July 21, 2017

Summer Recess for the legislature commenced today. The Legislature will reconvene on August 21st.

Climate Change:

AB 398 (Eduardo Garcia, D-Coachella) was approved this week on a two-thirds vote by the Senate and Assembly to extend the cap and trade program through 2030. Leading up to this vote, it is important to note that the California Farm Bureau and greater business community opposed the legislation that initiated the state's greenhouse gas program, AB 32, the Global Warming Solutions Act of 2006. AB 32 created a statewide program to require stationary sources including food processors, large wineries, and energy providers of fuel and natural gas to reduce their greenhouse gas (GHG) emissions to 1990 levels by 2020.

AB 32 authorized the California Air Resources Board (CARB) to develop a "market-based" compliance mechanism as one of the ways to achieve the GHG reductions. The cap-and-trade program was developed and approved in 2011 to provide the most cost-effective and flexible way for stationary sources subject to AB 32 to reduce their GHG emissions. The cap-and-trade program allows these California businesses to select GHG emission reduction strategies that best suit their unique needs at less cost than direct "command and control" measures, such as paying for a dairy digester instead of installing prohibitively expensive new boilers or smokestack retrofits. Independent economic research verifies that cap-and-trade is the most cost-effective way to reduce GHG emissions while mitigating consumer cost increases for fuel, energy and goods.

In 2016, SB 32 became law and established even more ambitious goals that increased the original GHG program beyond 2020 to 2030, and increased the GHG reductions goal to 40% below 1990 levels but failed to include the authority to continue the cap-and-trade program. SB 32 was opposed by California Farm Bureau and the business community.

The California Farm Bureau along with the business community supported AB 398 because without the cap-and-trade program, the only recourse to comply with existing GHG law until 2030, would be direct "command and control" regulations with no flexibility for the large stationary sources (large wineries, food processors, energy providers) to manage the required reductions to their GHG emissions. Because of AB 32 and SB 32, the mandate to reduce GHG emissions is required with or without AB 398 (the cap and trade extension). The state's nonpartisan Legislative Analyst's Office compared the costs of cap-and-trade with direct regulation and found mandates to be two- to ten-times more expensive than cap-and-trade.

Farming is energy intensive and therefore needs the most cost-effective GHG emissions reduction solutions. While Farm Bureau has continued to oppose the premise of a CA-only GHG program, it is here until at least 2030 and thriving to stay competitive is essential. Farm Bureau and the greater business community believe AB 398 is the most cost-effective option given the state's existing GHG mandate which we have never supported.

AB 398 also:

- Establishes priority areas for investment from the cap-and-trade auction funds, which include agriculture. Stationary and mobile sources such as agricultural equipment, dairy digesters and food processing upgrades could qualify for these funds.

- Eliminated the SRA fire tax, a welcome relief for farmers, ranchers and other rural Californians who have been paying this unfair tax for several years.

- Extends the Manufacturing Sales and Use Tax Exemption from 2022 to 2030 and includes food processing facilities that were not previously eligible.

AB 398 was approved in the Senate on a 28-12 vote with Tom Berryhill (Modesto) being the only Republican to vote in support. The Assembly approved it on a 55-22 vote. The seven Assembly Republican members who supported AB 398 were Catharine Baker (Dublin); Rocky Chavez (Oceanside); Jordan Cunningham (San Luis Obispo); Heath Flora (Modesto); Devon Mathis (Visalia); Marc Steinorth (Rancho Cucamonga) and GOP Leader Chad Mayes (Yucca Valley). We appreciate all those who voted on this measure to extend the cap-and-trade program and give those businesses under GHG mandates some flexibility to make the most cost-effective decisions for their operations.

Commodities:

AB 822 (Anna Caballero, D-Salinas) would require state agencies and institutions to purchase California grown agricultural products so long as the price is no more than five percent higher than outside products. School districts would be required to purchase California grown products so long as they didn't cost any more than outside products. California farmers have significantly higher costs of production due to California's stringent regulations and our state should support our farmers and farm employees by purchasing products from farmers meeting those high regulatory standards. Farm Bureau is sponsoring AB 822, which was placed on the Senate Appropriations Committee Suspense File due to a certain threshold of state costs. The Committee will be making its final decision on its Suspense File the last week in August.

Energy:

SB 100 (Kevin de Leon, D-Los Angeles) requires sellers of electricity to procure a minimum of 60% of their electricity products from eligible renewable generation resources by 2030; currently they must procure 50% by 2030. In addition, the bill sets aspirational goals of meeting 100% of retail sales of electricity with eligible renewable generation and zero-carbon resources by 2045. The 100% goal would also apply to energy used by the State Water Project. Amendments taken clarified that the 100% goal by 2045 can be met by both currently eligible renewable and zero-carbon generation resources. However, the bill still clearly states that the state's policy is to reach 100% by 2045 and that the Public Utilities Commission, the Energy Commission and the Air Resources Board must incorporate the requirement into their planning.

The implications for costs to customers and management of the electric grid from such requirements are significant. CFBF retains its "Opposed Unless Amended" position on the bill, joining with several other agricultural stakeholders in seeking amendments to clarify that any expansion of a RPS target include limits on the clean energy mandate goal in a way that provides flexibility to implementing agencies to contain costs. Amendments to grandfather agricultural customers on existing TOU rates are also requested. SB 100 was approved last week by the Assembly Utilities and Energy Committee on a 10-4 vote with one abstention. It was then approved in the Assembly Natural Resources Committee on a 7-0 vote with 3 abstentions. In August, SB 100 will be heard in in the Assembly Appropriations Committee.

AB 920 (Cecilia Aguiar-Curry, D-Napa addresses baseload electric generation facilities (biomass and geothermal) and requires the California Public Utilities Commission to determine what types of generation resources investor owned utilities are required to procure. Publicly owned utilities would be required to make the same assessment. Although the bill now has no specific percentage requirements for baseload generation, it will continue the discussion about the importance of addressing the use of biomass generation in the state. The Senate Energy, Utilities and Communications Committee approved it on a 11-0 vote. AB 920 will be heard next in the Senate Appropriations Committee CFBF supports.

Labor:

SB 63 (Hannah-Beth Jackson, D-Santa Barbara) requires an employer with 20 or more employees within a 75-mile radius to provide 12 weeks of protected parental leave to bond with a new child after that child's birth, adoption or foster care placement. This additional state-level requirement for family and medical leave will complicate already complex leave administration requirements for small employers who are not now covered by most workplace leave requirements. Recent amendments to permit an employer to recover from the employee health insurance premiums spent to maintain health coverage as required by SB 63 if the employee does not return to employment do not address the principal concern about expansion of family leave. SB 63 was placed on the Assembly Appropriations Committee Suspense file for later consideration due to meeting a certain threshold of state costs. Farm Bureau opposes.

SB 772 (Connie Leyva, D-Chino) would exempt Cal/OSHA regulations from an important regulatory assessment required of all regulatory agencies by the Administrative Procedures Act (APA). The Standard Regulatory Impact Analysis (SRIA) was created by the Legislature in 2011 to determine whether a regulatory proposal is an efficient and effective means of accomplishing a desired public policy goal. Proponents contend the SRIA process unduly lengthens the regulatory process leaving workers unprotected by needed workplace safety and health regulations, yet the agency has completed the process on major regulations without undue delay. The Assembly Appropriations Committee approved SB 772 on a 12-4 vote with one abstention. It will be considered by the full Assembly later in August. Farm Bureau opposes.