



Budget Deficit Forces Proposed Cuts to Programs

On January 10, Governor Gavin Newsom released a \$291.5 billion 2024-2025 state budget proposal amid what he says is a \$37.86 billion budget deficit. The governor cites the stock market decline in 2022 and tax revenue collection delays in 2023 as the major drivers of the budget shortfall.

Governor Newsom's budget plan reflects a deficit projection that is much lower than the December 2023 estimate from the nonpartisan Legislative Analyst's Office (LAO), which projected a \$68 billion deficit.

The governor says he is more optimistic than the LAO about the future and calls his budget a "normalization and correction after a period of distortion." He is also accounting for differences, such as deferrals of funding to later years, use of Rainy Day state reserve funding, cuts, and fund shifts, among other budget maneuvers.

Regulatory implementation of new laws

With limited exceptions, the governor's 2024-2025 budget plan defers all new discretionary spending to implement recently chartered legislation until the spring when actual revenues become clear. This means funds relating to the regulatory process for new laws are paused for state government departments and agencies. In the meantime, Governor Newsom's Administration and the Legislature will work to prioritize the budget for recently approved statutes.

Where are the budget cuts, shifts, & delays?

During his presentation, Governor Newsom stated that the "belt tightening" is primarily in the areas of climate, housing, school facilities, and not filling vacant state positions.

How is agriculture impacted in the budget?

Many of agriculture's budget priorities are within the climate, energy, and water categories in the budget. The climate portion of the budget maintains about 89 percent of overall climate program funds. However, reductions, shifts and delays are prevalent in the climate category for many agriculture-related programs.

On a positive note, the governor includes over \$22 million in emergency exotic pest response funds to be spent in the existing budget year to respond to the severe fruit fly infestation California faces. Ag Council supports this funding.

On a program of importance to Ag Council members, the proposed budget unfortunately reverts \$18.8 million in previous funding from the Food Production Investment Program (FPIP) back to the General Fund. However, the governor does maintain \$46.2 million for FPIP, and applications will soon open for this funding at the California Energy Commission. Ag Council supports FPIP given the program provides grants to help food processors in California reduce energy use and lower emissions.

Governor Newsom’s proposed 2024-2025 state budget plan will be considered in hearings over the next few months and must be approved by the Legislature by June 15.

Continue reading to learn more about the budget and how the governor’s funding reductions, shifts or delays impact agriculture.

OVERVIEW OF THE GOVERNOR’S 2024-2025 BUDGET PROPOSAL

The funding is listed as proposed by the governor, and the budget plan must now be considered and approved by the Legislature by June 15.

Please note this is an overview the proposed budget and is not a comprehensive list of all agriculture, energy, and water funding in the governor’s budget.

Energy

Food Production Investment Program (FPIP)

- Maintains \$46.2 million at the California Energy Commission for this grant program assisting food processors in lowering energy use and carbon emissions. \$18.8 million in General Fund dollars previously allocated for FPIP reverts to the General Fund due to the budget deficit.

Pests & Diseases

Emergency Exotic Pest Response at CDFA

- \$22.1 million from the current 2023-2024 budget to “respond to multiple potentially harmful and destructive exotic fruit fly infestations throughout the state.” The governor’s budget plan notes “California is experiencing the largest fruit fly infestation in its history.” Ag Council supports funds to address this emergency.

Water

State Water Efficiency & Enhancement Program (SWEEP) at CDFA

- \$20.6 million shifted out of the General Fund to the Greenhouse Gas Reduction Fund (GGRF) for SWEEP. The funds are delayed until the 2024-2025 budget year beginning in July.

Drought relief program

- \$17 million is maintained in the California Emergency Relief Fund for farms, and \$12.9 million is cut from the program.

Flood Safety

- \$31.3 million to continue multi-benefit flood risk reduction projects in the Central Valley.
- \$33 million for the state commitment to U.S. Army Corps of Engineers projects and Urban Flood Risk Reduction efforts to reduce flood risks.

Dam Safety

- \$50 million is maintained as previously allocated for dam safety investments while the budget cuts \$50 million in General Fund dollars.

Department of Pesticide Regulation (DPR)

Mill fee increase at DPR

- The budget proposes the following: an additional mill assessment of \$14.3 million in 2024-2025, \$24.9 million in 2026-2027, and \$24.8 million thereafter.
- The mill fee increase was anticipated due to what DPR states is a fund imbalance and funding for the implementation of Sustainable Pest Management.
- Ag Council will weigh-in on this issue along with other ag organizations.

Climate Smart Ag

Healthy Soils Program at CDFG

- The Healthy Soils Program does not receive funding in the governor's 2024-2025 budget plan. However, the program has funding remaining in the current budget year, and a grant solicitation is anticipated soon.

FARMER Program at California Air Resources Board (CARB) & local air districts

- The budget proposal does not include funds for the FARMER program. Ag Council is advocating that the Legislature include funding for FARMER, along with other ag partners. This incentive program helps farmers replace ag equipment - such as tractors, trucks, harvesters, etc. - with cleaner engines to lower emissions.

Animal Agriculture

Livestock Methane Reduction Program at CDFG

- Shifts \$24 million from the General Fund to GGRF for this program and delays the spending of the \$24 million to 2024-2025.

Enteric Methane Incentives

- Rescinds \$23 million for the Enteric Methane Incentives Program and maintains the \$2 million previously allocated.

South Valley Laboratory Repair in Tulare County

- \$22.7 million from the General Fund in 2023-2024 to repair extensive damage to the California Animal Health and Food Safety South Valley Laboratory caused by severe flooding in March 2023. The laboratory is one of the primary surveillance systems for emerging animal diseases in California.

Additional Climate-Related Funding

Urban Greening

- Maintains \$75 million over four years. \$23.8 million in funding is shifted from the General Fund to GGRF with those funds delayed to 2024-2025.