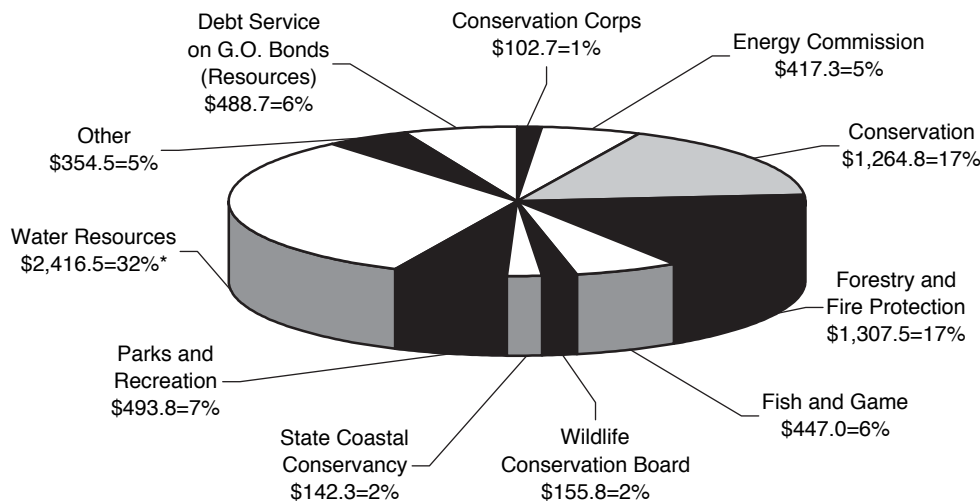


RESOURCES

Resources Agency programs protect and restore California's natural resources for current and future generations. Included among the state's diverse attributes are stunning coastlines and lakes, spectacular forests, vast fish and wildlife habitats, rich farmlands, and extensive mineral resources. Agency programs also protect the public by suppressing wildfires, constructing river levees, and permitting safe power plants. These programs not only contribute to the state's unique quality of life, they are critical to sustaining a vibrant economy.

The Governor's Budget provides \$6.4 billion and more than 16,000 positions to protect and manage California's natural resources in 2007-08. Figure RES-01 displays proposed expenditures for each of the departments, boards, and commissions in the Resources Agency.

Figure RES-01
Proposed Resources Expenditures for 2007-08
All Funds
 (Dollars in Millions)



* Does not include \$5.6 billion in Electric Power Fund.

MAJOR ACCOMPLISHMENTS IN 2006-07

Despite continuing budgetary pressures, the 2006 Budget Act increased funding in areas critical to maintaining, restoring, and enhancing California’s natural resources.

- To further diminish threats from levee failure and flooding, the Budget included \$35 million General Fund and 30 new positions in the Department of Water Resources to improve and maintain the flood control system and \$41.3 million General Fund for six new or continuing flood control capital projects.
- The Budget provided a one-time appropriation of \$100 million General Fund to reimburse local flood control agencies on a cost-sharing basis for all rights-of-way and relocation costs of channel improvement and levee projects.
- The Budget included \$19 million General Fund to strengthen programs that protect and manage ocean resources. Specifically, a total of \$4 million ongoing and \$10 million in one-time funding was provided for implementation of the Marine Life Protection Act and

the Marine Life Management Act in the budgets of the Ocean Protection Council and the Department of Fish and Game. An additional \$5 million in ongoing funding was included for activities related to the regulation of aquaculture and bottom trawling.

- Significant augmentations to correct fiscal problems and expand programs at the Department of Fish and Game were also provided in the Budget. It included \$14.9 million ongoing and \$19.9 million one-time funding to address shortfalls in the Fish and Game Preservation Fund and to repay previous borrowing from dedicated accounts within the Fund.
- Augmentations of \$10 million General Fund one-time and \$4 million General Fund ongoing were provided for the Salmon and Steelhead Restoration program. The Budget also provided one-time appropriations of \$8.8 million General Fund for emergency work to repair storm damage on department lands, \$10 million General Fund to manage nongame fish and wildlife, and \$5 million General Fund to manage coastal wetlands.
- To address remediation of toxic materials at the Empire Mine State Historical Park, the Budget provided \$5 million General Fund in one-time funding to the Department of Parks and Recreation. The Budget included \$11.8 million General Fund to continue bringing the state parks into compliance with the Americans with Disabilities Act.

PROPOSED RESOURCES SPENDING FOR 2007-08

Change Table RES-01 illustrates the major changes proposed to Resources spending in the Governor's Budget.

The major workload adjustments for 2007-08 include the following:

- One-Time Cost Reductions—The Budget reflects decreases of \$295.8 million General Fund and \$313.0 million in other funds, including the following significant reductions:
 - General Fund: \$100 million to reflect the expiration of one-time funding for flood control subventions in the Department of Water Resources; \$84.1 million to remove 2006-07 funding for lining of the All-American Canal; and \$90 million to reflect the expiration of 2006-07 one-time funding for deferred maintenance in state parks.
 - Various reductions related to numerous expiring one-time bond and special fund appropriations for Resources Agency departments.

Change Table RES-01

Resources Agency - Changes by Broad Categories

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2006 Budget Act	\$1,825,757	\$9,241,548	15,586.4	\$1,759,195	\$8,505,802	15,586.4
Workload Adjustments						
Employee Compensation/Retirement	35,591	36,285	225.0	38,915	32,434	225.0
Expiring Programs or Positions	--	--	--	-24,852	24,654	-3.8
One-Time Cost Reductions	--	--	--	-295,833	-312,972	--
Full-Year Cost of New Programs	--	--	--	--	1,375	--
Other Workload Adjustments	-41,083	1,360,747	170.1	192,552	947,283	119.2
Totals, Workload Adjustments	-\$5,492	\$1,397,032	395.1	-\$89,218	\$692,774	340.4
Policy Adjustments						
Other Policy Adjustments	--	544	20.6	-78,479	1,185,453	537.2
Totals, Policy Adjustments	\$0	\$544	20.6	-\$78,479	\$1,185,453	537.2
Infrastructure Adjustments	\$341,128	\$556,011	--	-\$119,406	\$1,312,067	21.8
Total Adjustments	\$335,636	\$1,953,587	415.7	-\$287,103	\$3,190,294	899.4
Governor's Budget	\$2,161,393	\$11,195,135	16,002.1	\$1,472,092	\$11,696,096	16,485.8

* Dollars in Thousands

- Other Workload Adjustments—The Budget reflects increases of \$192.6 million General Fund and \$947.3 million in other funds, including the following significant adjustments:
 - General Fund: a technical adjustment of \$160 million to reflect the carryover of deferred maintenance funding in the Department of Parks and Recreation; \$59.3 million for bond interest; and \$47.3 million to provide 2007-08 funding for lining the All-American Canal.
 - Other funds: \$570.4 million to reflect power purchases made under long-term contracts entered into by the Department of Water Resources during the energy crisis and \$341.9 million to reflect estimated payments to recycling companies in the Department of Conservation.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

FLOOD PROTECTION

On February 24, 2006, Governor Schwarzenegger declared a State of Emergency related to critical erosion damage to levees in the Central Valley. During fiscal year 2006-07, the State of California will spend over \$300 million to fund urgent or emergency repairs. The funds are derived from a \$500 million appropriation contained in AB 142, which was enacted in 2006 to allow immediate work to begin on flood control improvements.

Proposition 1E, approved by the voters in the November 2006 election, authorized \$4.1 billion for levee repair and other flood control system improvements. The proposition was part of a coordinated effort to address California's infrastructure needs, and it reflected a recognition that California's aging levees and other flood control systems are in urgent need of repair and improvement. This recognition was strengthened by the devastation produced by failed levees in New Orleans during and after Hurricane Katrina in 2005. Governor Schwarzenegger has made improving flood protection a very high priority.

Proposition 1E will provide the following amounts in total:

- \$3.0 billion for Central Valley flood control system repairs and improvements
- \$500 million for flood control subventions outside the Central Valley
- \$300 million for stormwater flood management outside the Central Valley
- \$290 million for flood protection corridors and bypasses and floodplain mapping

To address the state's urgent flood control needs, the Governor's Budget includes \$629.9 million from Proposition 1E, Proposition 84, and Proposition 13 bond funds and from AB 142, and 75 new positions to allow the continued repair of critical levee erosion sites, provide subventions to help local governments protect their communities from flooding, and continue development of the state's strategic flood management capability. From the total amount budgeted, \$37 million in Proposition 1E and 84 funds will be dedicated to five flood control capital projects: Mid-Valley Area Levee Reconstruction, South Sacramento County Streams, American River Watershed (Folsom Dam Raise), American River Watershed (Folsom Dam Raise, Bridge Element), and American River Flood Control—Natomas Features,

RESOURCES

and for feasibility studies on additional projects. As part of the Administration's effort to eliminate the state's operating deficit, and consistent with the Governor's announced intention in March 2006, an additional \$200 million in Proposition 1E funds will reimburse the General Fund for critical levee repairs originally funded by AB 142.

PROPOSITION 84

In recent years, California's voters have approved a series of bonds to protect and enhance the state's natural resources. Propositions 12, 13, 40, and 50 have made available a total of \$10.1 billion dollars that has been used by local governments and state agencies for a wide variety of activities such as water conservation, acquisition of land to protect wildlife habitats, and restoration of damaged ecosystems. Most of the approved funding from these bonds has now been spent or allocated to specific projects and programs, and relatively little remains for new activities.

In November 2006, Proposition 84 was approved by the voters, authorizing an additional \$5.4 billion in general obligation bonds for water, flood control, natural resources, park, and conservation projects. Proposition 84 will provide the following amounts:

- \$1.5 billion for drinking water and water quality projects
- \$800 million for flood control
- \$65 million for water planning and project design
- \$928 million for protection of rivers, lakes, and streams
- \$450 million for forest and wildlife conservation
- \$540 million for protection of beaches, bays, and coastal waters
- \$500 million for parks and nature education facilities, including construction of new facilities and renovation and rehabilitation of existing facilities
- \$580 million for sustainable communities and climate change reduction

The Governor's Budget proposes the expenditure of \$1.1 billion in Proposition 84 funds in 2007-08. Some important uses of those funds are highlighted below.

CONTINUING TO BUILD A LANDMARK OCEAN PROTECTION PROGRAM

California has placed a high priority on developing comprehensive programs to protect our increasingly threatened marine resources. Under this Administration, \$20 million in one-time

funding and \$9.5 million in ongoing annual funding has been spent to create marine protected areas, ensure sustainable fisheries, and regulate marine industries.

Proposition 84 dedicates a total of \$90 million specifically for ocean protection. This will sustain and enhance marine protection and management programs in coming years, and ensure the development of additional marine protected areas and additional management plans for marine species.

PROVIDING FUNDING FOR THE SIERRA NEVADA CONSERVANCY

The Sierra Nevada Conservancy was established by statute in 2004 to initiate, encourage, and support efforts to improve the environmental, economic, and social well-being of the Sierra Nevada Region. Proposition 84 allocates \$54 million to the Conservancy for the protection of rivers, lakes, and streams in the Sierra Nevada region, along with their watersheds and associated land, water, and other natural resources. The Governor's Budget provides \$17.5 million of this funding to the Conservancy in 2007-08.

BIOENERGY

On April 25, 2006 the Governor issued an Executive Order setting targets for increased production and use of bioenergy in California and calling on state agencies to identify and secure federal and state funding for research, development, and demonstration projects to advance the use of biomass resources.

The Governor's Budget proposes \$5.1 million, principally from Proposition 84 funds, to advance this initiative, which is designed to increase the use and availability of renewable energy, reduce reliance on fossil fuels, mitigate the risk of catastrophic wildfire, and ameliorate some of the state's critical waste disposal and environmental problems. The funds will provide grants through the California Department of Forestry to biomass energy generation facilities and enhance an existing biomass removal program operated by the California Tahoe Conservancy.