

# The 2019-20 Budget: California Department of Food and Agriculture

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## Summary

In this analysis, we assess the Governor's 2019-20 budget proposals for the California Department of Food and Agriculture (CDFA). Specifically, we review and make recommendations regarding the Governor's proposals to (1) create a new Citrus Pest and Disease Prevention Division (CPDPD) within CDFA and (2) combine seven separate budget proposals into a single budget document. We also briefly discuss the Governor's proposal related to safe and affordable drinking water. In summary, we recommend the following:

- **Citrus Pest and Disease Prevention.** Approve the Governor's proposal to establish a new CPDPD within CDFA in order to improve the effectiveness of CDFA's efforts to suppress and eradicate pests that threaten the state's citrus crops. Require the department to report at budget hearings on (1) why the measures it is currently implementing have been insufficient to stop the continuing geographic spread of Asian Citrus Psyllid (ACP) and Huanglongbing (HLB), (2) how the Governor's proposal will address any shortfalls in the current program, (3) what targets and outcomes CDFA would use to measure the effectiveness of its ACP/HLB suppression efforts, (4) whether there are additional measures that the state should implement to suppress ACP and HLB, and (5) why CDFA estimates it will not spend all of the funds budgeted in 2018-19 for suppression and eradication of citrus pests.
- **Budget Transparency.** Direct the administration to revert to the long-standing practice of providing standalone budget change proposals (BCPs) specifically for proposals that include (1) new positions; (2) funding for new activities; and/or (3) extensions of funding, activities, and/or positions that the Legislature previously had authorized only on a limited-term basis. We further recommend legislative staff and members request additional information about any of the seven proposals included in the Technical Adjustments BCP for which they believe additional detail and rationale is needed.

## DEPARTMENT OVERVIEW

CDFA is charged with protecting and promoting the state's agriculture. The department manages programs in the areas of (1) animal health and food safety, (2) crop inspection, (3) agricultural marketing, (4) enforcement of weights and measures, and (5) plant health and pest prevention. Many of the department's activities

are conducted in partnership with county agricultural commissioners (CACs) and county sealers of weights and measures.

The Governor's budget proposes \$566 million from various funds for support of CDFA in 2019-20. This is a net decrease of \$128 million, or 18 percent, from the estimated current-year spending level. This

year-over-year decrease in spending is mainly explained by a few one-time appropriations made in 2018-19 that are not proposed in 2019-20. The specific reductions include (1) a net reduction of \$62 million from the Greenhouse Gas Reduction Fund (reflecting a proposed spending reduction of \$74 million for methane reductions from dairies, partly offset by a proposed increase of \$13 million for the Healthy Soils Program); (2) a net reduction of \$23 million in Proposition 68 (2018) bond funds mostly related to decreased spending on the Healthy Soils Program and water efficiency; and (3) a \$15 million reduction in General Fund spending for grants to provide nutrition incentives to CalFresh clients who purchase fruits and vegetables at farmers markets and funding to small businesses to purchase energy-efficient refrigeration units.

## CITRUS PEST AND DISEASE PREVENTION

### Background

**California Partners With Federal and Local Agencies on Pest Prevention.** State law requires CDFA to prevent the introduction and spread of injurious insects or animal pests, plant diseases, and noxious weeds. CDFA works in partnership with many government and private organizations to implement the state's pest prevention system because invasive species concerns cut across many different jurisdictions. For example, the U.S. Department of Agriculture focuses its pest prevention efforts on pests of nationwide concern and preventing pests from entering from foreign countries. CDFA's Plant Health and Pest Prevention Services (PHPPS) Division and CACs focus on state and local pest prevention efforts. Agricultural industry groups primarily focus on pests of concern to a specific commodity group. For example, in recent years the citrus industry has provided funding for the state's efforts to detect and eradicate ACP, an insect that is a vector for HLB, a disease fatal to citrus trees.

**Citrus Is a Major Crop in California.** According to CDFA, in 2017 California accounted for 51 percent of the U.S. citrus production. In

that year, the total value of California's oranges, grapefruit, lemons, mandarins, and tangerines was estimated at about \$2.2 billion. About 90 percent of California's citrus industry is located in six counties (Fresno, Kern, Tulare, Ventura, Riverside, and San Diego). In addition to commercial citrus crops, CDFA estimates over 50 percent of residential properties have at least one citrus tree.

**HLB Is Fatal for Citrus Trees.** ACP is a non-native insect pest that serves as the vector for HLB. When the ACP feeds, it injects a toxin that causes citrus tree leaves to twist and die. More importantly, ACP is the vector of the bacterium that causes HLB, an incurable disease that eventually causes trees to die. Infected trees must be removed and destroyed to ensure they do not serve as a reservoir for the bacteria. The first HLB-infected tree in California was confirmed in Hacienda Heights in 2012. HLB can have a significant effect on citrus production. According to a study by the University of Florida, from 2006-07 through 2013-14 Florida's orange production declined by an estimated 24 percent due to HLB. The economic impacts of HLB in Florida over the eight-year period were estimated to be losses of \$7.8 billion in cumulative industry output, or an average annual loss of \$975 million.

**Industry Funds Suppression Activities.** The industry provides funding for ACP and HLB suppression activities through a self-assessment of up to \$0.09 per carton (equivalent to 40 pounds of citrus fruit). Funds raised through the industry self-assessment—as much as \$21 million in recent years—are deposited into the Citrus Disease Management Account in the Food and Agriculture Fund. Until 2017-18, the industry also provided about \$500,000 per year to reimburse CDFA for citrus grove surveys that involve trapping insects and analyzing the results of trapping efforts. In addition, the state and federal governments have provided funding for suppression and eradication activities in prior years. In 2018-19, the department estimates it will spend a total of \$41 million (of \$49 million budgeted) on suppression and eradication activities which we discuss in more detail below. This amount includes \$10 million in one-time General Fund support and \$16.3 million from the Food and Agriculture Fund.

**PHPPS Division Leads Pest Control Efforts.**

The PHPPS division (one of five divisions at CDFA) investigates the existence of pests, determines the probability of a pest spreading, and determines the feasibility of its control or eradication. Then PHPPS takes action to suppress and/or eradicate a pest. Upon detection of ACP or HLB in a new area, quarantine boundaries are created by PHPPS. Hold notices are then placed on all businesses or properties where citrus nursery stock; host plants; or citrus fruit is grown, processed, or stored. After an emergency quarantine becomes effective, agreements are signed with these entities to allow the movement of fruit and nursery trees within and out of the quarantine area under specific conditions, such as passing an inspection. Ongoing enforcement and oversight visits occur (no less than monthly) to ensure the entities are adhering to the compliance agreement conditions.

A key objective of PHPPS's ACP/HLB suppression and enforcement activities is to prevent HLB from spreading to commercial citrus groves. In counties considered to be infested with ACP, growers engage in area-wide management activities. For example, growers in Riverside, Imperial, Ventura, San Bernardino, Santa Barbara, and San Diego Counties have transitioned to area-wide ACP management which requires that CDFA conduct residential buffer treatments around commercial groves that participate in the coordinated area-wide treatment.

The PHPPS division includes a total of 641 permanent positions and 300 temporary (seasonal) positions. Three of these staff are dedicated solely to the citrus program. Other staff that work on ACP/HLB activities usually also work on other pest and disease prevention activities in addition to their work with the citrus program.

**ACP/HLB Suppression and Eradication Activities Are Sometimes Affected by Other Pest Outbreaks.** Core citrus program activities can be delayed or not conducted at all if emergencies such as fruit fly or other significant agricultural pest infestations occur. For example, in November and December 2017, the majority of the staff working on the citrus program were redirected to work on a major Mediterranean Fruit Fly infestation in Los

Angeles County, delaying survey, treatment, and HLB tree removal activities.

**California Citrus Pest and Disease Prevention Committee (CCPDPC) Recently Released an Action Plan.** Chapter 426 of 2009 (AB 281, de León) created in CDFA the CCPDPC (consisting of citrus producers, citrus nursery operators, and one public member) and gave it the authority to develop—subject to the approval of the Secretary of CDFA—a statewide citrus specific pest and disease work plan. Accordingly, in December 2018, the CDFA released an action plan for ACP and HLB in California. The action plan includes the following priorities:

- Quickly detect and eradicate diseased trees by improving the urban survey and sampling processes, continuing quick mandatory tree removal of infected trees, and collaborating with the scientific community on early detection efforts.
- Control movement of psyllids around the state and enforce regulations by increasing enforcement staff with emphasis in HLB quarantine areas and implementing a regional ACP quarantine with performance standards.
- Suppress psyllid populations by promoting grower participation in area-wide treatment programs, removing uncared for host plants, continuing to use biocontrol (such as wasps), and continually assessing urban treatment protocols.
- Use outreach and collaboration to encourage homeowner and industry participation in program efforts and foster local governments' support for program activities.

CDFA has stated its intent to sustain and protect commercial production of citrus in California through the implementation of the action plan for ACP/HLB.

**Governor's Proposal**

**Establish New CDFA Division for ACP and HLB Suppression and Eradication.** The Governor's budget plan for 2019-20 proposes to establish a new division within CDFA, called CPDPD. According to the administration, the

division would be focused on carrying out HLB eradication and ACP control efforts in a systematic and consistent manner that addresses local conditions, and would allow the state to augment current quarantine regulation enforcement activities in existing and newly detected areas. It is the intent of the administration in creating the new division dedicated to citrus pest prevention to avoid interruptions to ACP/HLB suppression and eradication efforts such as what occurred when there was a Mediterranean fruit fly infestation in Los Angeles County in late 2017.

The Governor’s budget plan proposes a \$5 million augmentation (\$2.5 million from the General Fund and \$2.5 million from the Food and Agriculture Fund) and 65 new positions. The new CPDPD would consist of 226 positions as follows:

- 106 existing permanent positions and 56 existing seasonal staff positions currently working in PHPPS on the citrus program and other activities would be reassigned to CPDPD. According to the department, these staffing levels reflect the estimated amount of time PHPPS staff spend on ACP and HLB-related activities.
- 61 new permanent positions would be established consisting primarily of new management staff, analytical scientists, and field staff. Of these positions, 31 would be funded from existing budget authority and 30 would be funded with money requested in this proposal.
- 3 existing permanent positions that currently work full time on the citrus program would be reassigned to CPDPD to perform

administrative functions in support of the new division.

In addition to the 226 positions in the new CPDPD, the Governor’s budget plan proposes four new administrative positions to carry out administrative and support functions related to the new division. These four positions would be assigned to CDFA’s Office of Information Technology (IT) Services and Division of Administrative Services.

As shown in **Figure 1**, under the Governor’s budget plan, total spending on suppression and eradication of ACP and HLB would be \$40 million in 2019-20. This reflects a slight decrease compared to the current year and the recent peak level of program funding of \$43 million in 2017-18. In the four years prior to 2017-18, year-over-year spending in this area steadily grew.

### LAO Assessment

**ACP and HLB Continue to Spread.** Data indicates that the area affected by ACP and HLB has increased substantially in California in recent years. **Figure 2** shows that from 2012 through 2018 the number of counties where ACP has been detected more than tripled from 9 to 28, and the number of counties with an HLB infected tree grew from one to four. Over this period, the number of square miles under quarantine for ACP more than tripled from 25,813 to 87,656. Similarly, between 2014 and 2018 the number of square miles under quarantine for HLB increased more than nine-fold, from 92 to 850, and the number of trees identified as infected with HLB grew from 1 to 906.

**Figure 1**

### Spending on Suppression and Eradication of ACP and HLB

*Fund Source (In Millions)*

| Program Budget            | 2013-14       | 2014-15       | 2015-16       | 2016-17       | 2017-18       | Estimated 2018-19 | Proposed 2019-20 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|-------------------|------------------|
| General Fund              | \$1.0         | —             | —             | —             | \$9.8         | \$12.5            | \$5.0            |
| Reimbursements            | 0.5           | \$0.4         | \$0.5         | \$0.4         | —             | —                 | —                |
| Food and Agriculture Fund | 8.9           | 16.2          | 16.1          | 21.3          | 19.9          | 16.3              | 22.8             |
| Federal funds             | 8.1           | 8.2           | 13.3          | 11.6          | 13.3          | 12.1              | 12.1             |
| <b>Totals</b>             | <b>\$18.5</b> | <b>\$24.8</b> | <b>\$29.9</b> | <b>\$33.3</b> | <b>\$43.0</b> | <b>\$40.9</b>     | <b>\$39.9</b>    |

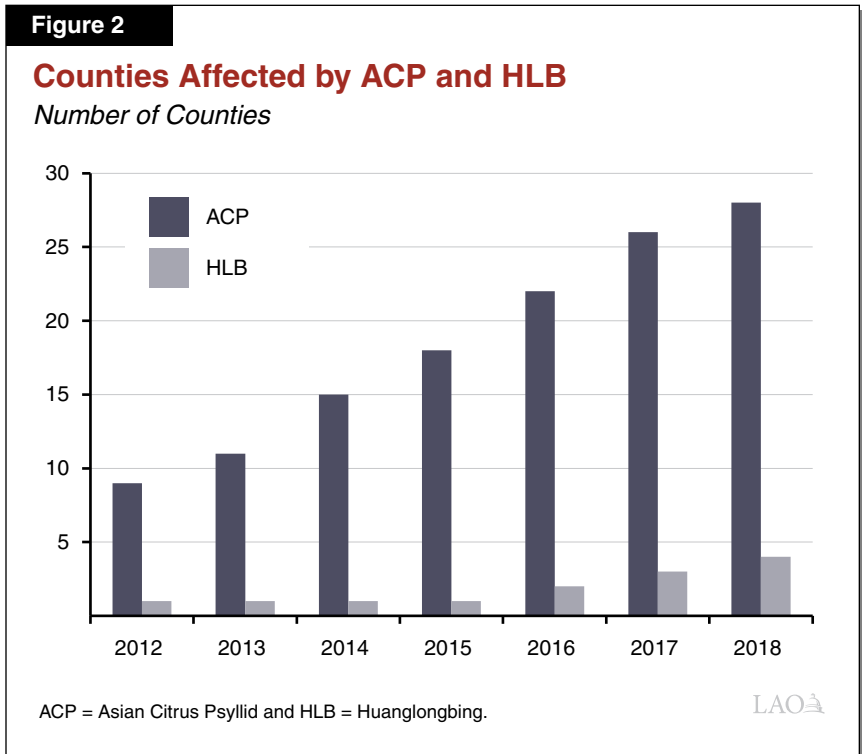
ACP = Asian Citrus Psyllid and HLB = Huanglongbing.

**CDFA Estimates It Will Not Spend Entire ACP/HLB Budget This Year.** Figure 3 summarizes revised estimated funding for ACP and HLB suppression and eradication in 2018-19 compared to the amount budgeted. As illustrated in the figure, CDFA estimates it will spend \$7.8 million less than the \$48.7 million budgeted in 2018-19. CDFA has not explained why current-year spending is expected to be significantly lower than the budgeted level.

**Proposal Would Help Ensure a Continuous Effort to Suppress ACP and HLB.** The creation of a new CPDPD within CDFA—including the addition of 65 new permanent positions—would help ensure that the state’s program to suppress and eradicate ACP and HLB has sufficient dedicated resources to perform key functions throughout the year. Specifically, the proposed CPDPD would have a dedicated workforce to perform ongoing activities such as enforcement of quarantine areas and eradication of HLB infected trees. As previously mentioned, the state’s citrus program has at times been disrupted by outbreaks of other pests. When outbreaks occurred, such as the one that occurred when a major Mediterranean fruit fly infestation occurred in Los Angeles County, CDFA redirected staff away from ACP and HLB suppression and eradication activities in order to address a more immediate threat.

In our view, having a dedicated division for these activities makes sense because efforts to suppress and eradicate ACP and HLB are distinct, in some ways, from efforts to suppress and eradicate pests that infest other crops. This is because citrus trees are widely found in residential areas, as well as in commercial groves. Therefore, ACP and HLB suppression and

eradication efforts require coordination across large geographic areas including residential neighborhoods. This is especially true where neighborhoods are located near commercial groves. In comparison, many other fruit trees and other types of crops (such as grapes) are not as widely grown in residential areas. Instead they are more concentrated in certain geographic areas where climate and soil conditions are favorable and they are mainly grown by farmers. This typically allows suppression and eradication efforts to be concentrated in the areas where growers operate.



**Figure 3**  
**Current-Year Budgeted Versus Estimated Spending on Suppression of ACP and HLB**  
 (In Millions)

| Fund Source               | Budgeted      | Estimated Expenditures | Difference    |
|---------------------------|---------------|------------------------|---------------|
| General Fund              | \$12.5        | \$12.5                 | —             |
| Reimbursements            | 0.5           | —                      | -\$0.5        |
| Food and Agriculture Fund | 20.2          | 16.3                   | -3.9          |
| Federal funds             | 15.5          | 12.1                   | -3.4          |
| <b>Totals</b>             | <b>\$48.7</b> | <b>\$40.9</b>          | <b>-\$7.8</b> |

ACP = Asian Citrus Psyllid and HLB = Huanglongbing.

## LAO Recommendations

**Approve Governor's Proposal.** We recommend the Legislature approve the Governor's request for funding to suppress ACP and HLB. Given the recent increases in the spread of both ACP and HLB, the growing number of trees infected with HLB over the past few years, and the threat ACP and HLB pose to the state's citrus industry, we believe the request for additional staff resources and a dedicated division is reasonable.

**Require CDFA to Report at Budget Hearings on Current-Year Expenditures.** We recommend the Legislature require CDFA to report at budget hearings on projected spending in the current year on ACP and HLB suppression and eradication activities. Specifically, the department should report on why it anticipates that \$7.8 million of the funds appropriated for the program in 2018-19 are projected to remain unspent. This total includes \$3.9 million from the Food and Agriculture Fund and \$3.4 million in Federal Funds.

**Require CDFA to Report on Ongoing Efforts to Manage Spread of ACP and HLB.** We recommend the Legislature require CDFA to report at budget hearings on the status of its efforts to address the spread of ACP and HLB, including whether the proposed level of resources will be sufficient on an ongoing basis to address the threat posed by ACP and HLB to the state's citrus crops. Specifically, the department should report on (1) why the measures it is currently implementing have been insufficient to stop the continuing geographic spread of ACP and HLB, (2) how the Governor's proposal would address any shortfalls in the current program, (3) what targets and outcomes CDFA would use to measure the effectiveness of its ACP/HLB suppression efforts, and (4) whether there are additional measures that the state should implement to suppress ACP and HLB. This information would help the Legislature assess CDFA's progress to date for suppression of ACP/HLB and establish reasonable expectations for suppression of ACP/HLB in the future.

## BUDGET TRANSPARENCY

### Background

**Budget Development Process Includes Documents to Justify Proposals.** Pursuant to the State Constitution, each January the Governor's administration proposes a budget bill to the Legislature to serve as a starting place for budget negotiations. Along with the budget bill, the administration prepares and publishes a number of other documents to explain and justify its budget proposals. These include BCP documents, which provide detailed descriptions of proposed budget modifications for the coming fiscal year, as well as justification for why new activities should be funded or existing activities discontinued. If the administration is proposing that new state employee positions be established or funded, the BCP usually describes the new workload, the proposed position classifications, and the estimated amount of staff time that would be spent on each task needed to complete the workload. These documents typically also include an analysis of other alternatives that the administration considered and a rationale for why the proposed approach is preferable. The Department of Finance posts these documents to its web site where they are publicly available. Legislative members and staff use these documents to help evaluate the merits of the administration's proposals.

### Governor's Proposal

**Governor's Budget Combines Seven Proposals Into One Consolidated BCP.** For the 2019-20 budget, the administration has taken the approach of consolidating multiple proposals into a single BCP. (While this report focuses on proposals related to CDFA, the administration used a similar consolidated approach for other areas of the budget as well, including the Health and Human Services Agency, Natural Resources and Environmental Protection Agencies, and the Department of General Services.) Specifically, CDFA's consolidated Technical Adjustment BCP includes seven proposals totaling \$3.3 million and a net reduction of 12 positions (22 new positions offset by a reduction of 34 positions).

## LAO Assessment

### ***Consolidated Budget Document Includes New Proposals, Not Just Technical Adjustments.***

We find that two of the proposals contained in the 2019-20 Technical Adjustment BCP are technical in nature—specifically, the conversion of blanket positions to authorized positions and Federal Milk Market Order and Quota Implementation. However, we also find that five proposals would fund new activities and expand existing activities. In our view, these types of proposals should not be considered “technical,” but rather represent fresh initiatives meriting a dedicated analysis. Such proposals include (1) newly authorized and funded positions; (2) funding for new activities; and/or (3) extensions of funding, activities, and/or positions that the Legislature previously had authorized only on a limited-term basis. Specifically, the CDFA consolidated BCP includes the following nontechnical proposals:

- ***Mountain Pass Border Protection Station (BPS).*** Proposes \$724,000 from the General Fund and eight new positions to operate additional lanes at the new BPS in Mountain Pass. The Mountain Pass BPS was approved by the Legislature in the 1990s and completed in August 2018. It replaced the Yermo BPS on Interstate 15 which was designed to accommodate traffic volume of about one million vehicles annually. By 2017, traffic volume had increased to more than eight million vehicles annually. This request is to staff the newer, larger BPS.
- ***Office of IT Services Infrastructure.*** Proposes \$930,000 (including \$475,000 from the General Fund) in 2019-20 and \$142,000 (\$72,000 General Fund) annually thereafter and one new permanent position for the replacement of IT equipment and to improve CDFA's network security. In 2016, CDFA underwent a security audit by the California Military Department on behalf of the California Department of Technology. This request is to address issues raised by the audit as needing remediation.
- ***Development of Pesticide Alternatives.*** Proposes \$671,000 ongoing from the Food

and Agriculture Fund to support scientific development of biological control efforts and testing of alternatives for pesticides being considered for deregistration in California. In 2018-19, CDFA received \$529,000 from the General Fund to support scientific development of alternatives for pesticides. This proposal would allow CDFA to sponsor additional research projects.

- ***Industrial Hemp Program Positions.*** Proposes six new positions for the development, enforcement, and administration of the Industrial Hemp Program. Chapter 398 of 2013 (SB 566, Leno), known as the California Industrial Hemp Farming Act, requires CDFA to establish registration and renewal fees to be paid by growers of industrial hemp for commercial purposes. This proposal would allow CDFA to establish the Industrial Hemp Program. We note that the federal Agricultural Improvement Act of 2018 (commonly referred to as the farm bill) legalized industrial hemp and allows states to regulate the production of industrial hemp.
- ***Organic Waste Management.*** Proposes \$140,000 from the General Fund and one new position from 2019-20 through 2025-26 to implement Chapter 633 of 2018 (AB 1981, Limon). This bill requires the California Environmental Protection Agency to work with certain departments, including CDFA, to develop and implement policies to divert organic waste from landfills by promoting the use of agricultural and other organic waste as feedstock for compost that can be used to improve the state's soils. CDFA anticipates that it will be engaged in research and technical work to inform the development of new policies to promote the production and application of compost.

### ***Lack of Typical Justification Inhibits Legislature's Ability to Evaluate Proposals.***

As noted above, typically these types of new proposals would be presented in standalone BCPs with detailed descriptions of program activities to be undertaken and explanations for why the administration believes the level of

funding and positions requested are needed. The Legislature uses this information to determine whether the Governor's proposals are worthy of adoption, modification, or rejection. In addition, information provided in BCPs also can be the basis for the Legislature to conduct oversight of department programs to ensure that currently funded activities are performing effectively before providing additional resources. For example, BCPs would typically allow the Legislature to answer the following types of questions:

- **Mountain Pass Border Protection.** What workload would the eight new positions perform? What are the staffing standards for BPSs and what are the standards based upon? How does the proposed staffing level at the Mountain Pass BPS compare to staffing levels at other comparable stations? How would the increase in staffing reduce traffic congestion at the BPS?
- **Office of IT Services Infrastructure.** What workload would the new position perform? How will the proposed resources be used to improve IT security?
- **Development of Pesticide Alternatives.** What is the basis for the proposed level of funding? How were research projects prioritized and selected? How much of the original augmentation has been awarded to date?
- **Industrial Hemp Program Positions.** How would the six positions requested by CDFA be funded? What workload would be performed by the new positions?
- **Organic Waste Management.** What workload would the new position perform? How will the state's progress towards developing the organic waste processing and recycling infrastructure necessary to meet the state goals specified in legislation be measured?

Absent the information to answer these types of questions, the Legislature is left with little basis for determining whether the proposals are reasonable or appropriate. This impedes the Legislature's ability to exercise its oversight role over how state funds are used, or to ensure that funds are spent effectively and for well-justified purposes.

**Lack of BCPs Also Increases Difficulty of Holding Administration Accountable.** The absence of public documentation for exactly how the administration proposes to expend funding will also make it difficult in future years for stakeholders and the Legislature to hold departments accountable for meeting these expectations. Assuming the Legislature approves the BCP as proposed, this public record of *intended* spending facilitates the Legislature's ability to monitor whether such commitments ultimately are completed by providing something for the Legislature to compare against *actual* expenditures to identify instances where funds may have been spent for unauthorized purposes. Absent this documentation, legislators, staff, and stakeholders may struggle in future years to understand what expectations were set when the budget was approved.

**Administration Has Been Forthcoming with Additional Detail Upon Request.** To its credit, when we raised concerns about the lack of detail provided with budget documents and requested additional information, CDFA has been very responsive. Specifically, CDFA has been able to provide us with descriptions of and justifications for their budget proposals in response to our individual requests. Based on those justifications, we find the proposals contained in these consolidated BCPs reasonable. Such information, however, has not been made publicly available (as BCP documents are), and therefore still is not broadly accessible to legislative members, legislative staff, or stakeholders. This makes it difficult for the public to understand and evaluate the Governor's budget proposals now, or in future years, to hold the administration accountable for meeting intended expenditure plans.

## LAO Recommendation

**Require Administration Provide Sufficient Justification Prior to Approving New Budget Proposals for 2019-20.** The Legislature must feel comfortable that the proposals contained in the consolidated BCP are justified before approving them. Our office has requested certain information from the administration and will share it with legislative staff and others who may request it



from us, but there might be individual issues for which members require additional information. To that end, we recommend legislative staff and members request additional information about any of the proposals for which they believe additional detail and rationale is needed. This should not be difficult or time-consuming for the administration, as presumably CDFA had to prepare similar justification for the Department of Finance before its requests were included in the Governor's budget.

**Direct Administration to Provide BCPs When Proposing New or Extended Positions and Activities in the Future.** We recommend the Legislature direct the administration to revert to the long-standing practice of providing standalone BCPs specifically for proposals that include (1) new positions; (2) funding for new activities; and/or (3) extensions of funding, activities, and/or positions that the Legislature previously had authorized only on a limited-term basis. This will better enable the Legislature to exercise its oversight role over how state funds are used and ensure that funds are spent effectively and for well-justified purposes. The consolidated BCP approach makes sense for proposals that are truly technical in nature, such as reversions and reappropriations for similar purposes.

## SAFE AND AFFORDABLE DRINKING WATER

The administration proposes budget trailer legislation to implement a significant new policy that would implement a new financial assistance program to address unsafe drinking water, particularly in small and disadvantaged communities. CDFA requests one-time funding of \$1.4 million General Fund and seven positions to administer the collection of the charges on

agricultural entities. (The State Water Resources Control Board would be responsible for collecting a fee on water system customers and for administering the financial assistance program.) Specifically, CDFA would administer the following new charges:

- **Fertilizer Mill Fee.** The administration proposes a mill fee of six “mills” (equal to six-tenths of a cent) per dollar on the sale of fertilizer. CDFA estimates this charge would generate \$14 million to \$17 million per year when fully implemented.
- **Charges on Milk Producers.** The administration proposes to impose charges on milk producers beginning January 2022. CDFA estimates this charge would generate \$5 million per year when fully implemented.
- **Charge on Confined Animal Facilities.** The administration proposes to impose a charge on confined animal facilities. At the time this analysis was prepared, CDFA did not have an estimate of how much revenue this charge would generate when fully implemented.

In our analysis of the administration's Safe and Affordable Drinking Water proposal—which appears in *The 2019-20 Budget: Resources and Environmental Protection*—we identify the following issues for the Legislature to consider as it deliberates on the proposal: (1) its consistency with the state's existing human right to water policy, (2) uncertainty about the estimated revenues that would be generated and the amount of funding needed to address the problem, (3) a comparison of the beneficiaries of the program with those who would pay the new charges, (4) the limited nature of alternative fund sources for the proposed program, and (5) trade-offs associated with the proposal's safe harbor provisions.

## LAO PUBLICATIONS

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