



May 11, 2018

### **May Revision to the 2018-19 Budget**

This morning Governor Brown released his revised state budget, which is customarily issued in May of each year based on updated revenue. The May Revision demonstrates higher-than-expected revenues than projected in January due to increases in personal income tax, sales tax receipt and corporate tax revenues, and strong stock market returns. This is matched by higher expense obligations—increasing K-14 school funding and Medi-Cal obligations. Given that California is inching closer to reaching the longest economic recovery period on record, ten years, the Administration's budget expresses reluctance to embark on new, long-term funding obligations and a commitment to dedicate additional dollars to the Rainy-Day Fund. For the hard numbers, the May Budget stands at \$199.3 billion (\$137.6 billion of which is General Fund and expected \$107 billion in federal funding).

Within this year's May revision, given an additional \$2.5 billion funds, the Governor included **three main proposals as adjustments from the January budget:**

1. Infrastructure--\$2 billion to address deferred maintenance of state facilities, universities, the courts, and flood control. Specifically, the Budget includes \$295 million in General Fund to encourage resiliency to catastrophic flooding, \$125 million of which will be expended on levee operations and maintenance.
2. Mental Health--\$312 million is included to fund local mental health detection and education of mental health officials.
3. Homelessness--\$359 million collected from real estate transaction fees are proposed to be directed for local assistance, in addition to authorizations to expend \$2 billion from the No Place Like Home Bond program managed by the Department of Housing and Community Development.

**Of interest to agriculture**, the following issues are addressed:

- In the Governor's budget released in January of this year, \$244 million was included for the agricultural community. In the May Revision to the January budget released today, the Governor included an additional \$60 million in funds for the agricultural community, bringing the total funding to \$304 million. The specific breakdown is: \$132 million for agricultural diesel engine replacement and upgrades; \$64 million for food processors to implement greenhouse gas reducing projects; \$4 million for agricultural renewable energy projects; \$5 million for healthy soils projects; and \$99 million for dairy digester research, development, and alternative manure management projects. The additional funds included brings the total funding provided to the agricultural community from the Cap and Trade negotiations to \$604 million over these two years.
- With respect to wildfire recovery and response, the Budget originally proposed \$419 million; the May revision includes an additional \$32.8 million in General Fund to backfill lost property tax

revenues (\$21.8 billion for Northern California and \$11 million for Southern California) and \$29.1 million for debris removal.

- The May revise proposes \$28.3 million in 18-19, \$21.7 million in 19-20, and 79 positions to fully staff the CalCannabis program at CDFA.
- The May revise includes an additional \$400,000 and one staff position for CDF day to assist in efforts to address the invasion of Nutria in the Central Valley. CDF they will support the Department of Fish and wildlife by doing detection and survey work. Nutria are invasive rodents that damage wetlands, water infrastructure, and crops. They are incredibly destructive and expand their populations quickly, so efforts to eradicate them need to occur before they become well established.
- Within the additional deferred maintenance funds, the May revise includes a one-time appropriation of \$14 million—\$4 million is proposed for CDFA facilities (including border protection stations) and \$10 million is proposed for fairgrounds.

### **Antibiotics**

Friday Review readers will remember that the legislative budget committees put off their decision over whether to provide funds to continue implementation of California’s law governing antibiotic use in livestock and poultry. This week the Senate Budget Subcommittee acted on the issue. Last month both the Assembly and Senate Budget Committee’s both considered the California Department of Food and Agriculture’s budget request for additional funds to implement [SB 27](#) (Jerry Hill, D-San Mateo), which passed in 2015. The law has three main pillars: 1) require veterinary oversight for the use of all medically important antibiotics in livestock and poultry production, 2) create an antibiotic stewardship program to further educate producers on the judicious use of antibiotics, and 3) create a system to monitor resistance patterns and use of antibiotics in California’s livestock and poultry production systems to better combat patterns and trends that may lead to resistance.

The Natural Resources Defense Council (NRDC) and other environmental and consumer groups are opposing the budget proposal unless CDFA agrees to further restrict the use of antibiotics by asking CDFA to narrowly interpret a “regular pattern of use” of antibiotics. Farm Bureau and other agricultural organizations are supporting the budget proposal. This week the Senate Budget Subcommittee voted to fund the program without implementing any of NRDC’s request. The Assembly hasn’t yet taken final action on this issue. *Staff contact: Noelle Cremers, [ncremers@cfbf.com](mailto:ncremers@cfbf.com) or 916-446-4647.*

### **Commodities**

[SB 965](#) (Mike McGuire, D-Healdsburg) would create the rules for the establishment of a California Cattle Council. If the bill passes cattle producers would be given the opportunity to vote on whether to create a California Cattle Council. The assessment would be set at \$1 per head and that money would all stay in California for research, promotion, and education. Additionally, any producer who pays into the Council would be eligible to ask for a refund of their payments if they do not want to support the Council. The California Cattlemen’s Association is sponsoring the legislation while the Pesticide Action Network of North America, Center for Food Safety, Organization for Competitive Markets, Humane Society of the United States, and the California News Publishers Association all oppose SB 965 because those groups don’t want to see a California Cattle Council established in California, or, in the case of the News Publishers, don’t want information held by the Council to be confidential. Farm Bureau supports SB 965 as a way to give cattle producers a choice as to whether they want to form and fund a Council. SB 965 passed out of the Senate Appropriations Committee this week with a 6-0 vote. *Staff contact: Noelle Cremers, [ncremers@cfbf.com](mailto:ncremers@cfbf.com) or 916-446-4647.*

## **Land Use**

In previous weeks, the Friday Review has addressed SB 1029 (Mike McGuire, D-Healdsburg), which has proposed to dissolve the North Coast Railroad Authority (Authority) and transfer ownership of 300+ miles of rail line to the Sonoma-Marin Area Rapid Transit District and a newly created Great Redwood Trail Agency. These successor parties would be responsible for converting the defunct rail line into a contiguous trail system. Farm Bureau has shared concerns with the author's office regarding finances, incompatible land use and activities, timeline and the lack of local engagement, among others. SB 1029 will be heard in Senate Appropriations Committee on Monday. Farm Bureau has a position of oppose unless amended. *Staff contact: Taylor Roschen, 916-446-4647 or [troschen@cfbf.com](mailto:troschen@cfbf.com).*

The American Farmland Trust has released a [report](#), "Farms Under Threat: The State of America's Farmland," which details the alarming rate of farmland in the U.S. lost to development, a significant portion of which is productive, versatile and resilient land. According to the study, between 1992 and 2012, the U.S. lost almost 31 million acres of agricultural land; that is the equivalent to losing most of Iowa or all of New York. The report concludes with recommended actions which include strengthening existing farmland protection policies (such as the Agricultural Conservation Easement Program, fund more robust monitoring efforts, and develop a clear, updated agricultural land policy platform. American Farmland Trust will be following this report with state-level data and forecasted impacts by 2040 with additional policy recommendations. *Staff contact: Taylor Roschen, 916-446-4647 or [troschen@cfbf.com](mailto:troschen@cfbf.com).*

## **Manure Management**

The California Department of Food and Agriculture has awarded a \$213,349 research grant to the California Dairy Research Foundation in collaboration with University of California scientists to study methane emissions at California dairies. The project is titled, "Small Dairy Climate Change Research: An economic evaluation of strategies for methane emission reduction effectiveness and appropriateness in small and large California dairies." *Staff contact: Taylor Roschen, 916-446-4647 or [troschen@cfbf.com](mailto:troschen@cfbf.com).*

## **Taxation**

[SB 993](#) (Hertzberg, D-Van Nuys) would impose a new tax on all services purchased by businesses in California, with certain exceptions for health care, child care, education and residential construction among several others. The state excise tax on business services would begin in 2020 at a rate of .75% and would increase to 3% by the year 2022. For agricultural operations, California's farmers and ranchers would likely see increase costs from food suppliers, veterinarians, crop planting, harvesting and preparation services, pesticide applicators, etc. – essentially most services that are not conducted in-house by employees of an agricultural operation. SB 993 is a tax that will be forced upon California's farmers and ranchers several times a year and during multiple stages of production. These cost increases will be passed on to California consumers and put California agriculture at a competitive disadvantage. California Farm Bureau Federation is one of more than 70 organizations opposing SB 993. *Staff contact: Robert Spiegel, [rspiegel@cfbf.com](mailto:rspiegel@cfbf.com) or 916-446-4647.*

[SCA 22](#) (Allen, D-Santa Monica) would allow a local government to increase school parcel taxes by lowering the voter threshold to 55% of the electorate, instead of the two-thirds vote as required under current law. California Farm Bureau has clear policy stating, "The imposition of parcel taxes should require a two-thirds vote of the electorate." SCA 22 could authorize that the parcel tax be assessed on a square-footage basis for greater equity. In addition, this bill exempts taxpayers 65 years or older and those who receive SSI (supplemental security income) or SSDI (social security disability income), creating another class of voters who do not bear the incidence of the tax. This bill could allow school districts to

levy a parcel tax on commercial, industrial or agricultural properties at a higher rate than the tax imposed on residential properties. California Farm Bureau Federation is part of a coalition opposing the legislation. *Staff contact: Robert Spiegel, [rspiegel@cfbf.com](mailto:rspiegel@cfbf.com) or 916-446-4647.*