



May 12, 2017

**State Budget – May Revise:**

Yesterday the Governor released his revised state budget which is customarily issued in May of each year based on more current revenue projections than those that are available in January when an initial state budget was proposed. The budget released yesterday continues to plan for tougher years ahead, but maintains core spending in education and child care.

Under the May Revise, the \$5.8 billion revenue shortfall forecast in January is now a \$3.3 billion shortfall - based primarily on higher capital gains. Even so, the budget is considerably more constrained than in any year since 2012. Some cuts from the January budget remain, but the modestly improved fiscal outlook allowed the May Revise to advance several key priorities including education, child care, assistance to county governments and transportation to name a few.

**Of interest to agriculture in the May Revise are the following proposals to address continuing drought legacy issues:**

1. \$600,000 to the State Water Resources Control Board from the General Fund to conclude water curtailment compliance and enforcement actions, a decrease of \$4.7 million from the January budget proposal.
2. \$8.5 million to the Department of Water Resources, of which:
  - a. \$5 million from the General Fund to provide emergency drinking water supplies for small communities in the Central Valley
  - b. \$2.6 million from the General Fund and \$900,000 from the Harbors and Watercraft Fund to implement the state’s Delta Smelt Resiliency Strategy that includes aquatic weed control, adaptive food management and distribution, and wetlands flood and drain operations.

Additionally, the May Revise includes five new positions at the State Water Resources Control Board to implement the Administration’s “Making Water Conservation a Way of Life” proposed legislation that would establish new urban water use efficiency standards and reporting requirements, and implement new urban water shortage contingency plans and **agricultural water management plans**.

Also proposed is \$50 million from Proposition 1 to the Department of Water Resources to improve water supply reliability and support Central Valley flood management projects.

To address dam safety and flood control issues the revise proposes an increase of \$3.5 million from the Dam Safety Fund to the Department of Water Resources specifically to improve emergency action plans

and another \$3 million from the Dam Safety Fund for the department to evaluate spillways, gates and outlets beyond the current visual inspections.

Also in the water arena, the May budget revision proposes to accelerate flood control investments from Proposition 1 with an increase of \$387.1 million dollars to the department for flood control projects over the next two years in the Central Valley, Sacramento-San Joaquin Delta and other areas with significant flood risk.

**In the area of natural resources,** the May Revise includes a number of budget shifts of interest to farmers and ranchers. For example, the January budget proposed \$178.7 million for emergency drought response and that figure was reduced by \$115.8 million to a total of \$62.9 million. However, this reduction means there is a significant reduction in funds available for work to remove dead and dying trees. In the January budget the Office of Emergency Services was funded with \$52.7 million for its tree mortality and emergency water tank programs. Those programs were reduced to \$8.5 with only \$2 million available to local governments to remove dead and dying trees. Farm Bureau submitted a letter with its partner organizations in the California Forest Watershed Alliance to the Assembly and Senate Budget Subcommittee Chairs prior to the release of the May Revise asking that Emergency Drought Response funds be targeted towards forest management.

CalFire is also proposed to receive \$42 million in General Fund dollars and \$309,000 in special funds to expand firefighting capacity. A portion of these funds can also be used for fuel reduction projects.

There is also a proposal to provide \$65 million in General Fund dollars to support natural resources programs previously funded by bond measures (i.e., water and flood management, parks, forestry, land preservation, wildlife habitat, and climate adaptation). In the 2016/17 budget the state had to pay more than \$1 billion in interest payments to cover the costs of the natural resources bonds. That's up from \$200 million in payments in 2000.

The Department of Fish and Wildlife is proposed to receive an additional \$1.1 million and 5 positions to provide input on the Bay Delta Water Quality Control Plan.

The Governor is proposing a significant increase in funds to cover the cost of Proposition 64 (recreational cannabis legalization) implementation. The budget initially proposed \$52.2 million for implementation and the May Revise includes an additional \$43.2 million for a total of \$94.6 million for the 2017/18 budget. Of those funds:

- The Department of Fish and Wildlife would receive \$17.2 million and 63 positions to meet its responsibilities under Prop. 64 (i.e., implementation of the Streambed Alteration Agreement Program, coordination with other agencies on impacts to fish and wildlife, and enforcement).
- The State Water Resources Control Board is proposed to receive \$9.8 million and 65 positions to implement a general order to meet water quality requirements and a water rights registration system.
- The Department of Pesticide Regulation would receive \$1.3 million to address pesticide use guidelines for cannabis.
- The California Department of Food and Agriculture is proposed to receive \$3.9 million and 10 positions for environmental review and development of a track and trace program.

## **Commodities**

The Assembly Budget Subcommittee with oversight responsibility of CDFA's budget met this week to take specific budget requests from Assemblymembers. Assembly member Jacqui Irwin (D-Thousand Oaks) requested \$3 million to support the California Grown program. If approved, this funding would be used to expand promotion of California Grown agricultural products. Farm Bureau testified in support of the proposal, which will ultimately be decided by the Budget Conference Committee in negotiations with the Governor.

## **Labor**

[AB 1209](#) (Lorena Gonzalez-Fletcher, D-San Diego) would require employers to collect and publish on a public website information concerning the compensation of male employees and female employees in equivalent job classifications and titles. The information required to be divulged by AB 1209 offers no context as to any legal and permissible reasons such pay differentials may exist, including education, experience, and job location. AB 1209 was placed on the Assembly Appropriations Suspense file due to fiscal costs to the state. A decision will be made on the fate of this and any other bills that went the Suspense calendar on May 26. Farm Bureau opposes.

[AB 1565](#) (Tony Thurmond, D-Richmond) increases the minimum salary that must be paid to an overtime-exempt employee. Current law requires an overtime-exempt employee meet a series of duties tests and be paid twice the minimum wage in effect at the time. The minimum wage is currently \$10/hour for employers of 25 or fewer employees and \$10.50/hour for employers of 26 or more employees, resulting in monthly salary thresholds of \$3466 and \$3640, respectively. AB 1565 would immediately increase this monthly threshold to \$3956, immediately implementing the minimum salary threshold for overtime exempt employees that would have been in effect in 2020 for employers of 26 or more employees, or in 2021 for employers of 25 or fewer employees. AB 1565 passed the Assembly Appropriations Committee on an 11-6 vote. Farm Bureau opposes.

## **Water**

[AB 1420](#) (Cecilia Aguiar-Curry, D-Winters) would streamline the State Water Resources Control Board permitting process for farmers applying to divert water into a small irrigation pond. The measure would require the State Water Board to give priority to adopting general conditions for water diversions to small irrigation ponds during periods of high streamflow in exchange for reduced diversions during periods of low streamflow. Additionally, AB 1420 exempts registrations from the lake or streambed alteration program if the Department of Fish and Wildlife has provided conditions on the approved registration. The Assembly Appropriations Committee placed the bill on its Suspense File. Farm Bureau supports.

[AB 1667](#) (Laura Friedman, D-Glendale) would increase agricultural water management planning requirements beyond those imposed last year by the Governor's Executive Order B-37-16. The measure imposes significant new mandates on agricultural water suppliers, costing districts hundreds of millions of dollars, including requiring infrastructure upgrades to deliver water to growers within 24 hours of a request. The measure also grants new undefined enforcement authority to the State Water Resources Control Board for water districts' failure to comply. A large agricultural coalition offered significant amendments to the author, however the measure has yet to be amended to include all those amendments. The Assembly Appropriations Committee placed the bill on its Suspense File. Farm Bureau opposes AB 1667.

[SB 252](#) (Bill Dodd, D-Napa) would require new water well permit applicants in critically over drafted groundwater basins to provide their application information to neighbors. It would require cities and counties overlying critically over drafted basins to publicly notice new well permit applications and require these cities and counties to make specific new well permit information available to groundwater sustainability agencies. The measure is scheduled to be heard next Monday in the Senate Appropriations Committee. Farm Bureau and other agricultural organizations oppose the measure as written.

[SB 623](#) (Bill Monning, D-Carmel) would establish the Safe and Affordable Drinking Water Fund and insure that monies in the fund are continuously appropriated to the State Water Resources Control Board to provide water to those whose drinking water exceeds the standard for nitrates. The measure has yet to identify a funding source for the Safe and Affordable Drinking Water Fund. SB 623 is scheduled to be heard next Monday in the Senate Appropriations Committee.