



Dean Kelch  
California Department of Food and Agriculture  
1220 N Street  
Sacramento, CA 95814

September 14, 2020

Dear Mr. Kelch:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for the proposed regulations to Establish Timeframes, Procedures, Methods, and Confirmation for Industrial Hemp Planting, Sampling, Laboratory Testing, Harvest, and Destruction, as required in California Code of Regulations, title 1, section 200(a)(1) for major regulations. Finance agrees that the proposed regulations meet the major regulations threshold based on the impacts calculated.

The proposed regulations establish sampling and testing requirements for industrial hemp in California, starting in October 2020. The regulations require county commissioners to collect industrial hemp samples and accredited laboratories to conduct the testing. Crops that contain more than 0.3 percent of tetrahydrocannabinol must be destroyed under the oversight of the county commissioner. If the proposed regulations are not implemented, an estimated 525 affected registered growers, with 24 acres grown on average, will not be allowed to legally harvest their crop, resulting in around 12,500 acres of hemp crop destroyed. With the regulations in place, the SRIA assumes that 15 percent of crops will be destroyed, 35 percent will remain unsold, and approximately 50 percent will be sold. Assuming a gross revenue of around \$13,000 per acre, the proposed regulations will lead to a gross revenue of \$300,000 per grower in the first year following full implementation in October 2020. Statewide, grower revenue will increase by around \$81 million. At the same time, affected entities are projected to incur direct costs of over \$2 million in registration, sampling, and testing fees for growers and accreditation and registration costs for laboratories. Impacts to state and local governments are estimated to include around \$6 million in sales tax revenue and \$472,500 in registration fee revenue. State governments are projected to incur administrative costs of \$67,000 while county administrative costs are estimated at \$69,000 in the first year of implementation.

Finance generally concurs with the methodology used to estimate the impacts of proposed regulations, with two exceptions. First, CDFA should clarify which costs and benefits are expected to be ongoing for the lifetime of the regulation. Currently, the

SRIA quantifies impacts of the first year after full implementation, and assumes that direct costs and benefits will remain the same for the next five years. However, some impacts such as the benefits from first-year crop destruction savings, with a total estimated statewide impact of \$5.1 million, are only generated in the first year.

Second, CDFA identifies state fiscal costs that will require utilization of an existing vacant position to develop forms and templates, as well as establish a review and approval process for laboratories interested in conducting testing. The SRIA should break out and align estimated state costs with specific provisions in the regulations that drive anticipated workload.

These comments are intended to provide sufficient guidance outlining revisions to the SRIA. As the first public comment period has already passed, the SRIA, a summary of Finance's comments, and CDFA's responses to them must be circulated during an additional public comment period through the Office of Administrative Law. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,



Somjita Mitra  
Chief of Economic Research

cc: Mr. Chris Dombrowski, Acting Director, Governor's Office of Business and Economic Development  
Mr. Kenneth Pogue, Director, Office of Administrative Law  
Kevin Masuhara, Deputy Secretary, California Department of Food and Agriculture