

NATURAL RESOURCES

The Natural Resources Agency consists of 26 departments, boards, commissions, and conservancies responsible for administering programs to conserve, protect, restore, and enhance the natural, historical, and cultural resources of California. The Budget proposes total funding of \$9.4 billion (\$2.6 billion General Fund) for all programs included in the Agency.

WATER ACTION PLAN

ACTIONS FOR RESTORATION, RESILIENCE, AND RELIABILITY

The water challenges facing California’s communities, watersheds, and economy require a comprehensive approach to water resources management. The Water Action Plan—released by the Governor in January 2014—is a five-year roadmap towards sustainable water management. The value of the Plan lies in its clear articulation of actions that the Administration is committed to completing.

At the core of the Plan are ten actions and associated sub-actions designed to support three overarching goals: restoration, resilience, and reliability. Reaching these goals requires a commitment of significant resources to both new water management projects and the maintenance of existing infrastructure. It also requires investment in a broad suite of water management strategies, including:

- Providing incentives for improved regional water management, including conservation.

NATURAL RESOURCES

- Recycling and stormwater capture.
- Integrating flood management and habitat restoration efforts.
- Implementing sustainable groundwater management policies.
- Developing new and improving operation of existing surface and groundwater storage.

In general, local water agencies (e.g. drinking water, wastewater, flood control) provide the vast majority of revenues that contribute to water system development, upgrades, and operations. Given this, the state must invest its relatively modest water management funding wisely, directing dollars where they can address critical community needs, leverage other funding sources, and spur transformative water management practices.

The Budget proposes \$1.7 billion in investments to implement the Plan.

2014 WATER BOND — PROPOSITION 1

In November 2014, the voters approved the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1), which provides \$7.5 billion in general obligation bonds for water storage, water quality, flood protection, and watershed protection and restoration projects. Proposition 1 includes funding specifically intended to achieve the three over-arching goals described in the Plan: restoration, resilience, and reliability. The Budget proposes \$532.5 million to begin the first year of a multiyear Proposition 1 expenditure plan (see Figure RES-01).

RESTORATION

Economic growth in California's early years drove large-scale land use changes. Further urban and rural development drove local, regional, and system-wide water management projects unaided by the current understanding of ecological process. Consequently, California's native fisheries and watersheds have been negatively affected for decades. Proposition 1 funds will support projects that restore California's ecosystems for the benefit of fish, wildlife, communities, and water management systems.

RESILIENCE

Ongoing and future changes to the climate will drive rising sea levels, salinity encroachment, altered precipitation patterns, reduced Sierra snowpack, and numerous other changes to California's hydrology. Every aspect of the water management system

Figure RES-01
2015-16 Proposition 1 (Water Bond) Expenditure Plan
 (Dollars in Millions)

| <i>Bond Investment Category</i> | <i>Department</i> | <i>Program</i> | <i>Amount</i> |
|--------------------------------------|--|---|----------------|
| Safe Drinking Water | State Water Resources Control Board | Wastewater Treatment Projects | \$66.3 |
| | State Water Resources Control Board | Safe Drinking Water in Small Disadvantaged Communities | \$69.2 |
| Watershed Protection and Restoration | State Conservancies | Watershed Projects | \$83.5 |
| | Wildlife Conservation Board | Enhanced Stream Flow Projects | \$38.9 |
| | Santa Monica and San Gabriel Conservancies | Urban Rivers and Creeks | \$19.1 |
| | Department of Fish and Wildlife | Watershed Restoration Projects (Non-Delta and In-Delta) | \$36.5 |
| Regional Water Reliability | Department of Water Resources | Integrated Regional Water Management Program | \$32.8 |
| | Department of Water Resources | Water Conservation | \$23.2 |
| | State Water Resources Control Board | Stormwater Management | \$0.6 |
| Water Storage | Department of Water Resources | Statewide Water System Operational Improvement | \$3.3 |
| Water Recycling | Department of Water Resources | Water Recycling and Desalination | \$5.5 |
| | State Water Resources Control Board | Water Recycling and Treatment Technology Projects | \$131.7 |
| Groundwater Sustainability | Department of Water Resources | Groundwater Management Planning | \$21.3 |
| | State Water Resources Control Board | Groundwater Contamination | \$0.6 |
| Total | | | \$532.5 |

will be affected. Increased severity of Central Valley flood events, for example, requires the state to increase the capacity of its flood system (most notably within the flood bypass facilities) to better protect urban and rural communities. Proposition 1 funds will be used to increase the state’s resilience to anticipated and currently unknown impacts of a changing global climate.

RELIABILITY

A significant portion of the state’s economy depends on a strong agricultural sector that in turn depends on water supplies from various sources. Other sectors of the economy also depend on precious water supplies. Strengthening the reliability of water supplies, with an emphasis on efficient use and integrated management strategies, is the key to providing affordable and safe drinking water, continuing agricultural supplies, and growing

the state's economy. Proposition 1 funds will be used for projects such as water storage, groundwater sustainability, safe drinking water, and regional water management projects.

FLOOD PROTECTION

More than 7 million California residents and \$580 billion in economic assets statewide are vulnerable to flood risk. The effects of climate change on the state's water runoff patterns will magnify these challenges and risks.

In 2012, the Department of Water Resources (DWR) and the Central Valley Flood Protection Board prepared and adopted the Central Valley Flood Protection Plan, which recommends a system-wide approach that considers the interaction of all flood system components, including reservoirs, bypasses, levees, and the natural environment. The system-wide approach looks beyond the traditional project-by-project flood control approach, and incorporates actions on both flood system improvement and proactive floodplain management. The Plan also recommends prioritizing investments of state resources across system-wide improvements, urban flood protection projects, small community and rural-agricultural projects and flood risk management program categories.

The Disaster Preparedness and Flood Prevention Bond Act (Proposition 1E), enacted by the voters in 2006, authorized \$4.1 billion in general obligation bonds to support flood protection efforts in the Central Valley, the Sacramento-San Joaquin Delta, and other areas of the state subject to flooding. Proposition 1E specifies that these bond funds be available for appropriation until July 1, 2016.

The Budget proposes \$1.1 billion for DWR to support flood protection activities, which will appropriate all remaining Proposition 1E funds. Expenditures of these remaining bond funds will be allocated to program categories that are consistent with the resource allocation recommendations of the Central Valley Flood Protection Plan for prioritizing flood management projects. To facilitate the earliest possible work on the projects, the Administration is seeking the enactment of legislation that appropriates \$1.1 billion of Proposition 1E funds early in the legislative session prior to enactment of the Budget Act.

GROUNDWATER MANAGEMENT

The Sustainable Groundwater Management Act, signed into law in September 2014, establishes a new structure for improved local management of groundwater basins. As stated in the Governor's signing message, "a central feature of these bills is the

recognition that groundwater management in California is best accomplished locally. Local agencies will now have the power to assess the conditions of their local groundwater basins and take the necessary steps to bring those basins in the state of chronic long-term overdraft into balance”.

The State’s primary role is to provide guidance and technical support to local groundwater agencies. To this end, the Budget proposes \$6 million General Fund for DWR to provide additional technical assistance to local agencies on the development of the groundwater sustainability plans, as well as to implement specific requirements of the groundwater legislation such as the adoption of basin boundaries and regulations on best groundwater management practices. In addition, as noted in the 2014 Water Bond section above, the Budget proposes \$21.3 million of Proposition 1 funds for grants for projects that develop and implement local groundwater plans.

OTHER WATER ACTION PLAN PROPOSALS

IN-STREAM FLOWS

Increased water demand in California has led to stream modifications in watersheds throughout the state. Consequently, many streams do not have a flow regime or habitat that supports a healthy aquatic environment. The decline in salmon populations have been attributed to the limited quantity of stream flow available for fish during key life stages. Flow requirements can improve many of the degraded stream systems in California by restoring a more natural flow pattern and increasing aquatic habitat quality. The Budget provides \$2.2 million General Fund and \$1.8 million Water Rights Fund for the State Water Resources Control Board and the Department of Fish and Wildlife to enhance flows in at least five stream systems that support critical habitat for anadromous fish.

DELTA PLAN IMPLEMENTATION

The Delta is the hub of California’s water supplies, with Delta diversions serving two-thirds of California’s people and irrigating 4.5 million acres of farmland. The Delta Plan was adopted in 2013 to guide state and local actions to further the state’s goals for the Delta, including incorporation of the Bay Delta Conservation Plan. The Delta Stewardship Council coordinates the science activities that support Delta management, and, in consultation with other state and non-state entities, has completed the Delta Science Plan. The Budget provides \$6.7 million General Fund and \$2.6 million other funds for the Delta Stewardship Council to implement the Delta Science Plan, incorporate the

Bay Delta Conservation Plan into the Delta Plan, and coordinate federal approval of the Delta Plan.

CRITICAL WATER SHORTAGE MANAGEMENT PROGRAM

California is experiencing its third dry year in a row. In May 2014, the Governor directed state water officials to expedite the review and processing of voluntary transfers of water rights. Paramount to this effort is effective coordination with other state and federal agencies to streamline water transfer processes to address both extreme situations and normal system operations. Appropriate use of water transfers can benefit statewide water management, stabilization of the Delta, ecosystem protection, and operational and regulatory efficiency. The Budget provides \$1.4 million General Fund for DWR to identify water management operation improvements during drought conditions and streamline water transfers.

AFFORDABLE, SAFE DRINKING WATER FOR DISADVANTAGED COMMUNITIES

An estimated 500 public water systems in disadvantaged communities rely on sources of drinking water that fall short of state and federal safe drinking water standards. Many of these systems are located in low-income communities, both urban and rural, that already pay high rates for the substandard tap water they receive. Although funding sources are available to assist communities with needed capital improvements, communities often lack the governance infrastructure, technical expertise and ability to pay for the ongoing operations and maintenance costs to treat the water to safe levels. Overcoming these problems requires innovative approaches. Accordingly, the Administration will work with local governments, communities and dischargers on strategies to bring these systems into compliance, including governance, technical assistance, capital improvements, and ongoing operations and maintenance costs.

EMERGENCY DROUGHT RESPONSE

The State of California has experienced three consecutive years of below-average rainfall, and water levels at the state's largest reservoirs, as well as groundwater aquifers, are also dangerously below average. As a result, drinking water supplies are at risk in some communities, agricultural areas face increased unemployment, dry conditions have created higher risks for wildfires, and important environmental habitats have been degraded.

On January 17, 2014, the Governor proclaimed a state of emergency, directed state agencies to take all necessary actions to respond to drought conditions, and called for a 20-percent reduction in water use.

In February 2014, the Legislature enacted urgency legislation to assist drought-impacted communities and improve the management of local water supplies. The legislation provided \$687.4 million to support drought relief, including emergency financial assistance for housing and food for workers directly impacted by the drought, funding to secure emergency drinking water supplies for drought-impacted communities, and funding for projects to help local communities more efficiently capture and manage water.

The 2014 Budget Act provided an additional \$142 million in one-time resources to continue immediate drought-related efforts, such as enhanced fire protection, assistance to local water agencies with emergency water supply projects, public outreach through the Save Our Water campaign, and enforcement of drought-related water rights and water curtailment actions.

In the event that existing drought conditions continue through next year, the Budget provides \$115 million (\$93.5 million General Fund) on a one-time basis to continue the following critical drought response efforts. The Administration will continue to monitor and evaluate statewide drought conditions through the winter months, and will reevaluate these budget year needs in the May Revision.

- Department of Forestry and Fire Protection (CAL FIRE)—An increase of \$59.4 million General Fund and \$2.4 million other funds to continue firefighter surge capacity, retain seasonal firefighters beyond the budgeted fire season, provide additional defensible space inspectors, and enhance air attack capabilities to suppress wildfires during the 2015 fire season.
- Department of Fish and Wildlife—An increase of \$11.4 million General Fund and \$3.2 million other funds to continue critical state operations activities such as fish rescues, hatchery operations, fish and wildlife monitoring, and responding to problems of human/wildlife conflict from animals seeking food and water.
- Department of Water Resources—An increase of \$11.6 million General Fund to continue to assess current surface and groundwater conditions, expedite water transfers, provide technical guidance to local water agencies, and provide additional public outreach through the Save Our Water campaign.

NATURAL RESOURCES

- Department of Social Services—A carryover of \$7 million General Fund to provide food assistance for communities most impacted by the drought.
- State Water Resources Control Board—An increase of \$6.7 million General Fund and \$15.9 million other funds to continue enforcement of drought-related water rights and water curtailment actions and provide grants for emergency drinking water projects.
- Office of Emergency Services—An increase of \$4.4 million General Fund for the State Operations Center to continue to provide local communities with technical guidance and disaster recovery support related to the drought.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

CAL FIRE provides resources management and wildland fire protection services covering over 31 million acres. It operates 235 fire stations and, on average, responds to over 5,600 wildfires annually. CAL FIRE also staffs local fire departments through reimbursement agreements with local governments. In six counties, CAL FIRE contracts with county agencies to provide fire protection and prevention services on its behalf. The Budget includes \$1.7 billion and 7,451.6 positions for CAL FIRE.

Significant Adjustment:

- Helicopter Replacement—CAL FIRE will initiate a competitive procurement process to replace its existing fleet of helicopters. CAL FIRE currently operates 12 Vietnam-era military helicopters. These aging helicopters are becoming more costly to maintain, and are not equipped with modern technology that enables night-flying capabilities. Replacing the existing fleet with new helicopters will enhance CAL FIRE's initial attack effectiveness, improving its ability to contain wildfires quickly before they spread.

DEPARTMENT OF PARKS AND RECREATION

The Department operates the state park system to preserve and protect the state's most valued natural, cultural, and historical resources. The park system includes 279 parks, beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites. It consists of approximately 1.59 million acres, over 339 miles of coastline, 974 miles of lake, reservoir and river frontage, approximately 15,000 campsites and alternative

camping facilities, and 4,456 miles of non-motorized trails. The Budget includes \$571.3 million (\$115.9 million General Fund) and 3,651 positions for the Department.

ACTIONS TO STRENGTHEN THE STATE PARK SYSTEM

The Administration is acting to strengthen the state park system, improve visitors' experiences, and make the services provided by the state park system more relevant to a broader and more diverse group of people. In June 2013, the Parks Forward Commission began an assessment of the financial, operational, and cultural challenges facing the state park system. The Commission released its draft report with preliminary findings in July 2014. While the final report is expected to be released in January 2015, the Department is already working on a number of initiatives which are consistent with the Parks Forward preliminary recommendations:

- Establishing a "Transformation Team"—The Administration has established a transformation team to further develop and lead the Department in executing structural and sustainable reforms over a two-year period. The team includes experts from inside and outside the Department to focus on areas including the state parks budget, maximizing partnerships, improving internal administrative practices, enhancing the marketing program, setting up a structure for more innovative revenue generation opportunities, better identifying programs for broader populations and diverse communities, improving staff development and training, and establishing a path to park leadership for candidates from broader backgrounds.
- Modernizing Fee Collection and Technology in Park System—Historically, visitors have been required to use cash to pay for parking or entrance fees at most state parks. To modernize the collection system, the Department installed technology so visitors can use credit and debit cards at many state parks. The Department is currently pilot testing technology that allows visitors to pay for parking fees using smartphones. In addition, the Department is exploring more robust technology that will allow for enhanced information collection and transmittal of fiscal information between the Department's fiscal systems and the campground reservation system. This technology would also allow the Department to provide increased information to visitors.
- Enhancing Information on Park System—The Department is providing panoramic images of trails in state parks over the internet. The increased information allows people to view state park trails in advance of a trip and allows those with limited mobility to experience the trails.

NATURAL RESOURCES

- **Increasing Cabins in State Park System**—The Department continues to work with the Parks Forward Commission to locate new cabins within the state park system. Expanding the types of camping opportunities available in the park system should make camping more accessible and appealing to a broader range of people.
- **Improving Financial Accountability**—In January 2014, the Department released its first Park Unit Costing report to the Legislature. The report provided estimated expenditures for each individual park unit. This information will aid in strengthening the Department’s system-wide fiscal management and will be foundational for increased revenue generating opportunities and partnerships with non-governmental organizations. Every year, the Department will provide this level of increased detail of expenditures for the state park system.

Significant Adjustments:

- **Maintain Services at State Parks**—A one-time increase of \$16.8 million State Parks and Recreation Fund (State Parks Fund) to continue existing service levels throughout the state park system. The 2014 Budget Act also provided a one-time increase to maintain the current level of service at state parks. The Department’s significant fund balances in the State Parks Fund have allowed for such one-time increases over the last few years. However, continuing to spend down the Department’s fund balance is not a sustainable funding model for the state park system. The newly established transformation team is charged with identifying improvements for the Department’s long-term fiscal operations. This funding will provide the transformation team the time to develop solutions and evaluate the recommendations of the Parks Forward Commission.
- **Opening Los Angeles State Historic Park**—An increase of \$1.2 million State Parks Fund to operate the new LA Historic Park in downtown Los Angeles. The construction of the park is scheduled to be completed in fall 2015. The Department is partnering with local non-profit groups to develop the cultural and interpretative experiences at the park. This Historic Park will interpret the stories of the park and surrounding community and their significance to the establishment and growth of Los Angeles. The project promotes and preserves the cultural heritage of the area and maximizes event capacity for revenue-generating special events.
- **Opening New Donner Memorial State Park Interpretive Visitor Center**—An increase of \$424,000 State Parks Fund to operate the new Donner visitor center at Donner State Park. The construction of the facility was funded through Proposition 84 and was completed in April 2014. It is expected that visitation will double at

the new center as a result of the new exhibits, expanded interpretive programs, and modern auditorium.

- Revenue Generation Projects—An increase of \$435,785 for operational costs associated with revenue generation projects implemented under the revenue generation program established by Chapter 530, Statutes of 2012 (AB 1478). These successful projects at Hearst Castle, Silver Strand State Beach and Columbia State Park generate projected revenue of \$1.3 million.
- Transformation Team—A two-year funding commitment of \$3 million for a team of experts from both outside and inside the department. The Budget includes an increase of \$936,000 State Parks Fund and assumes the redirection of resources for the balance. Partners outside of state government with interests in improving the state park system may also provide funding.
- Deferred Maintenance—The Budget provides \$125 million General Fund to various state agencies to address critical infrastructure deferred maintenance needs. Of this amount, \$20 million will be allocated to the state park system.

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