



February 15, 2023

Honorable Josh Becker
Budget Subcommittee No. 2, Chair
California State Senate
1020 O Street, Rm 502
Sacramento, CA 95814

Honorable Steve Bennett
Budget Subcommittee No. 3, Chair
California State Assembly
1020 O. Street, Rm 8230
Sacramento, CA 95814

Re: California Department of Food and Agriculture: Fairs & Exposition Fund: Oversight Costs for AB 1499

The undersigned organizations and businesses represent the community that makes up the Network of California Fairs (Network). We write in a respectful *oppose, unless amended* position to the Budget Change Proposal (BCP) and subsequent trailer bill language presented by the Department of Food and Agriculture (CDFA). These items are to be heard on March 2nd and March 8th in the Senate and Assembly Budget Subcommittees, respectively.

The BCP and trailer bill language, as currently drafted, proposes to divert limited AB 1499 revenues for all overhead expenses for the CDFA's Fairs and Expositions Branch. As an alternative, we encourage the Legislature maintain these limited funds for fairgrounds and extend General Fund support for CDFA as bridge funding for administrative costs, while revenues from AB 1499 stabilize post COVID. Transparency with this funding can be best served by reinstating the oversight functions of the Joint Committee on Fairs Allocation and Classification.

The Network consists of 76 fairgrounds (the California Exposition and State Fair, district agricultural associations, county fairs and citrus fruit fairs) that serve more than 35 million Californians annually. Fairgrounds are often the heartbeat of their communities generating millions in non-profit and community benefits with affordable access to recreation, educational and cultural events.

Fairgrounds are also essential infrastructure necessary for the state to effectively respond in natural disasters and emergency events. During recent wildfire, high heat, freeze and flooding events, fairgrounds staged emergency vehicles and equipment, sheltered displaced residents and animals and generally supported the community efforts to cope with the emergency. Fairgrounds were additionally leveraged during the COVID-19 pandemic, repurposed as coronavirus testing centers, command centers for the Office of Emergency Services, or shelters for California's

unhoused populations. It bears noting that California fairgrounds provide these services year-over-year for limited compensation.

Historically, for 75 years fairs had been financially supported by revenues generated by horseracing which was eliminated in the 2008-2009 Budget and replaced with \$32 million annually from the State General Fund. CDFA was responsible for oversight of district agricultural associations, monitoring the solvency of the Fair and Exposition Fund (F&E Fund), conducting fiscal audits and period compliance, and “creating a framework for administration of the network of California fairs allowing for maximum autonomy and local decisionmaking authority.”¹ Additionally, CDFA was required to submit an annual expenditure plan of the allocations to fairs which was presented and subject to approval by the Legislature's Joint Committee on Fairs Allocation and Classification. Subsequently, due in part to the national recession, in 2011, all state General Fund support was eliminated, along with the need for many of the oversight functions for CDFA staff and, absent fair funding, the need for Legislative oversight.²

Facing many challenges to make ends meet without a Network funding source, in 2016 the Network pursued additional reliable and stable funding sources and sponsored AB 1499 (Gray, Chapter 798). Under existing law, as established by AB 1499, $\frac{3}{4}$ of 1% of revenues generated on fairgrounds and reported for sales tax purposes are included each year in the Governor's budget for allocations to fairgrounds. These revenues, minus administrative costs by the California Department of Tax and Fee Administration, are allocated by CDFA to fairs. This supports projects addressing public health, safety, and emergency services, a backlog of major and deferred maintenance issues, and general operational support.

And while AB 1499 self-generated revenues have potential, to date, the revenues have been less than originally projected (\$4-8 million versus \$18 million) and therefore, maximum allocation of such revenues to fairs are essential. Even with full receipt of AB 1499 revenues, financial support for fairs is four times less than what was budgeted in 2010.

This BCP and trailer bill considered for review by the Senate and Assembly Budget Subcommittees would authorize all administrative costs for CDFA's Fairs and Expositions Branch to be taken from the limited revenue generated by AB 1499. This is inconsistent with the intent of AB 1499, which was expressly to generate financial support exclusively for fairgrounds. Additionally, as noted in the BCP, based on estimated revenues from AB 1499 in 2022, CDFA's administrative costs could constitute over half of the total revenue generated, leaving only 50% or less for allocation to the network of fairs. To place these percentages in context, should this BCP be approved, and AB 1499 conservatively generates \$4 million in revenue, \$2.03 million would be used to support CDFA's 10 permanent positions to oversee a paltry \$1.96 million allocation to fairs. Moreover, while the revenue generated from AB 1499 is collected from all Network members (District Agricultural Association, county fairs, etc.), statute dictates that CDFA's oversight and assistance is only be offered to District Agricultural Associations.³

¹ Business and Professions Code §19620(b)(3)

² Joint Committee on Fairs Allocation and Classification

³ Business and Professions Code §19620(b)(2)

While this coalition opposes the BCP, as presented, we do support reasonable overhead costs for CDFA if buttressed by transparency and legitimate support for network of California fairs. This can be accomplished by increasing the percentage of the apportionment of revenues generated on fairgrounds that are designated to be allocated for fairs, establishing a reasonable cap on administrative costs for CDFA, supporting a General Fund appropriation as bridge funding for CDFA as the apportionment increases and reinstating the Legislature's authority for the Joint Committee on Fairs Allocation and Classification to review and approve CDFA's F&E Fund expenditure plan annually.

We respectfully request you reject this BCP and engage with this coalition and the Administration to pursue a more fair, equitable and mutually beneficial proposal. We welcome further discussions with you, your legislative colleagues and committee staff to protect our essential California fairs.

Thank you for your consideration,



Sarah Cummings, President & CEO
Western Fairs Association



Mary-Ann Warmerdam, Senior Vice
President Governmental Affairs
Rural County Representatives of California

cc: Members, Senate Budget Subcommittee No. 2
Members, Assembly Budget Subcommittee No. 3
Karen Ross, Secretary, California Department of Food and Agriculture
Eunice Roh, Budget Consultant, Senate Budget Subcommittee No. 2
Shy Forbes, Budget Consultant, Assembly Budget Subcommittee No. 3