

We're very comfortable and have developed a transparent and open process for gathering input (really taking a balanced and independent approach), and then synthesizing results, and coming up with actionable and creative recommendations.

We have an open perspective on coming up with solutions.

Our team members are Eco-Alpha (an environmental and engineering consulting company in Sacramento) and GC Green (our disabled veteran business enterprise).

We've worked with both these firms over the years, so looking forward to bringing this group together.

Just a bit on myself; I have been working on state of California engagements for 30 years, and my educational background is in Ecology, Environmental Policy, and Animal Physiology, so I have a little bit more of a science background than many of my colleagues.

Over the course of my work, I've all 30 years been working and supporting the California Beverage Container Recycling program.
I have also worked for 20 years supporting the Division of Boating and Waterways' Aquatic Invasive Plant Control Program and done numerous cost surveys and evaluations of facilitation of stakeholder groups.

I'm really looking forward to this project and communicating with all of you as we move forward.

I will now hand it over to my colleague, Eric Nylund.

Thank you, Wendy.

My name is Eric Nylund.

I'm also a Managing Director with Crowe, and I'll be a Project Advisor on this engagement.

I have about 26 years of experience in the state of California and local government consulting in a wide range of different areas.

A lot of that background is in rate studies and fee studies similar to the one we're undertaking here, so I can bring a lot of depth of experience in that area.

I have worked in the past for DPR on some engagements around mill, so I'm aware and I have a good understanding of the mill process.

I have worked for another 20 or so state agencies, so I certainly understand the state of California and have worked quite a bit in that arena.

With that, our team also includes a number of staff members: Jason Chan, Margo Masserman, Jamey Hammond, and Garrett Gallagher.
They all have background with state of California consulting.

They're all managers, senior staff, and staff, and so they'll bring a lot of the secondary research, background, facilitated sessions, and focus groups to the table.

Collectively, we'll be able to work with the stakeholders and the department on this important project.

With that, I'll turn it back to the DPR folks, and nice to meet everyone.

Next slide, please.

Thank you.

I'll be sharing a timeline of the key project milestones for the next year and a half.

From now until summer, Crowe's team is going to be reviewing several documents and data related to the mill to get good context on this topic.

They're also going to be conducting initial stakeholder information gathering sessions to hear from a few associations per sector (at first) to get a general overview of the landscape and hear different perspectives on the challenges and opportunities with the mill assessment.

DPR is going to then conduct an analysis of key departmental tasks that are funded by the mill revenue to determine if there is currently a gap in personnel and funding to achieve our programmatic elements and mission objectives.

Crowe's team is also going to be conducting a fiscal analysis, estimating current and future funding needs for DPR and Ag Commissioners.
Next slide, please.

Between summer and fall, Crowe will be hosting consultation sessions by stakeholder sector to present their findings and collect your feedback on study progress and your positions on potential mill assessment rates.

With the feedback collected from all of our stakeholders and DPR, Crowe is then going to develop a few feasible mill assessment proposals.

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One less.

Thank you.

These recommendations are then going to be in a Strawman Document, which will be publicly released at the end of the year.

Then, Crowe will be holding public presentations on these proposals at the beginning of 2023.

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For the last season, Crowe is then going to compile all of the study findings in a report, which will be publicly released in spring 2023.

Then as Crowe's team's final task, they're going to finalize their recommendations and a plan to implement these recommended proposals for the mill assessment.
That's the last of the big project milestones.

Thank you very much, Eryn.

That's all for me.

There are many ways you can get involved in the mill study.

First, we'll be sending regular updates to the mill distribution list, so feel free to subscribe at this link if you haven't already.

We'll also be posting regular updates on our mill study webpage, listed here, as well.

We highly encourage you to participate in the consultation sessions that Crowe will be hosting during the summer, scheduled for 2022.

We also recommend reviewing the public reports and attending the public presentations throughout the study.

Lastly, we welcome your feedback and questions, which can be submitted via email at ProjectMillStudy@cdpr.ca.gov.

Thank you.

That concludes our formal presentation.

We are in the early stages of the study process and look forward to continuing to engage with you throughout the duration of the study.
We're happy to answer any questions, and we will begin with questions submitted via the Q&A box and follow up with any live questions.

Eryn, could you check on the Q&A box?

It looks like we have one question in our Q&A box from an anonymous attendee, and the question is: "Will there be a public comment period on the draft proposal in addition to pre-release stakeholder consultation?" Thank you, Eryn.

For this question, I will pass it over to Karen.

Thank you for the question.

We are anticipating having additional stakeholder engagement after the release of the document in December.

The exact format for what that public engagement will look like we haven't finalized at this time, but there will be opportunities for feedback on it.

Thank you.

We have a second question---or we have a few questions: "Can we see the last slide of the presentation?" Yes, I can do that right now.

Another question is: "Confirming the end goal is to appropriately increase the mill assessment?" Yes, that is the end goal.

Another question from Henry: "What will be the stakeholder groups?" Thank you, Henry.
We have a range of stakeholder groups for the department and County Ag Commissioners.

On working with our stakeholders, I’m going to pass it over to Eric or Wendy.

Thanks, Julissa.

Yes, the stakeholder overall groups that we're working with (looking at our initial communications and then our summer sessions) include the agricultural trade groups, environmental groups focusing on pesticides, as well as environmental justice groups, County Ag Commissioners, various state and regulatory agencies, and the registrants.

Let's see; am I forgetting any there?

We've categorized those sort of general groups, and we'll be reaching out typically in a group setting for at least our initial outreach.

Thank you, Wendy.

Yes, and we are also including as part of that process other state agency partners the department works with as well.

You have another question in the Q&A box from Hal: "Is the end goal just a recommendation on the new mill rate, or will it also include other process and recommendations to improve operational efficiency of DPR review?" Thanks, Hal.

To answer the first part of the question, the study is also conducting a mini workload analysis and so understanding the different responsibilities that are funded through the mill.

The study itself is looking at recommendations for funding, but there may be (with examining our workload) some recommendations that include operational recommendations.
If I can just add to that, I would encourage that, as a part of the stakeholder engagement process, that if you have concerns or feedback on these particular issues to provide that information to the contractor as part of the conversation that we're having with Crowe and with all of you in the coming months.

We have another question from Hal: "How does this work dovetail with the CalPEST system, or are they completely separate?" Thank you for the question.

For the CalPEST system, it is funded separately, and so this is looking specifically at the mill assessment.

We have a question from Taylor: "Will the review include other DPR fund sources (such as General Fund or Special Fund) or potential sources when looking at departmental responsibilities?" Thank you, Taylor.

The study is focused on the mill.

We, as part of the process, recognize that the department is funded through other one-time sources or other sources, but it is focused on the mill itself.

It looks like that might be all in our Q&A box.

Seeing that there are no other questions in the Q&A, we will move to questions from attendees.

We will try to answer as many questions as we can, so if you could please keep your questions to a minute, that would be really helpful, and if you could please raise your hand through the Zoom feature.

We have a question from Jose Arriaga.
Let me see.

Okay, Jose, go ahead.

Can you guys hear me?

Yes, we can hear you.

Thank you.

My question is: "Does the scope of the project include looking at the criteria currently used in allocating the pesticide mill per Food and Ag Code 12884 (the current criteria that we've been using for a while)?"

Is this going to look at how it's being distributed?" This is the code section that refers to the County Ag Commissioner allocation, correct?

Is that what you're referring to?

That's correct.

Yes, this will be examining the funding of County Ag Commissioners, as well, that are from the mill.

Thank you.
I'll just add that there's an additional layer of that within regulations, so that that's something that would be part of a larger conversation that's certainly open for consideration as a part of this study, but would require additional discussion after the study is complete.

So, we have no more questions currently right now from the attendees.

We do have one more question in the Q&A box, if I can just read that really quickly?

Oh, I'm sorry, it's not a question.

My apologies.

Well, thank you so much everyone for your time.

I really appreciate you participating in the webinar.

The webinar and the PowerPoint slides will be posted on the study webpage, and if you have any additional questions please direct them to ProjectMillStudy@cdpr.ca.gov.

Also, I'm just realizing that we have another question.

The question is: "Are the consultants considering looking at other ways of handling the mill fee so there isn't a potential conflict of interest?" Thank you so much for the question.

Wendy and Eric, is this something you'd like to take?

Sure, I think we are basically taking a blank-sheet open-slate approach, so we'll be looking at all options.
Let me just hand it over to Tommy Abeyta, the Project Manager, to add to that.

Hi, everyone.

Yeah, just to echo Wendy's sentiment, we are taking a "blank sheet of paper" approach, and, through our initial sessions and the sessions we'll be holding with all the stakeholders over the course of the spring and summer, part of the process is to obtain input on what options and potential recommendations are.

Again, we're taking a blank sheet approach.

All options are on the table and that's really our focus.

Thank you.

Julissa, we have one more question from Taylor: "Will the scope of work for the mill study consultants be included on the website?" Thank you, Taylor.

I just want to make sure I understand.

Is this referring to their background or the scope of the contract?

The scope of the contract.

Thank you.

I will have to double check if that's something that we are sharing and can get back to you outside of the presentation.
We'll just give it another minute, in case there's any other questions.

Well, again, really appreciate your time and participation in today's webinar.

If you'd like to receive updates or follow updates, this slide contains some information where you can do that.

These slides will also be posted on our webpage.

Thank you again for your time this morning.

This concludes the webinar.