



## **Governor Releases State Budget Plan**

### *How Does it Impact Agriculture?*

Governor Gavin Newsom released his 2026-2027 proposed budget in early January. The nearly \$349 billion California budget proposal kicks off the governor's final year in office given his term concludes in January 2027.

During his recent State of the State address, the governor did not mention a deficit. However, Governor Newsom's Department of Finance projects a \$2.9 billion deficit for the 2026-2027 budget.

This contrasts with the \$18 billion deficit projected by the Legislative Analyst's Office, which incorporates an economic downturn into its budget estimate while the governor did not. In addition to the deficit, federal efforts to withhold funding from California pose budget impediments in multiple areas for the state, such as highway safety and social services.

In the meantime, the state has \$23 billion in total budget reserves to address current and future deficits.

### **What's in the budget proposal related to agriculture?**

The governor's plan outlines the following 2026-2027 budget allocations. The proposal is now being reviewed by the Assembly and Senate Budget Committees.

#### Prop 4 Climate Bond funding (partial list)

- Healthy Soils - \$25.9 million
- Multibenefit Land Repurposing Program - \$65 million
- Urban Greening - \$1 million
- State Water Resources and Enhancement Program (SWEEP) - \$700,000
- Groundwater storage, banking and recharge projects - \$ 20 million
- Repairs to existing infrastructure and competitive grants for new conveyance projects to improve water supply reliability & safe drinking water - \$45 million

## New Ag-Related Funding Proposed by Governor Newsom

- Enteric Methane Incentives Program one-time General Fund allocation - \$23 million. Enteric methane is a byproduct of fermentation in the digestive system of ruminant animals.
- Farm to School Program ongoing General Fund - \$25.2 million. This program assists with local food purchases from farmers for schools, as well as hands-on food education opportunities for students.

## Advocating for Key Food & Ag Programs

Ag Council and other agricultural organizations continue to meet with state legislators and staff to pursue funding for the following four programs: Food Production Investment Program (grants to lower emissions at food processing facilities), FARMER (ag equipment upgrades), livestock methane reduction programs and sustainable ag waste management (alternatives to ag burning).

The four food and ag programs mentioned are among the most effective programs in the state to substantially reduce greenhouse gas emissions, improve air quality and lower energy use, particularly in disadvantaged and low-income communities. Unfortunately, the programs are not part of the governor's budget plan, so Ag Council and 20 other organizations sent a joint letter to the Assembly and Senate Budget Committees, as well as the governor, supportive of funding for the four programs.

In the past, the programs have received either Greenhouse Gas Reduction Fund (GGRF) dollars derived from the cap and invest program (formerly cap and trade) or General Fund dollars when available.

The challenges to attaining funding include the fact that the cap and invest auction revenues from the fall auction were below what was expected and there is a very competitive environment for funding requests as a result.

On a more positive note, many legislators and staff recognize the need to fund the programs, and agriculture has several champions in its corner, including Assembly Ag Committee Chair Soria, Assembly Majority Leader Aguiar-Curry, Assembly GOP Leader Flora, Senate Ag Committee Chair Caballero, Senator Hurtado, Senator McNerney and others.

## Next Steps

The governor's proposed budget is being reviewed by the Assembly and Senate Budget Committees over the next few months and negotiations between the governor and legislators will be ongoing through the spring. Ag Council remains actively involved in the process on behalf of our members.

Governor Newsom will release a revised budget in May, which will more accurately reflect the state budget post-tax returns.