







Summary

The Department of Pesticide Regulation (DPR) contracted with Crowe LLP (Crowe) to conduct a study on the mill assessment, engage and consult stakeholders throughout the various stages of the study, and issue a final report outlining proposed mill options by June 2023. As of September 2022, Crowe completed the second project milestone, which included consultation sessions with DPR stakeholders to provide an update on progress of the Mill Fee Study and to obtain input on mill alternatives. Crowe developed this update to report outcomes from the second project milestone.

Mill Fee Study Objectives

Crowe is examining six (6) study objectives, outlined in **Exhibit 1**, to provide DPR with a detailed plan including mechanisms to implement the options recommended as a result of the study.

Exhibit 1 Mill Fee Study Objectives

	<p>Examine current and future funding needs for DPR while also considering the County</p>
	<p>Examine existing structure and rate of the mill assessment.</p>
	<p>Examine current and future revenues produced by that structure and rate.</p>
	<p>Examine detailed options that incentivize the use of safer sustainable pest management</p>
	<p>Examine incentivization options, including “tiering the mill assessment,” to incentivize</p>
	<p>Examine long-term sustainable funding that allows DPR to continue to fulfill its mission.</p>

Stakeholder Consultation Sessions

In July 2022 through September 2022, Crowe conducted additional consultation sessions with DPR stakeholders from various backgrounds as part of the second project milestone. Crowe has conducted consultation sessions with 30 stakeholders, listed below, since the inception of the Mill Fee Study project. The consultation sessions were conducted with various entities that represented diverse interest groups and stakeholders including, agricultural, environmental, environmental justice, registrants, applicators, regulatory partners, and others.

Stakeholders Consulted To-Date:

1. Agricultural Council of California
2. Almond Alliance
3. American Chemistry Council
4. Bayer
5. California Agricultural Commissioners and Sealers Association / County Agricultural Commissioners
6. California Association of Pest Control Advisors
7. California Association of Winegrape Growers
8. California Department of Food and Agriculture
9. California Farm Bureau Federation
10. California Institute for Biodiversity
11. California Rural Legal Assistance Foundation
12. California Specialty Crops Council
13. Californians for Pesticide Reform
14. Center for Biological Diversity
15. Central California Environmental Justice Network
16. Citrus Mutual
17. Community Alliance with Family Farmers
18. Corteva
19. CropLife
20. Environmental Working Group
21. Household and Consumer Products Association
22. Leadership Counsel for Justice and Accountability
23. Marrone Bio
24. Mosquito and Vector Control Districts Association
25. Natural Resources Defense Council
26. Pesticide Action Network North America
27. Reckitt Benckiser
28. Syngenta
29. University of California, Integrated Pest Management
30. Western Plant Health Association

The objectives of the consultation sessions conducted in July 2022 through September 2022 were to provide an update to stakeholders on the progress of the study and to obtain input on potential mill alternatives. Crowe asked a series of questions during the sessions, including:

1. *What are your organization's current and emerging priorities related to pesticides and/or pesticide products?*
2. *What is your organization's perspective on how to appropriately update the mill assessment to provide sustainable, long-term funding for DPR?*
3. *What potential evaluation criteria should DPR consider when developing options for an updated mill fee rate and/or structure?*
4. *Should DPR consider a differential mill assessment (e.g., ag. versus non-ag, "higher risk" versus "lower risk", etc.)?*
5. *Do you have ideas about mechanisms to structure and/or utilize the mill assessment to encourage broader adoption of integrated pest management and/or "lower risk" pest management tools?*

Stakeholder Consultation Sessions Outcomes

Crowe identified and documented each stakeholder's input on the mill assessment. The input shared with Crowe will support the development of mill design, usage, and implementation considerations and potential alternatives. Below is a synopsis of key themes resulting from the stakeholder consultation sessions:

- **Universal Recognition that DPR Needs Sustainable Funding.** All stakeholders recognized DPR's need for sustainable funding to meet its mission, though they differ on specific solutions and/or recommendations.
- **Need for a Strong DPR.** All stakeholders expressed the need for the department to operate at its best to achieve its mission to protect human health and the environment by regulating pesticide sales and use, and by fostering reduced-risk pest management. There were differences in what that may look like in practice and what DPR's priorities should and should not be going forward.
- **Role of the General Fund.** Many stakeholders continued to discuss the role of the general fund in DPR's funding structure. The suggested role of the general fund in DPR's funding structure varied across stakeholders. Some expressed DPR should use the general fund as a way to "delink" DPR's direct funding from pesticide sales, whereas others expressed using the general fund to help supplement the department's activities that benefit the general public.
- **Divergent Opinions on a Tiered Mill Structure.** Stakeholders ranged from being strongly in favor of a tiered mill based on hazard level to strongly opposed.
- **Funding Should Align with DPR's Workload.** Stakeholders expressed that additional mill funding should align with DPR's existing and future programmatic needs.
- **Safer, Sustainable Pest Management Needs to Be Defined.** Many stakeholders continued to express that they lack a clear understanding or definition of "safer, sustainable pest management" and how to achieve it. In addition, stakeholders across groups were concerned about utilizing mill fees to fund sustainable pest management activities while the concepts, programs, roles, responsibilities, and costs are still being defined.

Proposed Guiding Principles

Crowe walked through proposed Mill Fee Study guiding principles during each of the stakeholder sessions. The Mill Fee Study guiding principles resulted from the project's first milestone. These principles, outlined in **Exhibit 2**, will serve as a framework and set of values to help guide the Mill Fee Study.

Exhibit 2
Mill Fee Study – Proposed Guiding Principles

	Provide a sustainable long-term funding source for the Department		Incentivize safe, sustainable pest management practices
	Align with the Department's mission, emerging priorities, and legal requirements		Support alignment of the Department's programmatic activities, including CACs, with appropriate funding sources
	Support the availability of tools to address the diverse pest management needs in the State		Incorporate objective measures
	Minimize the potential for unintended consequences		Foster transparency
	Minimize administrative burden		Allow for re-evaluation and refinement

Next Steps

Exhibit 3 outlines Crowe's upcoming project milestones on the Mill Fee Study, which include developing mill alternatives, obtaining additional input from stakeholders, conducting a detailed analysis of mill alternatives, developing recommendations, and a proposed plan to support implementation. Crowe is also conducting a workload study to identify DPR current and future programmatic funding needs that will inform mill alternatives. In coordination with DPR, Crowe will conduct a public webinar later this year to provide an update on remaining project milestones.

Exhibit 3
Mill Fee Study – Project Milestones

