

SUSTAINABLE AGRICULTURE

California is the nation's top agricultural producing state with over 400 different crops, including a number of crops grown only in California. Nearly 70,000 farms and ranches generate approximately \$50 billion in annual sales and are a crucial economic driver in many rural communities. However, it is also an industry that faces many challenges, including climate change and water uncertainties, but also growing scientific knowledge about the harmful health impacts of traditional pesticides on farmers, farmworkers and surrounding communities.

To address these challenges, farmers and ranchers continue to innovate by adopting agile technology, expanding in local and global markets, and developing sustainable, climate-smart agricultural practices. As the state begins to recover from the COVID-19 Recession, agriculture will play an important role in the economic recovery in certain regions of the state. The federal COVID-19 relief bill provides \$13 billion nationwide for direct payments, purchases, and loans to farmers and ranchers who have suffered losses as a result of the COVID-19 Pandemic. It also includes funds to support the food supply chain through food purchases, donations to food banks, and support for local food systems. The state's agricultural producers will benefit from this economic relief, and the Budget builds on this federal support.

To complement federal stimulus efforts, the Budget includes strategic investments to support California's agriculture industry as it addresses continued challenges while also producing nutritious food and advancing the state's climate resilience objectives.

COVID-19 AND PROTECTING FRONTLINE AGRICULTURAL WORKERS

The COVID-19 Pandemic has taken a significant toll on the state's food system, and close to half of the food supply chain was disrupted due to the closure of food service and hospitality businesses. Additionally, the food and agricultural industry was impacted by changes in agricultural product demand as a result of disruptions in the export markets and distribution, packing, and supply chain logistics. Farmers, farmworkers and the entire food and food-value chain moved swiftly and effectively to redirect supply lines from food service to retail and on-line platforms where possible.

At the same time, California agriculture harvested and donated food that lost its market to food banks, schools, and local charities. In addition to those donations, the Farm to Family program of the California Association of Food Banks has received and delivered 170 million pounds of fresh fruits and vegetables, and 47 million pounds of shelf-stable foods to local food banks, equivalent to 260 million meals.

As the COVID-19 Pandemic continues, the need remains to protect the state's frontline workers, their families, and their local communities, including agricultural employees. In partnership with the California Governor's Office of Emergency Services and the County Agricultural Commissioners, the Department of Food and Agriculture has distributed over 21 million surgical masks, 2 million cloth masks, 6 million N-95 masks, 1.8 million gloves, and 313,000 units of hand sanitizers for agricultural workers.

The Housing for the Harvest program was established in July 2020 to provide temporary housing options for farm and food processing employees to self-isolate if they test positive for, or are exposed to, COVID-19. The program consists of a partnership between the state, counties, and local community-based organizations.

SMALL AND MID-SIZE FARM SUPPORT

Recognizing that many sectors in agriculture continue to struggle, the Budget includes \$6.7 million one-time General Fund (\$3.35 million in 2020-21 and \$3.35 million in 2021-22) to contract with the University of California Cooperative Extension to provide direct technical assistance and grants to technical assistance providers and small, mid-sized, and underserved farmers. These resources will help farmers with business planning, navigating regulatory compliance, and accessing and leveraging additional state and federal funds.

CLIMATE SMART AGRICULTURE

Building on California's leadership in reducing greenhouse gas emissions and protecting communities and natural places from climate impacts, the Budget includes investments to support the agriculture industry advance Climate Smart Agriculture.

- Funding Agricultural Replacement Measures for Emission Reductions (FARMER)—\$170 million one-time Greenhouse Gas Reduction Fund (\$90 million in 2020-21 and \$80 million in 2021-22) for the Air Resources Board to provide funding that supports the replacement of agricultural harvesting equipment, agricultural pump engines, tractors, and other equipment used in agricultural operations to reduce greenhouse gas emissions.
- Healthy Soils Program—\$30 million one-time Greenhouse Gas Reduction Fund (\$15 million in 2020-21 and \$15 million in 2021-22) for the Department of Food and Agriculture to provide grants for on-farm soil management practices that sequester carbon.
- Climate Catalyst Fund—\$50 million one-time General Fund to the California Infrastructure and Economic Development Bank (IBank) to support Climate Smart Agriculture loans to advance projects that may include but are not limited to: methane reduction; equipment replacement; water efficiency; healthy soils; circular economies; on-farm bioenergy; energy efficiency for food processing; and renewable energy systems and energy storage for agricultural operations.

WATER EFFICIENCY AND SUSTAINABLE GROUNDWATER

A significant number of groundwater basins in the Central Valley are critically over-drafted. Agricultural water demand will likely continue to outpace available water supplies into the future. In recognition that the amount of groundwater available for use will be lower than historical pumping levels that have depleted aquifers, the Administration is supporting local communities and the agriculture industry transition to sustainable groundwater use by aligning state investments and policies to enable implementation of the Sustainable Groundwater Management Act. The Budget proposes \$100 million one-time General Fund, which includes \$50 million as part of the Administration's proposed early action to support water efficiency projects and a transition to sustainable groundwater.

- Sustainable Groundwater Management Act Grants—\$60 million one-time General Fund (\$30 million in 2020-21 and \$30 million in 2021-22) to the Department of Water Resources for grants to support economic mitigation planning and groundwater implementation projects across critically over-drafted basins.
- State Water Efficiency and Enhancement Program Grants—\$40 million one-time General Fund (\$20 million in 2020-21 and \$20 million in 2021-22) to the Department of Food and Agriculture to provide incentives that help farmers reduce irrigation water use and reduce greenhouse gas emissions from agriculture pumping.

CALIFORNIA'S IMPLEMENTATION OF THE FOOD SAFETY MODERNIZATION ACT

The Budget includes \$8.7 million in ongoing federal fund authority and 24 positions to continue and expand the Department of Food and Agriculture's Produce Safety Program. The Food Safety Modernization Act established federal science-based minimum standards for the safe growing, harvesting, packing, and holding of fruits and vegetables grown for human consumption. The Act enables the United States Food and Drug Administration to better protect public health by strengthening the food safety system and focusing more on preventing food safety issues rather than reacting to problems after they occur.

The Produce Safety Program was created within the Department of Food and Agriculture to address the planning of enhancements needed to bring California farms into compliance with the Act. These resources will enhance the Department's ability to create a more robust inspection program, conduct inspections on a minimum of ten percent of farms covered, provide education and outreach to California produce farmers, develop and validate the existing farm inventory database, and provide assistance during a food-borne outbreak crisis.

FARM TO SCHOOL

Farm to School programs improve the health and well-being of California school children through integrated nutrition education and healthy food access. Hundreds of millions of meals are served each year in California schools, and expanding opportunities for local food procurement that is tied to nutrition education is essential for establishing healthy eating habits that children can carry into adulthood.

Procurement of more California grown food also supports connecting California's agriculture to California consumers.

The Budget includes \$10 million one-time General Fund to continue the Office of Farm to Fork's Farm to School Program. This funding will build upon the success of the pilot program established in the 2020 Budget Act and continue to support California farmers and expand healthy food access by providing grants to schools to establish programs that coordinate local and California grown food procurement and utilization in school meals. The funding will also support food and agriculture education in classrooms and cafeterias through experiential learning opportunities in school gardens, on farms, and other culinary and agricultural pathways.

IMPACT ASSESSMENT AND ALIGNMENT OF REGULATORY REPORTING REQUIREMENTS FOR AGRICULTURE

The agriculture industry is subject to regulatory and reporting requirements across various state agencies. The Budget includes \$6 million one-time General Fund for regulatory alignment and efficiencies, including \$4 million in 2020-21 to engage a consultant to evaluate and implement the alignment of regulatory reporting activities across state agencies to reduce unnecessary burdens to farmers and ranchers in their efforts to meet regulatory compliance. The Budget also includes \$2 million in 2021-22 to support a business assessment to explore the establishment of a unified licensing portal at the Department of Food and Agriculture.

NETWORK OF CALIFORNIA FAIRS

The Network of California Fairs consists of 74 fairgrounds with different governance structures. A total of 53 fairgrounds are state-affiliated, have state civil service employees and are subject to various state requirements.

In 2020, the impact of the COVID-19 Pandemic adversely affected the ability of fairgrounds to generate revenue. Fairground revenue is generated by holding mass gatherings for social, commercial, and community events, including an annual fair. The annual fair event is the primary revenue generator for a fairground to cover the expenses of the event and to fund costs of daily operations and payroll throughout the year. At the same time, many fairgrounds continued as a component of the state's emergency network, serving as base camps and shelter during fires, COVID-19 testing sites, and food bank distribution sites. The COVID-19 Pandemic has negatively

impacted fairgrounds financially, but also has created an opportunity to improve the current business model.

Recognizing the significant economic hardship on fairs, the 2020 Budget Act included \$40.3 million one-time General Fund to support state-affiliated fairs that are projected to have insufficient reserves to pay legally mandated costs that may be incurred during the state civil service layoff process. The Administration plans to use a portion of anticipated remaining funding to also support general fairgrounds operational costs not limited to the staff layoff process.

The Administration is also in the process of evaluating alternative business and governance structures to enable fairs to operate more efficiently, meet local community needs and serve public health and safety roles in the state's emergency response system.

The Budget includes \$50 million one-time General Fund in 2021-22 to continue supporting state-affiliated fairgrounds operational costs while the state evaluates alternative business models. The Budget also includes \$10 million one-time General Fund to support fairground deferred maintenance, with a priority on fairgrounds that are used to support emergency operations.

INTEGRATED PEST MANAGEMENT (IPM) PROGRAMS

To facilitate the transition to safer, sustainable pest management, the Budget includes \$3.75 million ongoing (General Fund through 2023-24, transitioning to Department of Pesticide Regulation Fund in 2024-25) for the Department of Food and Agriculture to continue development of innovative pest management strategies, including the Interregional Research Project No. 4, Proactive IPM, and the Biologically Integrated Farming Systems grant program. These programs support non-conventional pest management technologies for specialty crops, research exotic pests that are likely to arrive in California to proactively identify mitigation strategies, and provide outreach of biologically integrated plant-based farming systems that reduce chemical insecticide use.

The Budget also includes \$8 million ongoing (General Fund through 2023-24, transitioning to Department of Pesticide Regulation Fund in 2024-25) to the Department of Food and Agriculture to expand CSU and UC research and extension capacity for IPM through cooperative agreements. As discussed in the Environmental Protection Chapter, the Budget proposes to replace the current flat-fee mill assessment on

pesticide sales with a risk-based tiered mill assessment, assessing a higher fee on higher toxicity pesticides, which will be phased-in over four years. Over the course of four years, General Fund support for these programs will decrease and be offset by the Department of Pesticide Regulation Fund as the tiered mill assessment is gradually phased in.

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