



CALIFORNIA FARM BUREAU FEDERATION

FRIDAY REVIEW

LEGISLATIVE AND GOVERNMENTAL UPDATE

May 17, 2013

With the release of Governor Brown's [May Revision](#) of his proposed state budget on May 14th, it is game-on in the final month of budget negotiations. The governor is maintaining a very conservative approach in his spending plan despite an unexpected \$4.5 billion increase in revenue during the current 2012-13 fiscal year. The so-called "May Revise" also forecasts a \$1.8 billion drop in previously estimated revenue for the budget year beginning on July 1st. The governor noted that some taxpayers may have taken capital gains in the 2012 tax year in expectation of higher tax rates with the automatic repeal of the Bush-era tax cuts. He also cautioned that cuts in federal spending and higher payroll taxes could have a slowing effect on the state's economic recovery. He made no bones about the fact that he viewed the Legislature as a "big spending machine" and that he was in no mood to declare victory over the state's fiscal crisis. One of the other significant wild cards in the budget is the impact of federal health care reform and the "costs, risks, and uncertainties" that will accompany it.

The governor's budget revision also would dedicate billions to repay the state's unprecedented borrowing over the last decade. He again referred to the Wall of Debt that was \$35 billion at the end of 2010-11 and will be \$27 billion at the end of the current fiscal year. Based on his Department of Finance's projections, it would be reduced to \$5 billion by the end of 2016-17.

In another sobering discussion of future liabilities, the governor notes that the state must recognize other costs that have been created over many decades but have gone unfunded. For example, beginning in 2015-16 the state will have to begin paying hundreds of millions of dollars more to the California Public Employees' Retirement System to help pay down the \$38.5 billion unfunded liability for state employee pensions. Those higher payments will "need to continue for decades." Also, beginning in 2016-17 the health care costs of retired state workers are projected to rise 59 percent yet the state has not set aside any significant revenue to fund the \$64 billion in those unfunded liabilities. These health care cost liabilities are expected to increase by billions each year.

One of the biggest surprises in the May Revise was the governor's proposal to take the proceeds from the three cap and trade auctions and the revenue from the next four in FY 13-14 as a loan to the state's general fund. The governor said the move was prudent budgeting to build up the state's reserves and to allow the California Air Resources Board more time to flesh out proposals for spending the new fee-based revenue in its [investment plan](#). The loan idea was met with great howling and gnashing of teeth by the various environmental justice, transportation, environmental and planning coalitions that had hoped to have \$500 million in new revenue to spend in the next fiscal year. Farm Bureau has been working with one coalition in an effort to restore funding for the Williamson Act subvention program. Williamson Act spending is part of the board outline for the investment plan but no specific dollar amounts were included. That point is moot for time being unless the Legislature rejects the proposed loan. Some have suggested that the governor's cap and trade loan proposal is nothing more than a

budget gambit to help garner support for his controversial education finance reform proposal. If that turns out to be the case, the Williamson Act funding will seem right at home because it was used as a budget chit for almost a decade.

On a positive note, the citrus industry applauded the governor's plan to authorize the spending of \$28.5 million for the Department of Food and Agriculture's citrus pest and disease prevention program. The May Reviser included an increase in the spending authority of \$2.5 million of citrus industry assessments in 2013-14 and 2014-15 to help prevent the spread of the Asian Citrus Psyllid and Huanglongbing disease. Controlling this vector and the disease that it spreads is crucial to California's \$2 billion citrus industry that produces a third of nation's citrus.

The assault on Proposition 13 continued in full force on Wednesday, May 15th in the Senate Governance and Finance Committee. No less than six constitutional amendments were approved by the committee to reduce the vote threshold to increase the one percent property tax rate or for the imposition or increase of special taxes, including sale and use taxes (SUT), transaction and use taxes (different from SUTs in name only), and parcel taxes. The committee then rejected a commemorative resolution on the 35th anniversary of the passage of Prop. 13. Farm Bureau opposed each of the following proposals:

- [SCA 3](#) (Mark Leno, D-San Francisco) that would lower the vote threshold from a two-thirds vote to 55 percent for a school district, community college district, or county office of education to impose, extend, or increase a parcel tax.
- [SCA 4](#) (Carol Liu, D-La Canada Flintridge) that would lower the vote threshold from a two-thirds vote to 55 percent for local governments to impose, extend, or increase a special tax, including local transactions and use taxes, to fund local transportation projects.
- [SCA 7](#) (Lois Wolk, D-Vacaville) that would lower the vote threshold from a two-thirds vote to 55 percent to raise the one percent property tax rate for general obligation bonds for public libraries as well as for the imposition, extension, or increase of a special tax by a city, county, city and county, or special district for the purpose of funding public libraries.
- [SCA 8](#) (Ellen Corbett, D-Hayward) that would lower the vote threshold from a two-thirds vote to 55 percent for local governments to impose, extend, or increase a special tax, including local transactions and use taxes, to fund local transportation projects.
- [SCA 9](#) (Ellen Corbett, D-Hayward) that would lower the vote threshold from a two-thirds vote to 55 percent for local governments to impose, extend, or increase a special tax, including local transactions and use taxes, to fund community and economic development projects.
- [SCA 11](#) (Loni Hancock, D-Berkeley) that would lower the vote threshold from a two-thirds vote to 55 percent for local governments to impose, extend, or increase any special tax.

Farm Bureau testified that we believe Californians carry an excessive burden of both public debt and taxes. We reiterated our strong support of Proposition 13, including the requirement for a two-thirds vote for the imposition of special taxes. We reminded the committee that our state's farmers and ranchers utilize 30 million acres of private farmland to produce over 400 different crop and livestock commodities and that increasing their taxes would be extremely counterproductive to their job of feeding a large portion of our nation and the world. We also emphasized that special taxes, especially those in the form of parcel taxes, would fall heavily on our members simply because they often own many separate parcels of land to produce agricultural commodities. The vote on all of these proposed constitutional amendments were either 5 to 2 or 5 to 1 with the Democratic members voting "aye" and Republican members voting "no" or temporarily absent from the hearing. Constitutional amendments require a two-thirds vote of the Legislature and a majority vote of the electorate.

[Senate Concurrent Resolution 25](#) (Mark Wyland, R-Escondido) would have commemorated the 35th anniversary of Proposition 13. The measure contains several statements regarding property tax rates, assessment practices, taxpayer benefits, as well as taxpayer support for Proposition 13 and potential changes and alternatives. The SCR states the Legislature's reaffirmation of its support for Proposition 13 and the benefit it provides to individual homeowners and the state's overall economy. The resolution was also defeated on a party-line vote with Republicans voting "aye" and Democrats voting "no." The roll call on SCR 25 was as follows: "AYE:" Emmerson, and Knight; "NOES:" Wolk, Beall, DeSaulnier, Hernandez, and Liu.

[AB 224](#) (Richard Gordon, D-Menlo Park) defines different types of Community Supported Agriculture (CSA) programs. It also requires CSA farms to register with the California Department of Food and Agriculture and creates a new system for regulating CSAs in California to provide a system of compliance with state and local food safety requirements. AB 224 was placed on the Assembly Appropriations Committee Suspense File this week due to potential costs to the state. Farm Bureau is currently supporting AB 224.

[AB 1213](#) (Richard Bloom, D-Santa Monica) that creates a de facto ban on the trapping and sale of bobcats in California was placed on the Assembly Appropriations Committee Suspense File. It originally banned the trapping and sale of bobcats. However, AB 1212 was amended to require the Department of Fish and Wildlife to undertake an incredibly comprehensive population study and the Fish and Game Commission to adopt regulations regarding bobcat trapping based on the study results. If the study and regulations are not completed by July 1, 2015, then all trapping would be prohibited. The study costs are to be funded through trapping license fees. No one expects the Department and Commission to be able to meet the timelines required by the bill, which means bobcat trapping would be prohibited in the state in 2015.

The bill does allow for bobcats damaging property to be trapped. However, it would not allow commercial trappers to set traps for the purpose of preventing future property damage. Farm Bureau is opposed to this bill due to potential impacts on the ability to control bobcats threatening livestock and poultry and due to the priority the Department is being asked to give to bobcats when there are so many other species and issues legitimately needing the Department's attention. The Appropriations Committee will take up its Suspense File on May 24th.

[AB 1165](#) (Nancy Skinner, D-East Bay) will change current law so that abatement of a serious, willful, or repeated violation of a Cal/OSHA standard or a failure to abate a prior violation cannot be delayed by an appeal of the citation by the employer. The Assembly approved AB 1165 on a 47-19 vote. It now goes to the Senate with no policy hearing yet scheduled. Farm Bureau and other employer groups oppose AB 1165.

Several bills of interest moved to the Assembly Appropriations suspense file on May 15:

[AB 10](#) (Luis Alejo, D-Salinas) will raise the state's minimum wage to \$8.25 per hour on January 1, 2014; to \$8.75 on January 1, 2015; and to \$9.25 on January 1, 2016. Beginning on January 1, 2017, AB 10 will index the minimum wage to the California Consumer Price Index, and prohibits any future reduction in the minimum wage should consumer prices go down rather than up. Farm Bureau and most other business groups are opposed to AB 10.

[AB 263](#) (Roger Hernandez, D-West Covina) will impose new penalties for employers for a series of “unfair immigration-related practices”. These include requesting more immigration documents than required under federal law, using E-Verify in a manner not required by federal law, threatening to contact immigration authorities, and others. AB 263 would require courts to permanently revoke all licenses possessed by the business for second or subsequent violations of “unfair immigration-related practices,” causing all that business’ employees to lose their jobs. AB 263 is opposed by a broad coalition of business and agricultural groups, including Farm Bureau.

[AB 880](#) (Jimmy Gomez, D-Los Angeles) will impose substantial new penalties on California agricultural employers that will outstrip any penalties contemplated by the federal Affordable Care Act (ACA). It will impose those penalties on employers of part-time employees who are specifically not required to provide health insurance by ACA. AB 880 will also expand the litigation exposure of agricultural employers by creating a broad new classification of protected employees enrolled in public health benefit programs who will be able to sue their employers for making an adverse employment decision. It expands the Private Attorneys General Act (PAGA) to cover retaliation and discrimination claims that are now generally pursued through Fair Employment and Housing Act (FEHA) and subject to the exhaustion of administrative remedies. AB 880 is opposed by a large coalition of employer’s organizations, including Farm Bureau.

A measure that would amend the Orange County Water District Act and substantially increase the district’s environmental remediation authority is on the Senate Floor and may be voted on soon. [SB 658](#) (Lou Correa, D-Santa Ana) would grant additional statutory authority to the Orange County Water District, including recovery of investigative costs and damages from potentially responsible parties. The measure would overturn several court rulings that have denied relief to the district for cost recovery against businesses already engaged in groundwater remediation. Farm Bureau is part of a coalition opposed to the measure as are the Orange County, San Bernardino County and Riverside County Farm Bureaus.

[AB 31](#) (Richard Pan, D- Sacramento) that deals with milk pool pricing was placed on the Suspense file of Assembly Appropriations Committee. Parties on all sides of the issue are still discussing compromise language intended to allow the bill to move forward to the Assembly floor. The original language in the bill that established a formula for determining the whey value factor in the class 4b price under the State’s milk marketing order was removed and replaced with intent language to allow all parties to continue discussions on the bill. Farm Bureau is in support.