

SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Tony Mendoza
Senator Jim Nielsen



Thursday, March 2, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: Joe Stephenshaw

Vote Only Calendar

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Presentations

Overview of the Governor's Budget

- Brian Brown, Legislative Analyst's Office

Agency Secretaries

- John Laird, Secretary for Natural Resources
- Karen Ross, Secretary for Food and Agriculture

Issues for Discussion

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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

VOTE-ONLY CALENDAR**0540 Secretary of the Natural Resource Agency**

- 1. Bonds Unit Positions and Local Assistance.** The Governor's Budget proposes to make 3.0 limited-term positions permanent within the Bonds Unit at the Natural Resources Agency. The funding for these positions is in the agency's baseline budget and comes from Proposition 84 and the Greenhouse Gas Reduction Fund.

In addition, \$4.4 million in Proposition 13 river parkways funds are proposed to revert and then be reappropriated. These funds were inadvertently appropriated in 2015-16. Awards for this funding were made early in 2016-17 through a competitive process and are contingent on this proposal.

- 2. Museum Grant Program Staffing.** The Governor's Budget proposes \$100,000 from the California Cultural and Historical Endowment (CCHE) fund to make an existing position permanent to support the Museum Grant Program. In addition, this request will appropriate \$65,000 CCHE fund to provide the California Association of Museums with its required portion of proceeds from the Snoopy License Plate Program to assist museums throughout California.

3600 California Department of Fish and Wildlife

- 1. Proposition 84 Reversion.** The Governor's Budget proposes to revert \$9.98 million associated with 2013-14 and 2014-15 appropriations of Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006) funding.

8570 – California Department of Food and Agriculture

- 1. Fertilizing Materials: Auxiliary Soil and Plant Substances: Biochar.** The Governor's Budget proposes \$110,000 in Department of Food and Agriculture Fund Authority and 1.0 position in 2017-18, and \$105,000 and 1.0 position in 2018-19 and ongoing to implement AB 2511 (Levine), Chapter 331, Statutes of 2016. AB 2511 requires the Department of Food and Agriculture to regulate biochar as a fertilizing material, specifically as an auxiliary soil and plant substance.

Staff Recommendation: Approve vote only items as proposed.

0540 Secretary of the Natural Resource Agency

Overview

The mission of the Natural Resources Agency is to restore, protect and manage the state's natural, historical and cultural resources for current and future generations using creative approaches and solutions based on science, collaboration and respect for all involved communities. The secretary for Natural Resources, a member of the Governor's cabinet, sets the policies and coordinates the environmental preservation and restoration activities of 26 various departments, boards, commissions and conservancies, and directly administers the Sea Grant Program, Ocean Protection Council, California Environmental Quality Act, Environmental Enhancement Mitigation Program, River Parkways, Urban Greening, and the California Cultural and Historical Endowment grant programs.

The Natural Resources Agency consists of the departments of Forestry and Fire Protection, Conservation, Fish and Wildlife, Parks and Recreation, and Water Resources; the California Conservation Corps; Exposition Park; California Science Center; California African American Museum; the State Lands Commission; the Colorado River Board; the San Francisco Bay Conservation and Development Commission; the Energy Resources Conservation and Development Commission; the Wildlife Conservation Board; the Delta Protection Commission; the California Coastal Commission; the State Coastal Conservancy; the California Tahoe Conservancy; the Santa Monica Mountains Conservancy; the Coachella Valley Mountains Conservancy; the San Joaquin River Conservancy; the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy; the Baldwin Hills Conservancy; the San Diego River Conservancy; the Sierra Nevada Conservancy; the Sacramento-San Joaquin Delta Conservancy; the Native American Heritage Commission; and the Special Resources Program.

The Governor's Budget includes the following resources for the Secretary of the Natural Resources Agency. Of the \$60.5 million in total funding for 2017-18, \$2.6 million is General Fund. The large decrease in funding from 2016-17 to 2017-18 is primarily due to large bond and Greenhouse Gas Reduction Fund appropriations in 2016-17.

Governor's Budget – Natural Resource Agency (Dollars in Millions)						
	Positions			Expenditures		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Admin. of Natural Resource Agency	39.5	43.4	49.4	\$29.1	\$506.1	\$60.5

The Governor's Budget includes total funding of \$8.8 billion (\$2.8 billion General Fund) and 18,224.0 positions for all programs included in this Agency.

8750 Department of Food and Agriculture

Overview

The California Department of Food and Agriculture (CDFA) serves the citizens of California by promoting and protecting a safe, healthy food supply, and enhancing local and global agricultural trade, through efficient management, innovation, and sound science, with a commitment to environmental stewardship. The goals of the CDFA are to: 1) promote and protect the diverse local and global marketability of the California agricultural brand which represents superior quality, value, and safety, 2) optimize resources through collaboration, innovation, and process improvements, 3) connect rural and urban communities by supporting and participating in educational programs that emphasize a mutual appreciation of the value of diverse food and agricultural production systems, and 4) improve regulatory efficiency through proactive coordination with stakeholders. Invest in employee development and succession planning efforts. CDFA's budget is comprised of the following programs:

Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services

The objective of this program is to prevent the introduction and establishment of serious plant and animal pests and diseases to California and protect the safety of California's dairy, eggs and meat products exempt from federal inspection. In particular, the program is focused on pests and diseases that can: 1) be transmitted to humans, 2) inflict catastrophic financial loss on California's farmers, ranchers, and associated businesses, 3) have severe negative impact on the environment, or 4) adversely affect the supply of agricultural products to the consumer.

Marketing; Commodities and Agricultural Services

California agriculture produces over 400 different crops, which enter state, national, and international commerce. The objectives of this program are to assure orderly domestic and international marketing of safe and quality agricultural commodities, promote consumer protection, food access, ensure fair pricing practices, oversee industry-supported grading services, and maintain standards of measurement which provide a basis of value comparison, fair competition in the marketplace, and establish quality standards for conventional and alternative fuels and automotive products.

This program also provides support to governmental agencies that work to protect the nation's food supply and the environment by monitoring for chemical contaminants such as pesticides in food, animal feed and fertilizers.

Assistance to Fairs and County Agricultural Activities

This program provides limited fiscal and policy oversight to the network of California fairs. The state has a network of 79 fairs including county fairs, citrus fruit fairs, District Agricultural Associations and the California State Fair (an independent state agency). State oversight of these local fairs includes attendance of board meetings and periodic financial reviews and audits.

General Agricultural Activities

This program provides the fiscal and policy oversight of the federal grants awarded that promote California agriculture, and for all CDFA Greenhouse Gas Reduction Program activities which are designed to reduce greenhouse gas emissions in agriculture. In addition, this program serves as the central point of contact for logistical coordination of all departmental resources, provides industry and agency coordination on environmental issues affecting agriculture, and provides centralized communications to California's agricultural industry, including County Agricultural Commissioners

and the statewide fairgrounds. This program also partially reimburses County Agricultural Commissioners' Offices for carrying out agricultural programs authorized by the Food and Agricultural Code under the supervision of CDFA.

Executive, Management, and Administrative Services

Executive and management services include the executive leadership of the Secretary's office. The Secretary's office sets priorities and policies to protect, support, and promote agriculture in the State of California, and helps to protect the health and welfare of the public and the environment. Administrative Services provides centralized administrative support to the Department through fiscal operations, employee-employer relations, personnel management, employee development, and general business services.

The Governor's Budget includes the following resources for CDFA. Of the \$408.4 million proposed for 2017-18, \$89.2 is from the General Fund. The department of Food and Agriculture Fund and federal funds are the department's largest funding sources - \$147.4 million and \$102.7 million, respectively, is proposed from these sources in 2017-18.

Governor's Budget - Department of Food and Agriculture (Dollars in Millions)						
Program	Positions			Expenditures		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services	1,059.1	968.6	1,180.6	\$209.4	\$208.3	\$219.5
Marketing; Commodities and Agricultural Services	256.1	304.1	363.9	62.9	85.8	108.2
Assistance to Fairs and County Agricultural Activities	5.8	8.2	8.2	4.0	15.8	4.8
General Agricultural Activities	30.4	23.0	25.0	98.2	165.0	75.8
Administration	192.9	168.4	174.4	21.5	22.7	23.5
Distributed Administration	-	-	-	-21.4	-22.6	-23.4
Total	1,544.3	1,472.3	1,752.1	\$374.6	\$475.0	\$408.4

3600 California Department of Fish and Wildlife

Issue 1 - Restructuring the Fish and Game Preservation Fund

GOVERNOR'S PROPOSAL

The Governor's Budget proposes \$12.4 million in additional revenue from an increase in commercial fish landing fees to support the Department of Fish and Wildlife's (DFW) commercial fishing program, and a one-time redirection of \$10.6 million from the Lifetime License Trust Account (LLTA) (\$8.7 million of which would go to the Fish and Game Preservation Fund (FGPF) non-dedicated account). This proposal is intended to address the approximately \$20 million deficit in the FGPF.

Landing Fees. The department proposes trailer bill language to increase commercial landing fees established in Fish and Game Code Section 8051, in order to more closely align revenues from commercial fishing with department activities related to management and oversight of commercial fishing programs. This proposal is estimated to increase commercial landing fee revenue by approximately \$12.4 million per year.

The proposed approach uses an "Eleven-Tier System," with fees based on the ad valorem concept. The proposed approach would take advantage of the current structure to set, implement, and enforce landing fees, eliminating the need to establish new mechanisms to set and collect landing fees. According to the department, the proposal would not require new regulations to implement and there are minimal and absorbable anticipated new costs associated with notification to payees of the new fee rates. This proposal would utilize an eleven-tier system such that fisheries that are the highest value per pound pay the highest rate. All fisheries would pay a higher rate than status quo under the proposal.

Lifetime License Trust Account. The department proposes trailer bill language to eliminate the LLTA. The balance of the account, currently approximately \$12.5 million, would be transferred to the non-dedicated FGPF, to various dedicated accounts within the FGPF, and to the Hatchery and Inland Fisheries Fund. Beginning in 2017-18, annual revenues of approximately \$910,000 would instead be deposited into the FGPF. Of this amount, approximately \$750,000 would be deposited into the non-dedicated FGPF and approximately \$160,000 would go to the appropriate dedicated accounts. In addition, approximately \$198,000 would go to the Hatchery and Inland Fisheries Fund.

According to the department, funds currently in the account are derived from fishing and hunting licenses so it is appropriate to shift these funds to the FGPF and this proposal would make these funds available for expenditure for their intended purposes.

Additional Budget Proposals. In addition to the proposal to address the FGPF's deficit, the Governor's budget includes the following proposals that would increase FGPF expenditures:

- \$1.7 million to develop and implement a sampling program, in coordination with the Department of Public Health, to protect public health and prevent unnecessary fishery closures associated with harmful microalgae blooms (aka "red tides").
- \$1.8 million to improve efficiency in the conservation of natural resources through compliance with the State Water Resources Control Board's emergency regulation for measuring and

reporting on the diversion of water related to management and operations of department lands and facilities.

Finally, the Governor's Budget proposes to shift \$381,000 in funding for the fish consumption advisory program to another funding source, which has yet to be identified. Following is a chart from the Legislative Analyst's Office (LAO) summarizing the FGPF proposals:

Summary of Governor's FGPF Nondedicated Account Proposals

(In Thousands)

	2017-18	2018-19
Reduces Shortfall		
Increase commercial landing fees	\$12,400	\$12,400
Transfer from and eliminate Lifetime License Trust Account	8,725	750
Shift advisory program to other fund source ^a	381	381
Subtotals	(\$21,506)	(\$13,531)
Adds to Shortfall		
Water diversion assessment	-\$1,800	-\$1,800
Algal bloom monitoring program	-1,717	-996
Subtotals	(-\$3,517)	(-\$2,796)
Net Solutions	\$17,989	\$10,735

^aThe administration is still in the process of identifying a viable new fund source.
 FGPF = Fish and Game Preservation Fund.

BACKGROUND

The FGPF was established in 1909 as a repository for all funds collected under the Fish and Game Code and any other law relating to the protection and preservation of birds, mammals, fish, reptiles and amphibia in California. These revenues are generated from the sale of licenses for hunting, recreational and commercial fishing, and numerous special permits. Over time, the Legislature has created various subaccounts within the FGPF, which have specified permit fees generating revenue for projects benefitting those species. For example, the taking of migratory waterfowl in California requires a state duck stamp validation in addition to a general hunting license. Revenues from the duck stamps are deposited into the Duck Stamp Account within the FGPF to be used for waterfowl protection and habitat restoration. There are currently 29 dedicated subaccounts within the FGPF. The department issues more than 500 different types of hunting and fishing licenses and permits.

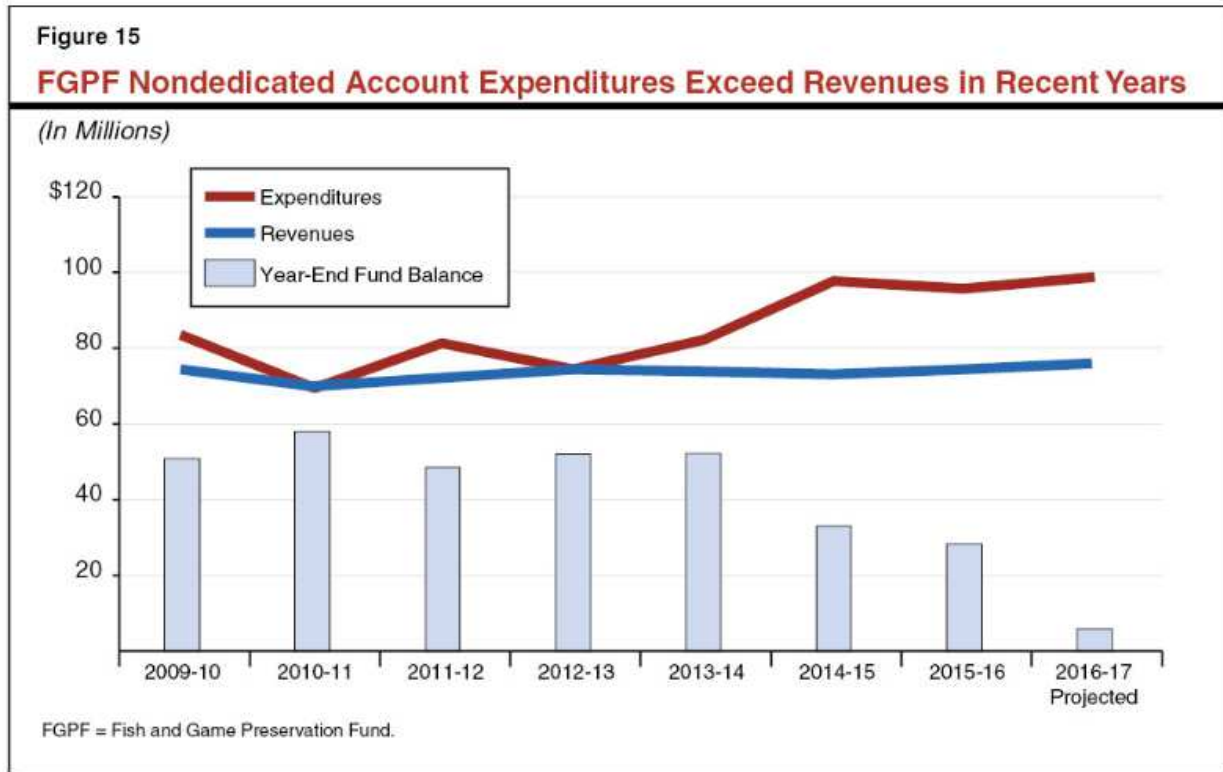
Revenue from licenses, fees and permits that are not directed by statute to a dedicated account are accounted for in what is known as the non-dedicated FGPF. This is the largest repository for

department revenues, including sales of general fishing and hunting licenses. Approximately 75 percent to 80 percent of total FGPF revenues are deposited into the non-dedicated account, with the remainder going to the various 29 dedicated subaccounts. There is a running deficit in the non-dedicated FGPF.

Program Activities Supported by the FGPF. The FGPF is the DFW's largest single fund source and supports a multitude of program activities. Some of the main functions supported by the FGPF are displayed in the following table:

Main Functions Supported by the Fish and Game Preservation Fund	
Law Enforcement	Support for more than 400 wildlife officers positioned throughout the state to promote compliance with laws and regulations protecting fish and wildlife resources. Wildlife officers also investigate habitat destruction, pollution incidents and illegal commercialization of wildlife, and serve the public through general law enforcement, mutual aid and homeland security.
Lands Management	Management of department-owned lands including wildlife areas, ecological reserves, and public access areas to contribute to the conservation, protection, and management of fish and wildlife. Among other things, these activities support hunting opportunities and serve as required match for federal wildlife restoration grant funds.
Wildlife Conservation	Activities conducted by regional and field staff related to resource assessment and monitoring, conservation and management activities for game and nongame species, and public outreach related to those species. Funding for these activities also serves as required match for federal wildlife restoration grant funds.
Fisheries Management	Development and implementation of policies to address management, protection, and restoration of fish species and their habitats. Also promotes commercial and public recreational angling opportunities. These funds serve as required match for federal sport fish restoration grant funds.
Fish and Game Commission	The commission establishes regulations for hunting, sport and commercial fishing, aquaculture, exotic pets, falconry, depredation control, listing of threatened or endangered animals, marine protected areas, public use of department lands, kelp harvest, and acts as a quasi-judicial appeal body.

FGPF Structural Imbalance. In recent years, expenditures have exceeded revenues in the non-dedicated account of the FGPF, with the gap reaching over \$20 million annually beginning in 2014-15. In the past, the department has been able to sustain FGPF program activities by utilizing the balance in the reserve and lowering actual expenditures, thereby creating savings. However, the current situation is not sustainable. Expenditures have continued to increase and the fund balance continues to decrease, which, without action, will lead to a projected deficit in 2018-19. The following LAO chart displays the FGPF's non-dedicated revenue as compared to expenditures.



Some of the causes of the FGPF's structural imbalance that the department has identified include; fund shifts (particularly to the General Fund), lifting of prior spending restrictions (e.g. vehicles, furloughs), increased need for federal funds, and cost of business increases (e.g. employee compensation).

Landing Fees. Commercial landing fees are established in statute as a fixed rate per pound. The rate was last amended in 1992 and currently generates revenue that is approximately 0.5 percent of the three-year historical average value of the fishery. An evaluation by the DFW in 2007 calculated that the total revenue from commercial fisheries (landing fee revenue and permit fees) covered approximately 22 percent of the total costs to manage, license, and enforce the fisheries. Since that evaluation was conducted, a number of proposed mechanisms to generate additional revenue from commercial fisheries have been evaluated over the years. The development of an ad valorem approach (value based), which is used by other west coast states, routinely rises to the top as a preferred approach.

However, DFW reports that implementation of an ad valorem approach can be extremely costly and difficult to track. Amending the statute to use an ad valorem collection approach would require establishing (and regularly amending) state regulations defining average market prices for each commercial fish species. It would also require new audits and collection processes, and law

enforcement staff at the field level would need to develop new methods of investigating for compliance using business records in addition to commercial fish tickets. Costs of developing and implementing these new regulatory programs, internal business practices, and enforcement costs would offset a significant portion of the additional revenue generated.

Lifetime License Trust Account. Fish and Game Code Section 13005 established the LLTA as a repository for revenues generated from the sale of lifetime fishing and hunting licenses. These licenses range from \$700 to \$1,200, depending on the age of the buyer. The LLTA was established to hold these revenues, with a specified amount made available for expenditure by an annual transfer to the FGPF, effectively amortizing the revenues from lifetime licenses over the buyers' lifetimes.

ISSUES TO CONSIDER

Impact on Commercial Fisheries. Although the Governor's proposal is intended to align revenue with the costs of supporting the program's activities and takes product value into account, the increased landing fees would nonetheless impact commercial fisheries' cost of doing business in California. The LAO points out that the industry has struggled in recent years due to poor conditions and closures brought about by drought, El Niño weather patterns, and climate change. While prices for many types of seafood have increased, in many cases the catch amounts are way down. For example, the California coast was closed to Dungeness crab, rock crab, and razor clam fishing for extended periods starting in the fall of 2015 due to widespread algal blooms and resulting domoic acid concentrations in the shellfish. Additionally, the state's salmon catch has declined precipitously in recent years due to the drought's effects on the state's rivers and high mortality rates experienced by the fish.

What are options for a comprehensive solution? The Governor's budget proposal amounts to a partial, ongoing solution to addressing the FGPF's structural imbalance. As such, the Administration acknowledges in their proposal that further permanent solutions will be necessary. Some of the solutions that have been brought up include; statewide fees/taxes, water rights fee (assessed by the State Water Resources Control Board), or a non-consumption user fee (boat rentals, diving, whale watching).

Alternatively, the Legislature may wish to scrutinize program expenditures by requiring the department to produce more detailed program information, including which activities are being supported without associate generation of funds, update definitions of game, nongame and commercial programs, or expand the use of dedicated accounts. Currently, almost all of the FGPF's revenue is derived from fees from recreational hunters and anglers, with some funding coming from California Environmental Quality Act filers and commercial fishers. However, some have raised the argument that the department's work serves a statewide purpose and the public good, which should merit the consideration of some of these alternative proposals.

Legislative Analyst's Office. The LAO is concerned that the Governor's proposal to address the operating shortfall for the FGPF non-dedicated account includes a commercial fishing landing fee increase that may be too large for the industry to sustain, and adds new activities that exacerbate the account's imbalance. Moreover, the LAO notes that the proposals leave an ongoing shortfall for the Legislature to address in 2018-19. They recommend the Legislature 1) adopt a commercial landing fee increase but perhaps at a lower level or more gradually, 2) adopt the Governor's proposal to transfer lifetime license fee revenues to the non-dedicated account, 3) modify the Governor's proposals to

begin two new activities by funding them on a limited-term basis using different funding sources, and 4) begin the process of identifying and considering options for addressing the remaining shortfall on an ongoing basis.

Staff Recommendation: Hold open.

8750 Department of Food and Agriculture

Issue 1 - Plant Pest Prevention System

Governor's Budget. The Governor's Budget proposes \$1.8 million General Fund (GF), and \$2.6 million in Department of Food and Agriculture Fund (Agriculture Fund) authority in 2017-18 and 190.5 positions (25.5 permanent positions and a conversion of 165 temporary positions to permanent positions), and \$1.9 million GF, \$2.9 million in Agriculture Fund and \$570,000 of Reimbursements and 194 positions (29 permanent positions and a conversion of 165 temporary positions to permanent positions) in FY 2018-19 and ongoing for the Department of Food and Agriculture (CDFA) to fortify the infrastructure of the state's pest prevention system. Details of this request include:

- \$438,000 GF and \$438,000 Agricultural Fund and 5 positions in 2017-18 and \$461,000 GF and \$461,000 Agricultural Fund and 5 positions in 2018-19 and ongoing to rapidly respond to slow the spread of newly-detected pests and sustain consistent actions throughout the state.
- \$830,000 GF and \$1.9 million Agricultural Fund and 175 positions (10 new positions and the conversion of 165 temporary positions to permanent) in 2017-18 and \$921,000 GF and \$2.1 million Agricultural Fund and 175 positions (10 new positions and the conversion of 165 temporary positions to permanent) in 2018-19 and ongoing to address year-round detection and eradication efforts.
- \$224,000 Agriculture Fund and 2 positions in 2017-18 and \$281,000 Agriculture Fund and 2 positions in 2018-19 and ongoing to provide an additional investment in the identification element of the pest prevention system to handle the increase in samples and the quick turnaround of sample results to support agricultural trade.
- \$527,000 GF and 3.5 positions in 2017-18 and \$518,000 GF and \$570,000 in Reimbursements and 7 positions in 2018-19 and ongoing to create a Biological Control Program.
- \$566,000 in distributed administration costs and 5 positions in 2017-18 and \$464,000 and 5 positions in 2018-19 and ongoing.

Background. As required by law, CDFA's Plant Health and Pest Prevention Services (PHPPS) Division's mission is to protect ornamental and native plantings as well as agricultural crops from the harm caused by exotic pest invasions. The California Legislature, in enacting this mandate, recognized that the pest prevention system is uniquely positioned to protect California's urban and natural environments as well as its agriculture.

The pest prevention system incorporates the following elements in order to protect California:

Pest Prevention System Elements	
Exclusion	External and internal exclusion activities designed to prevent pest introduction and respond in a timely manner to contain the spread of newly detected pests.
Detection	Early detection of plant pests before they become well established.
Eradication	Timely and effective eradication actions to eliminate new pest infestations.
Control	Control and containment systems for plant pests that have become widely established.
Identification	Accurate and timely pest identification.
Public Outreach	Outreach programs to enlist public support of pest prevention activities through enhanced public awareness and education.
Scientific Support	Research, information technology and pest risk analysis systems to assure that the pest prevention program is relevant, scientifically based and continuously improved.

Existing law provides that the secretary is obligated to investigate the existence of any pest that is not generally distributed within California and determine the probability of its spread and the feasibility of its control or eradication. The secretary may establish, maintain and enforce quarantine, eradication and other such regulations as necessary to protect the agricultural industry from the introduction and spread of pests. These pests include:

- Asian Citrus Psyllid (ACP) is the vector for the Huanglongbing (HLB) disease which is fatal to citrus trees. HLB is established in areas with climates similar to California and is the most devastating of all citrus diseases. ACP was first found in California in 2008 in San Diego County. Subsequent to this initial detection, ACP has been detected in several other counties in California. ACP has the potential to establish itself throughout the State. HLB was first detected in California in 2012 in Hacienda Heights, Los Angeles County. It was subsequently detected in San Gabriel, Los Angeles County in 2015.
- Japanese beetles (JB) attack a wide range of plants in the eastern United States. JB adults feed on leaves and fruit. Hosts include small fruits, tree fruits, truck and garden crops, and ornamental shrubs, vines and trees. The JB larva feed on the roots of turf and other ground cover plants. There are three eradication projects ongoing in California.
- Exotic fruit flies are of concern to the agriculture industry and home gardeners. The larval stage of fruit flies such as Mediterranean fruit fly, Mexican fruit fly and Oriental fruit fly can damage most of the fruits and vegetables grown in the state. CDFA, in concert with most of the county agricultural commissioners, deploys and maintains over 63,000 detection traps statewide just for exotic fruit flies. Each year several exotic fruit

fly infestations are detected throughout the state. Integrated pest management and quarantine actions are implemented in order to ensure eradication.

Implementing the pest prevention system in California is a partnership involving many organizations, public and private. In addition to PHPPS, the primary participants are USDA, county agricultural commissioners, the agricultural industry, and other state agencies. The USDA focuses on pests of national significance and international pest pathways, while PHPPS and county agricultural commissioners focus on state and local activities and concerns. Agricultural industry groups primarily focus on pests of concern to a specific commodity group.

Funding

In recent years, PHPPS has become increasingly reliant upon federal and industry funding in order to carry out its mission. All elements of PHPPS receive some level of federal funds to support the pest prevention system. Additionally, these funds support California's \$21 billion of agricultural exports by providing for detection surveys to prove the state is free from pests of concern to other states and countries. Although federal and industry funds are key to the success of the pest prevention system, there are no operational positions associated with the ACP and HLB funding, and the PHPPS has redirected existing staff to address the increase in federal and industry funded activities. In 2015-16, the pest prevention system was supported by \$46.7 million in GF, including \$6.4 million for Local Assistance, to supplement county agriculture commissioner activities. Approximately \$12 million is received from a variety of fund sources or from other state agencies for exclusion activities at the Border Protection Stations (BPS) and for aquatic weed surveys. A total of \$56 million in Federal Funds was received to supplement state, county, and industry funded activities, including \$13.2 million for ACP and HLB and \$15.8 million for Pierce's disease/Glassy-winged sharp shooter. The counties expended \$29.6 million in county general funds and \$19.3 million in Agriculture Fund for pest prevention in the 2014-15 fiscal year in support of the pest prevention system. Additionally, in the 2015-16 fiscal year, various agriculture industry groups contributed \$29.4 million to combat a variety of pests, including over \$15 million from citrus growers to support efforts to combat ACP and HLB and \$5.3 million from grape growers to combat PD/GWSS. The 2015-16 Pest Prevention total for all funding sources was \$193.3 million.

Growing Concern

According to the CDFA, statistics show that over the previous five years there has been a steady increase of international passenger travel and imports of food and agriculture products which increase the risk of pest introductions into California. This is occurring simultaneously with steadily increasing crop production value and export value which indicates there is increasingly more value at risk. Funding, especially public funding for the pest prevention system, has not kept pace with the increase in pest introduction risk and the value of what is at risk.

According to a recent update of ongoing research CDFA conducted in concert with the University of California (UC) about pest establishment in California:

- From 1990 to 2010 the annual rate of detection of established populations of new invertebrate species in California increased to approximately nine per year, which is a 50-percent increase over the previous 20-year period.
- Approximately 44 percent of non-native invertebrates likely arrived from populations established elsewhere in North America. The rest came from a foreign country through

an international border. The rate of establishment has remained unchanged after Customs and Border Protection took over the exclusion responsibility from USDA in the mid-2000s.

- The UC Center for Invasive Species Research estimates that invasive species cost California over \$6 billion per year.

The following factors contribute to why the negative impact of invasive species in California is greater now than in the past:

- A warmer climate has increased the value of the urban and natural forests that sequester carbon, clean the air, and save energy.
- The transition to permanent, high-value crops like almonds, walnuts, pistachios, wine grapes, and citrus, due to consumer demand, reduced pest management options like host-free periods or crop rotation that are available for annual crops.
- The increase in organically-produced food, due to consumer demand, means there are fewer cost effective pest management options for an increasing percentage of crops, and the loss of organic status crops and properties is greater than a comparable loss to conventionally-produced food.

According to CDFA, the increasing demand on the pest prevention system's resources required to address the increasing threat of ACP and HLB have reduced the ability to respond to other invasive pests. Although the battle against ACP and HLB is supported by the citrus growers and Federal Funds, the funding covers salaries of existing staff, but does not provide permanent position authority. PHPPS' existing permanent staff has been reassigned to cover the increasing workload created by ACP and HLB response activities, leaving holes in PHPPS' core programs.

An internal trend analysis within PHPPS has shown that to keep up with the increased pest introductions, over the past few years, there has been a 100 percent increase in overtime costs, a 157.8 percent increase in overtime hours, and a 41 percent increase in temporary help hiring. To maintain these critical functions without a corresponding increase in funding, PHPPS has delayed the purchase of equipment, reduced core functions (such as quality control inspections and trap inspections), and reduced inspections and quarantine enforcement activities, leaving the state vulnerable to other invasive species.

Legislative Analyst's Office (LAO). The LAO recommends approving the new positions and half of the positions requested to be shifted from temporary status. They further recommend the Legislature require the department to report at budget hearings on the need for new office facilities to house the additional staff requested under the Governor's proposal, as well as the estimated cost of the greenhouse structures that might be needed in order to implement the Governor's proposed biocontrol program.

Staff Recommendation: Hold open.