



May 15, 2015

Governor Brown released his [revised state budget](#) for FY 2015-16 on Thursday, May 14<sup>th</sup>, and despite a \$6.7 billion increase in revenue over the January forecasts, the spending plan for the General Fund increased only 0.6 percent for a total of \$115 billion and the spending for all funds would increase 2.3 percent to \$169 billion. The largest share of the new revenue will go to K-12 schools and community colleges, \$5.5 billion, as required by the constitution. The recently constitutionally mandated Rainy Day Fund will grow \$633 million to \$3.5 billion and the annual budget reserve would be \$1.1 billion, if approved by the Legislature.

The California Department of Food and Agriculture's (CDFA) budget is proposed to receive an additional \$80 million from the Cap and Trade program. The new Healthy Soils Initiative was directed to get \$20 million that will be used for activities to make the state's soil system more resilient to precipitation and climate variability by increasing soil organic matter content. A day long program was held on Thursday at CDFA to discuss the initiative that was attended by Farm Bureau and many other interested parties. Another \$20 million will go to the Agricultural Energy and Operation Efficiency program that will focus on dairy digester installations. And, an additional \$40 million is being proposed for the ongoing State Water Efficiency and Enhancement Program (SWEET) that provides grant funding to agricultural operations to implement conservation measures that result in water savings and reduced greenhouse gas emissions in irrigation systems.

The May Revision also includes an additional \$2.2 billion of one-time funding for 2015-16 for the governor's Emergency Drought Response in addition to the \$1.9 billion previously appropriated to assist drought-impacted communities and to provide new resources for water infrastructure projects. \$1.7 billion of Proposition 1 funds will be available over the next two or three years for the following Water Board programs and the Department of Water Resources:

- Groundwater Contamination--\$784 million for projects that prevent or clean up the contamination of groundwater that serves as a source of drinking water.
- Water Recycling--\$475 million for water recycling and advanced treatment projects to enhance local water supply resiliency.
- Safe Drinking Water--\$180 million for projects, with priority given to small systems in disadvantaged communities, which help to provide clean, safe and reliable drinking water.
- Wastewater Treatment Projects--\$160 million for small communities to build or upgrade their wastewater systems to meet current standards.
- Stormwater Management--\$100 million for multi-benefit Stormwater management projects that also contribute to local water supplies.

- Groundwater Sustainability—\$60 million to support local groundwater planning efforts. Of this amount, \$50 million is available over the next three years for technical and direct assistance and grants to local agencies for groundwater sustainability governance and planning. An additional \$10 million in immediate funding will be dedicated to counties with stressed groundwater basins to update or develop local ordinances and plans that protect basins and their beneficial users and help facilitate basin-wide sustainable groundwater management under the Sustainable Groundwater Management Act, in coordination with other local water managers.
- Desalination Projects—\$50 million, available over the next two years, to assist local agencies to develop new local water supplies through the construction of brackish water and ocean water desalination projects.

The Governor’s “Committee of Two” with UC President Janet Napolitano yielded a compromise on UC spending that includes a commitment not to increase student tuition for two years in return for a \$633 million increase in temporary assistance to pay down the system’s unfunded pension liability. It should be noted that the University’s retirement system is facing unfunded liabilities of \$7.6 billion in its pension system, as well as on additional \$14.5 billion for health care for its retirees. The governor also succeeded in negotiating a defined benefit annual pension cap of \$117,020 for all new hires after July 1, 2016. The current pension “cap” is a whopping \$265,000 per year.

Two new programs would also be funded by increased tax revenue captured since the January forecasts:

- A first-ever California Earned Income Tax Credit to assist the state’s lowest-income workers. The credit will provide \$380 million in benefits to 2 million Californians.
- Undocumented healthcare would be funded at \$67 million should the President’s executive actions regarding a pathway to citizenship be sustained in the courts. This amount is predicted to grow to \$200 million in FY 2016-17.

A total of \$1.6 billion was added to the May Revision for transportation projects in public transit, high-speed rail and sustainable community development as follows:

- \$100 million for operations in the Low Carbon Transit operations Program.
- \$265 million for rail and transit in the Transit and Intercity Rail Capitol Program.
- \$400 million for affordable housing in the Affordable Housing and Sustainable Communities Program.
- \$500 million for the high speed rail system.
- \$350 million for Air Resources Board clean transportation programs.

In addition to the above the state is accelerating the California Road Charge Pilot program to explore mileage based revenue collection system to provide the funding needed for the repair and maintenance of our highways, local roads and bridges. With the increase in fuel efficient and zero emissions vehicles the current fuel excise tax is not sufficient to fund California’s transportation infrastructure needs.

In most recent years, California has diverted funding away from Career Technical Education (CTE) in favor of the state and federal education priorities that all students must go to college resulting in the focus on the required standardized testing and accountability measures. Because of this there are fewer CTE course offerings and fewer instructors available to teach the courses every year.

The May Revision proposes a \$400 million set-aside for CTE in the next fiscal year which is considerably less than the current \$600 million commitment to CTE. The following year the set-aside would be reduced to \$300 million and in the third year the amount would drop to \$200 million. This is not enough to provide

incentive for the local school districts to continue directing funding to CTE programs. Farm Bureau will continue to work for the full funding the CTE programs.

**F**arm Bureau, in affiliation with the Get REAL education coalition has supported [SB 148](#) (Mike McGuire, D-Healdsburg and Connie Leyva, D-Chino) which appropriates \$600 million annually to high-quality, industry relevant CTE courses and programs. The bill received unanimous support in the Senate Education Committee and is awaiting action in the Senate Appropriations Committee later this month.

**A** bill to allow the extension of urban services, such as non-agricultural water and sewer lines, to existing or planned developments outside a jurisdiction's sphere of influence was approved by the Assembly Local Government Committee. [AB 402](#) (Bill Dodd, D-Napa) was amended at the request of the committee's vice-chair, Lorena Gonzalez (D-San Diego), to limit the application of the bill to Napa, Sonoma, and San Bernardino Counties, require the planned developments to be part of a specific plan, and require a five-year sunset on the measure. Farm Bureau had an oppose unless amended position on the bill because we believe it is overly broad and would allow for new leapfrog developments on agricultural land contrary to the stated purpose of the Cortese-Knox-Hertzberg Act. Our amendment would have limited the extension of urban services to an existing use for fire safety or domestic water when a change in conditions no longer supports the use at existing levels of activity. The author did not accept our attempts to narrow the focus of the bill. The roll call on the measure was as follows: Ayes: Alejo, Chiu, Cooley, Gonzalez, Gordon, and Holden; Noes: Linder, Maienschein, and Waldron.

**T**he Assembly passed legislation that will restrict the use of waivers of employees' rights to sue over alleged wage-and-hour violations. The Chair of the Assembly Labor and Employment Committee (Roger Hernandez, D-West Covina) is the author of [AB 465](#) that prohibits "contracts against public policy" which is defined as a pre-employment agreement where an employee agrees to allow all employment-related disputes to be settled by an arbitrator. In spite of the fact that both the California Supreme Court and the U.S. Supreme Court have indicated in decisions that such agreements are permissible, AB 465's ban of such agreements passed the Assembly on a 45-30 vote. Farm Bureau opposes.

**T**his week the Assembly Appropriations Committee approved [AB 1390](#) (Luis Alejo, D-Watsonville) which is a Farm Bureau sponsored bill to make the groundwater adjudication process more efficient. The committee analysis deemed that the legislation would have minimal impacts on state costs and, therefore, instead of going to the Suspense File, the bill was passed unanimously and sent to the Senate. Thus far the bill has received all unanimous votes in the three committee votes taken. During the hearing Appropriations Committee Chairman Jimmy Gomez asked to be included as a joint author of the measure and praised Mr. Alejo for his good work on this legislation.