

Budget Change Proposal - Cover Sheet

Fiscal Year: 2020-21

Business Unit: 8570

Department: Food and Agriculture

Priority Number:

Budget Request Name: 8570-050-BCP-2020-GB

Program: 6590 – General Agricultural Activities

Subprogram:

Budget Request Description: Fresno-Merced Food Innovation Corridor

Budget Request Summary: The California Department of Food and Agriculture (CDFA) requests \$33,000,000 General Fund in 2020-21 with a three-year encumbrance period to develop a Fresno-Merced Food Innovation Corridor Grant Program to stimulate research and development, commercialization, and innovation that will advance sustainable agricultural production and processing and support high quality jobs in the San Joaquin Valley. CDFA will partner with local education institutions, the Governor's Office of Business and Economic Development, and regional partners to prioritize and implement investments for this initiative, leveraging philanthropic and private support.

Requires Legislation: Yes No

Code Section(s) to be Added/Amended/Repealed:

Does this BCP contain information technology (IT) components? Yes No

If yes, departmental Chief Information Officer must sign.

Department CIO Name:

Department CIO Signature:

Signed On Date:

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project Number:

Project Approval Document:

Approval Date:

If proposal affects another department, does other department concur with proposal?

Yes No

Attach comments of affected department, signed and dated by the department director or designee.

Prepared By: Amrith Gunasekara

Date: 12-23-19

Reviewed By: Nathan Johnson

Date: 12-23-19

Department Director: Kevin Masuhara

Date: 1/8/20

Agency Secretary: Karen Ross

Date: 1/8/20

Department of Finance Use Only

Additional Reviews: Capital Outlay: ITCU: FSCU: OSAE:

Department of Technology:

PPBA: Sergio Aguilar

Date submitted to the Legislature: 1/10/20

A. Budget Request Summary

The California Department of Food and Agriculture (CDFA) requests \$33,000,000 General Fund in 2020-21 with a three-year encumbrance period to develop a Fresno-Merced Food Innovation Corridor Grant Program to stimulate research and development, commercialization, and innovation that will advance sustainable agricultural production and processing and support high quality jobs in the San Joaquin Valley. CDFA will partner with local education institutions, the Governor's Office of Business and Economic Development, and regional partners to prioritize and implement investments for this initiative, leveraging philanthropic and private support.

B. Background/History

The Central Valley of California is one of the most productive agricultural regions in the nation and one of five Mediterranean regions in the world with sustained months of sunlight and the ability to move water from the north end of the State to the south. Within the Central Valley of California is the San Joaquin Valley that contains Fresno County (which accounts for more than \$7 billion in agricultural food production per year) and Merced County (which accounts for \$3.5 billion per year). Both counties are listed among the top ten agriculture production counties by value and many of the crops grown are highly nutritious and affordable.

California is the nation's sole producer of many agricultural commodities, supplying 99 percent or more of the following: almonds, artichokes, dates, dried plums, figs, garlic, kiwifruit, olives and olive oil, pistachios, raisins, table grapes, and walnuts. The State contains infrastructure necessary to support the nationwide and global economic impact including transportation, cold storage, food processing and logistics related to the farm to market to consumers pathway. The San Joaquin Valley is supported by several key educational institutions that offer agriculture curriculum: The University of California Merced, California State University Fresno and several Agricultural Research and Extension Centers. Together, the Fresno-Merced corridor and the Central Valley in general, provide a level of food security and agricultural production diversity not commonly found elsewhere in the nation and world.

There is opportunity for the San Joaquin Valley to further scale up innovation and technologies that other regions in California are known for. The Fresno-Merced region currently does not fully leverage the collection of assets, firms and identity, nor is the ecosystem robust as it could be. The agricultural economy, although consistent and strong, is slow-growing and lacks the focused innovation and technology investments to produce quality, long-term jobs the residents need. There is opportunity for the region to spur, adopt and commercialize innovations that can help move up the value chain, diversifying into products and services related to local industries that tap into the export market as well. Other counties outside of the Central Valley, as well as other developed regions in the world, have invested heavily in using the agriculture food production as a sector to facilitate and advance innovation and technologies. These investments require growth in the education and knowledge sectors as well as building deeper food system economies to support quality jobs through local innovation corridors.

The proposed new Fresno-Merced Food Innovation Corridor Grant Program will be housed in the Department's Office of Environmental Farming and Innovation (OEFI). This office was

designed to serve California by supporting agricultural production and incentivizing practices resulting in a net benefit for the environment through innovation, efficient management and science. OEFI currently administers several incentive grant programs to further air and water environmental benefits on private working agricultural lands and at University research centers with the goal of agricultural sustainability into the future. To date, OEFI programs have received over \$430 million from different funding sources to support its grant programs to the agricultural community. These programs incentivize technologies and new innovations that drive further management of air and water resources in an environmentally sustainable manner. However, much of these technologies used must be commercially available to maximize the benefits and reduce the risk of State investment funds.

C. State Level Considerations

CDFA's mission is to promote and protect a safe, healthy food supply, and enhance local and global agricultural trade, through efficient management, innovation and sound science, with a commitment to environmental stewardship. CDFA will partner with local education institutions, the Governor's Office of Business and Economic Development, and regional partners to prioritize and implement investments for this initiative and work to leverage philanthropic and private support through matching funds and other opportunities.

D. Justification

This proposal requests one-time funding of \$33 million General Fund for the establishment of the Fresno-Merced Food Innovation Corridor Grant Program to stimulate research and development, education, commercialization, and innovation that will advance sustainable agricultural production and processing and create high quality jobs in the San Joaquin Valley. The new grant program will support racial equity and investments in disadvantaged communities, particularly in the Fresno and Merced counties. Targeted outreach will include traditionally marginalized groups who may benefit from this initiative.

CDFA recognizes that a focused research and development effort centered on innovation that can be commercialized is needed along with the education and knowledge base to support the development of new technologies to move the agricultural production sector to a new level of ensuring food production that is affordable, highly nutritious and safe. The innovative technologies delivered through a program such as the Fresno-Merced Food Innovation Corridor can then be used to expand existing technology lists used in OEFI's and similar governmental and private incentive programs including programs designed to address air and water quality environmental benefits.

These investments in higher levels of knowledge have been shown to spur innovation, economic growth and higher skilled jobs which translates to increased employment opportunities across wages and skill levels. Higher paying jobs lead to greater re-investment in existing communities which grow to support many indirect economic contributions including local growth in small businesses and greater community engagement, wellness and health. The region, using its nationally and globally recognized "established" agricultural sector, can position itself to be at the forefront of emerging innovations and industries by responding to global food

and sustainability needs, tapping into the adoption of new technologies and responding to new market demands. This includes digitization of data science, mechatronics (e.g., automation, drones, internet of things) and systems interaction, and third-party product validation, testing and demonstration.

The lack of direct capital investment in the San Joaquin Valley to stimulate research and development, commercialization, and innovation will leave California's food basket of the world without the competitive resources it needs to advance sustainable agricultural production, or create high-quality jobs to ensure California remains a national and global economic powerhouse which balances food production with environmental sustainability. Consumer demands are increasing including the demand for sustainability produced food products. California must respond pro-actively or lose its place as a national and global leader in agricultural production. The 2010 California Agricultural Vision document subtitled Strategies for Sustainability, produced by the California State Board of Food and Agriculture, memorializes these needs in one of the 12 actions by stating "research and extension of that research stimulate innovation and adaptable to keep California's agriculture and food system the world's most productive, profitable and environmentally sound."

E. Outcomes and Accountability

All grant projects will be implemented in consultation with the appropriate State agencies. The developed of the programmatic framework will be vetted through a public comment period consistent with the Bagley-Keene Open Meeting Act. All project outcomes and performance reviews will be included in the grant agreement and reviewed and verified by technical scientific staff within OEFI.

F. Analysis of All Feasible Alternatives

Alternative #1: Approve \$33 million General Fund in 2020-21 to develop a Fresno-Merced Food Innovation Corridor Grant Program to stimulate research and development, commercialization, and innovation that will advance sustainable agricultural production and processing and create high quality jobs in the San Joaquin Valley.

Advantages: These investments in the Fresno-Merced Food Innovation Corridor will stimulate research and development, commercialization, and innovation and contribute to ensuring that California's Central Valley remains a national and global economic agricultural powerhouse which balances food production with environmental sustainability. These investments in higher levels of knowledge have been shown to spur innovation, economic growth and higher skilled jobs which translates to increased employment opportunities across wages and skill levels. Higher paying jobs lead to greater re-investment in existing communities which grow to support many indirect economic contributions including local growth in small businesses and greater community engagement, wellness and health.

Disadvantages: This alternative increases the obligation to the General Fund.

Alternative #2: Do not approve \$33 million General Fund in 2020-21 to develop a Fresno-Merced Food Innovation Corridor Grant Program to stimulate research and development,

commercialization, and innovation that will advance sustainable agricultural production and processing and create high quality jobs in the San Joaquin Valley.

Advantages: There would be no obligation to the General Fund.

Disadvantages: The lack of capital investment in this region to stimulate research and development, commercialization, and innovation will leave California without the competitive resources it needs to advance sustainable agricultural production and creating high quality jobs to ensure that California remains a national and global economic powerhouse which balances food production with environmental sustainability.

Alternative #3: Pursue funding from the federal government.

Advantages: There would be no obligation to the General Fund.

Disadvantages: Agricultural spending from the federal government is administered through the Farm Bill. The Farm Bill does not highlight specific regions of focus within states, nor does it allocate resources to stimulate research and development, commercialization, and innovation. Although the United State Department of Energy has specific technological innovation programs, none specifically focus on agricultural research and innovation to stimulate job growth and job skill level.

G. Implementation Plan

- July to August 2020: Develop Fresno-Merced Food Innovation Corridor Grant Program framework.
- August to October 2020: Propose framework to stakeholders and gather public comments.
- October to December 2020: Finalize programmatic framework, develop application solicitation material and prepare to release solicitation for public comment.
- January to February 2021: Release first solicitation for applications totaling \$10 million.
- March to May 2021: Conduct administrative, financial and technical review of grant applications.
- June 2021: Award grant projects totaling \$10 million for the first solicitation of the with a two-year implementation period.
- July to September 2021: Prepare second solicitation for grant projects.
- October to November 2021: Release second solicitation for applications totaling \$10 million.
- December 2021 to March 2022: Conduct administrative, financial and technical review of grant applications.
- April 2022: Award grant projects for the second solicitation with a two-year implementation period.
- May to July 2022: Prepare third solicitation for grant projects.
- August to September 2022: Release third solicitation for applications totaling \$11.3 million.
- October to December 2022: Conduct administrative, financial and technical review of

grant applications.

- January 2023: Award grant projects for the third solicitation of the Fresno-Merced Food with a two-year implementation period.
- Close out all projects by June 2025 with verifications and final reports.

H. Supplemental Information

Of the \$33 million requested, up to \$1.7 million may be used to fund the requested positions along with other administrative costs associated with administering the grants, including technical review and processing invoices.

I. Recommendation

CDFA recommends approving \$33 million General Fund in 2020-21 to develop a Fresno-Merced Food Innovation Corridor Grant Program to stimulate research and development, commercialization, and innovation that will advance sustainable agricultural production and processing and create high quality jobs in the San Joaquin Valley. CDFA will partner with local education institutions, the Governor's Office of Business and Economic Development, and regional partners to prioritize and implement investments for this initiative, leveraging philanthropic and private support.

BCP Fiscal Detail Sheet

BCP Title: Fresno-Merced Food Innovation Corridor

BR Name: 8570-050-BCP-2020-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
54XX - Special Items of Expense	0	33,000	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$33,000	\$0	\$0	\$0	\$0

Total Budget Request

Total Budget Request	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
Total Budget Request	\$0	\$33,000	\$0	\$0	\$0	\$0

Fund Summary

Fund Source

Fund Source	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
Local Assistance - 0001 - General Fund	0	33,000	0	0	0	0
Total Local Assistance Expenditures	\$0	\$33,000	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$33,000	\$0	\$0	\$0	\$0

Program Summary

Program Funding

Program Funding	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
6590 - General Agricultural Activities	0	33,000	0	0	0	0
Total All Programs	\$0	\$33,000	\$0	\$0	\$0	\$0