



August 21, 2015

[SBX1 1](#) (Jim Beall, D-San Jose) that would generate \$4.3 billion annually in new transportation taxes and fees was approved by the Senate Transportation and Infrastructure Development Committee in the First Extraordinary Session. The vote was 9 to 2 with Republicans voting no or abstaining. The bill would increase virtually all taxes and fees on vehicles and fuel as follows:

- Gasoline excise tax would increase from \$0.30/gallon to \$0.42/gallon,
- Diesel excise tax would increase from \$0.13/gallon to \$0.35/gallon,
- Vehicle registration fee would increase from \$43 per vehicle to \$78 per vehicle and an additional new \$100 fee would also be imposed on zero emission vehicles.

Governor Brown called the Extraordinary Session to address a projected \$59 billion shortfall over the next 10 years to adequately maintain the existing state highway system. Local governments have also estimated a funding shortfall for maintaining existing local streets, highways, and bridges at \$78 billion over the same time period. Senator Beall stated that the state transportation system is critical to California's economic well-being and his bill creates a much-needed funding plan to address the maintenance backlog of our aging systems.

Farm Bureau in its opposition letter to the special session committee, chaired by Senator Beall, sided with the Republican Leaders in both the Senate and Assembly who believe that investing in California's highways, roads, and bridges is actually a question of spending priorities, not lack of revenue. We noted that state spending for almost every program area in the state budget has grown significantly since the 2007-09 great recession ended, yet transportation infrastructure received very little and has been the lowest priority for new state funds. Tax receipts from all sources are flowing into the state's treasury at a rate that is far exceeding projected expectations. This year's state budget increased \$7.5 billion and tax receipts are \$6 billion higher than anticipated, but transportation financing was ignored. Also, highway user fees such as \$1 billion annually in truck weight fee revenue have been diverted to the state's General Fund instead of being used for maintenance and repair. Finally, it should be noted that only 20 percent of the \$10.6 billion raised annually from the gas tax and other transportation fees goes to road repair and new construction. For example, state transportation revenues have more than doubled in the last 15 years, yet the Legislature has used fuel taxes and weight fees as a cash-cow to pay down the debt on the \$20 billion Proposition 1B transportation bonds. These bonds were sold to voters as general obligation bonds that were to be paid for by revenue from the state's general fund. Instead, the Legislature essentially converted those bonds to revenue bonds, without voter approval, at a very significant cost to ongoing operations, maintenance, retrofit, and upgrading of the existing transportation system.

In a subsequent meeting with Senator Beall, he said he would like to work with Farm Bureau to gain its support. He pointed to a provision in his bill that would earmark \$0.12 of the diesel fuel tax increase, resulting in about \$300 million annually for 10 years, and deposit it in the Trade Corridors Improvement Fund. These funds are allocated by the California Transportation Commission for infrastructure improvements on corridors that have a high volume of freight movement, such as transportation corridors to our ports. We pointed out that rural counties have traditionally been shortchanged by the gas tax apportionment formula, the same one used in SBX1 1, because 75 percent of the revenue allocated to counties is apportioned based on the number of registered vehicles in the county and only 25 percent flows to counties based on their mileage of road maintained.

Assemblyman Mike Gatto (D-Glendale) introduced [ABX2 – 14](#) in the second extraordinary session this week which would require labeling of food grown using “produced water” from oil production. A few water districts in Kern County have depended on this water for irrigation for more than 20 years. Produced water is water extracted during the oil extraction process. The water is treated and meets standards set by the Regional Water Quality Control Board in its waste discharge permit prior to being supplied for irrigation. Farm Bureau opposes ABX2 – 14.

[AB 1063](#) (Das Williams, D-Santa Barbara) increased the tipping fee from \$1.40 to \$4.00. Concerns expressed by Farm Bureau and a coalition of other agriculture and business interests were heard this week as AB 1063 was pulled from the Senate Environmental Quality Committee and will not move forward this year. AB 1063 would have redirected future funding for CalRecycle from the tipping fee to a waste generator fee which could easily exceed a total of \$50 million in the very near future. Transitioning the entire cost of a program to a group of fee payers who do not directly benefit from the services to be provided is a tax under proposition 26 and clearly one that should not be run through the Legislature in the last 30 days of session. We committed to work with the author and administration to address the challenges that have been created when state law established a 75% statewide recycling goal to be met by 2020.

[AB 1390](#) (Luis Alejo, D-Watsonville) would add a new chapter to the Code of Civil Procedure making improvements to the judicial proceedings of comprehensive adjudications of groundwater rights in a basin. These changes will reduce the burden of groundwater adjudications on both the courts and claimants without altering the law of groundwater rights and without disrupting the Sustainable Groundwater Management Act planning process. The goal of AB 1390 is to address the time sinks that occur in current groundwater adjudications by clarifying the processes that must be followed. AB 1390 was referred back to the Senate Appropriations Committee and will be heard August 24. The measure is sponsored by the Farm Bureau.

[SB 226](#) (Fran Pavley, D-Agoura Hills) is also an adjudication measure that includes some of the language from AB 1390, all of the language of a third adjudication bill drafted by the administration and then some of its own provisions. Farm Bureau is opposed to this bill as it includes state intervention language that we find unacceptable, grants other state authorities that we believe should not be granted and places all the language in the 2014 Sustainable Groundwater Management Act which we believe impacts groundwater rights. Meetings are being held with the Senator’s staff and legislative policy and fiscal committee staff to attempt to eliminate Farm Bureau’s concerns. SB 226 is in the Assembly Appropriations Committee and will be heard August 26.

Senate and Assembly Appropriations Committees sent many bills to the Suspense file this week due to their costs to the state. The legislative leadership will determine which bills get to move forward which will be announced next week in their respective Appropriations Committee hearings. The following bills that are of importance to agriculture went to suspense:

Senate:

[SB 350](#) (Kevin de Leon, D-Los Angeles) is the Senate president pro tempore's far-reaching Clean Energy and Pollution Reduction Act of 2015, which codifies the targets laid out in Governor Brown's 2015 Inaugural Address. It imposes arbitrary and unrealistic standards to be achieved by 2030: a 50 percent reduction of petroleum use; a 50 percent increase in the current Renewable Portfolio Standard; and a 50 percent energy efficiency increase in buildings—all without regard to the impact on individuals, jobs and the economy. Farm Bureau is actively working with a large business coalition that remains opposed.

[SB 32](#) (Fran Pavley, D- Agoura Hills) extends the state's mandatory greenhouse gas (GHG) emissions reduction program to 40% below 1990 levels by 2030 and 80% below 1990 levels by 2050. The original GHG mandate, AB 32, was passed and signed into law in 2006 to reduce greenhouse gas emissions to 1990 levels by 2020, equivalent to a 30% reduction in emissions compared to a "business as usual" trend. Farm Bureau opposes.

[SB 3](#) (Mark Leno, D-San Francisco) increases the state minimum wage to \$11/hr. on 1/1/16, \$13/hr. on 7/1/17 and indexes it thereafter to inflation. Farm Bureau opposes.

[SB 406](#) (Hannah-Beth Jackson, D-Santa Barbara) expands the scope of the California Family Rights Act (CFRA) to cover employers with 25 employees within a 75 mile radius (present law applies CFRA to employers with 50 employees within a 75 mile radius. Farm Bureau opposes.

Assembly:

[AB 20](#) (Luis Alejo, D-Salinas) urges Congressional action on immigration reform and establishes a program to provide legal status to agricultural workers living and working in California. This program would be operated by the state with the assent of the federal government. Passage of AB 20 will send an important signal to Congress to act on immigration reform. Farm Bureau supports.

[AB 561](#) (Nora Campos, D-San Jose) amends the Agricultural Labor Relations Act (ALRA). It requires an employer appealing a board order imposing a contract by order of the ALRA Board as a result of mandatory mediation and conciliation to post a bond for the "entire economic value of the order." Farm Bureau opposes.

[AB 761](#) (Marc Levine, D-San Rafael) authorizes the California Department of Food and Agriculture to establish a grant program to fund voluntary projects that increase carbon sequestration in agricultural soils, improve soil water retention, and increase the resilience of working lands to climate change and drought. If funded, it would come from the Greenhouse Gas Reduction Fund, with final appropriation decisions to likely occur next week. Farm Bureau supports.

[AB 1496](#) requires the California Air Resources Board (CARB) to conduct a life-cycle greenhouse gas (GHG) analysis on natural gas produced in the state as well as natural gas imported into the state. It updates

the GHG emission factors when natural gas is used for electric generation and transportation fuel and requires CARB to study and evaluate whether methane should be reclassified as precursor to ozone. CARB already has the authority to do this type of work and is currently collaborating with NASA's Jet Propulsion Laboratory to identify large "hot spot" methane sources in the San Joaquin Valley. However, there is concern that the bill presupposes the outcome of the recommended study by specifying that independent science experts should "evaluate whether methane should be reclassified as a contributor to the formation of air pollution." Rather than specify the conclusion that should be assessed, Farm Bureau and other concerned parties have requested that the language be changed to evaluate if any further action is needed on methane. Farm Bureau opposes.