

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 includes total funding of \$8.8 billion (\$2.8 billion General Fund) for all programs included in this Agency.

CONTINUED EFFECTS OF DROUGHT

The years 2012–2015 rank as the four driest years on record in terms of state precipitation. In 2016, Northern California experienced average to slightly above-average precipitation, but conditions statewide did not improve enough to erase the effects of severe drought. Some major reservoirs and groundwater aquifers remain depleted and drinking water supplies are at risk in some communities. In addition, a tree mortality crisis afflicts an estimated 102 million trees statewide and drought conditions have degraded wildlife habitat connected to lakes, rivers, streams and wetlands.

The state's drought response is strategically guided by advancing several of the key actions in the California Water Action Plan that will provide long-term benefits for the state. In November 2014, voters overwhelmingly approved Proposition 1, which provides \$7.5 billion in bonds for water storage, water supply, water quality, flood protection, and watershed protection and restoration projects.

Since the Governor first declared a state of drought emergency in January 2014, the Administration has worked with the Legislature to appropriate \$3.9 billion to assist drought-impacted communities and provide additional resources for critical water infrastructure projects, wildfire suppression and wildlife emergencies.

The Budget includes an additional \$178.7 million of one-time resources for 2017-18 to reflect current drought conditions and provide immediate response to drought impacts (see Figure RES-01). The Administration will continue to monitor drought conditions through the 2017 rainy season.

Figure RES-01

Emergency Drought Response
(Dollars in Millions)

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount</i>
Protecting Water Supplies and Water Conservation	Department of Water Resources	Local Assistance for Small Communities	\$5.0
	Water Board	Water Rights Management	\$5.3
	Department of Water Resources	Drought Management and Response	\$7.0
	Department of Water Resources	Save Our Water Campaign	\$2.0
Emergency Response	Department of Forestry and Fire Protection	Enhanced Fire Protection	\$91.0
	Office of Emergency Services	California Disaster Assistance Act	\$52.7
	Office of Emergency Services	State Operations Center	\$4.0
Protecting Fish and Wildlife	Department of Fish and Wildlife	Emergency Fish Rescues and Monitoring	\$8.2
	Department of Water Resources	Delta Smelt Resiliency Strategy	\$3.5
Total			\$178.7

Building on the efforts in previous years, key components of the 2017-18 Drought Package are described below.

EMERGENCY DRINKING WATER

As a result of drought conditions, hundreds of homes in rural areas dependent on private domestic wells have lost water from lowering water tables and are financially unable to

drill deeper wells. The state has worked with local governments to provide temporary water supplies and develop permanent solutions to water shortages. In East Porterville, for example, state funding has been used to assist up to 1,500 property owners who have failing private wells with connecting to the City of Porterville's public water system.

The Budget provides \$5 million General Fund for the Department of Water Resources to provide emergency drinking water support for small communities by working to develop additional water supplies. Furthermore, the State Water Board will continue to address critical water supply impacts of drought on small communities by funding the installation or deepening of wells, and where appropriate, requiring the consolidation of small failing water systems with functioning systems that are able to provide a safe and reliable supply.

TREE MORTALITY AND ENHANCED FIRE PROTECTION

Based on aerial surveys, it is estimated over 102 million trees have died as a result of the drought and the effects of bark beetle infestation. In 2016 alone, it is estimated 62 million trees died and millions of additional trees are weakened and expected to die in the coming months and years. These dead and dying trees make forests more susceptible to destructive wildfires and pose public safety risks from falling trees for residents and infrastructure in rural, forested communities. The Department of Forestry and Fire Protection (CAL FIRE) has identified high hazard zones within counties suffering tree mortality.

In October 2015, the Governor issued an emergency declaration directing state and local entities, as well as utilities, to remove dead and dying trees that threaten power lines, roads, structures, and critical community infrastructure.

The Tree Mortality Task Force continues to evaluate the most effective ways to utilize existing resources to maximize the state and local response to the effects of tree mortality. These efforts include utilizing CAL FIRE equipment and personnel including foresters, hand crews, engine companies, and heavy equipment operators for hazardous tree removal and fuels reduction efforts.

In December 2016, CAL FIRE awarded \$15.8 million in grants for a total of 107 projects across 34 counties to support local efforts to remove dead and dying trees that pose a threat to public health and safety and projects that reduce the threat of wildfires to homes.

The Budget includes \$88 million General Fund and \$3 million State Responsibility Area Fund for CAL FIRE for expanded fire protection in the 2017 fire season, including continuation of increased firefighter surge capacity, extended fire season, surge helicopter pilots, California Conservation Corps fire suppression crews, increased vehicle maintenance, and exclusive use of the large and very large air tankers. The Budget also reflects an additional \$90 million General Fund in the current fiscal year, supported by the Emergency Fund, to initiate these enhanced fire protection efforts in the spring of 2017.

In addition, the Budget includes \$52.7 million General Fund for the Office of Emergency Services to provide assistance to counties through the California Disaster Assistance Act, which can be used to aid local agencies in the removal of dead or dying trees that are a direct threat to public safety.

DELTA SMELT RESILIENCY STRATEGY

Delta smelt, which function as an indicator species for the overall health of the Delta's ecosystem, are found only in the Sacramento-San Joaquin Delta, and their population is at an all-time low. In July 2016, the Administration initiated a Delta Smelt Resiliency Strategy that identified 13 actions including augmenting outflow, enhancing the food web, reducing nonnative invasive aquatic weeds and predatory fish, and restoring key habitat. The proposed actions respond to the near-term needs of smelt and promote resiliency to both drought conditions and future variations in habitat conditions.

The Budget includes \$2.6 million General Fund and \$900,000 Harbors and Watercraft Fund for the Department of Water Resources to continue implementation of the state's Delta Smelt Resiliency Strategy including aquatic weed control, adaptive food management and distribution, and wetlands flood and drain operations.

CALIFORNIA WATER ACTION PLAN

Released in January 2014, the California Water Action Plan provides a blueprint for California to build more reliable and resilient water systems and restore important ecosystems. The Budget builds on investments from previous years and continues to prioritize the ten actions of the California Water Action Plan, including making conservation a way of life, increasing regional self-reliance in water supplies, expanding water storage and improving groundwater management and improving flood protection (see Figure RES-02).

Figure RES-02
Water Action Plan
Reliability, Restoration and Resilience

1	Make conservation a way of life
2	Increase regional self-reliance and integrated water management
3	Achieve the co-equal goals for the Delta
4	Protect and restore important ecosystems
5	Manage and prepare for dry periods
6	Expand water storage capacity and improve groundwater management
7	Provide safe water for all communities
8	Increase flood protection
9	Increase operational and regulatory efficiency
10	Identify sustainable and integrated financing opportunities

MAKING CONSERVATION A WAY OF LIFE

A key priority in the California Water Action Plan is to make conservation a way of life. Improving water conservation is essential for a more reliable water supply and to make the state more resilient to drought, particularly given future population increases and climate change. In May 2016, Governor Brown issued Executive Order B-37-16, which directs agencies to develop a permanent long-term framework to: (1) use water more wisely, (2) eliminate water waste, (3) strengthen local drought resilience, and (4) improve agricultural water use efficiency and drought planning.

California’s urban water suppliers continue to demonstrate an ongoing commitment to conservation. Under the State Water Board’s modified drought emergency regulation, water conservation levels have remained high for most communities that had passed the state’s “stress test,” certifying they had sufficient supplies to withstand three additional years of drought. However, not all suppliers are continuing the high levels of conservation. The Board is shifting its focus to long-term efficient water use and meeting regional drought preparedness goals.

In December 2016, the Department of Water Resources, Energy Commission, Public Utilities Commission, Department of Food and Agriculture, and the State Water Board issued a draft proposal to implement the Executive Order. The proposal was developed through a public process and recommends new water efficiency standards, additional drought planning requirements, technology assessments for reducing leaks, and mechanisms for compliance and enforcement.

Implementation of the Executive Order will require new legislation, regulatory processes, and data collection. The State Water Board will continue the existing conservation reporting website, including information technology solutions to improve user access and experience. The State Water Board will also initiate a rulemaking to permanently prohibit wasteful water uses.

INCREASING REGIONAL SELF RELIANCE AND INTEGRATED WATER MANAGEMENT

The California Water Action Plan recognizes the need for better regional coordination on local projects and emphasizes the need for regionally driven multi-benefit projects. Proposition 1 provided \$510 million for integrated regional water management projects. To date, the state has appropriated over \$1 billion for local projects and plans that support regional self-reliance and integrated water management.

Significant Adjustment:

- Integrated Regional Water Management Program—An increase of \$248 million Proposition 1 funding for Department of Water Resources for integrated regional water management projects. This funding supports regionally driven multi-benefit projects that help meet the long-term water needs of the state, including assisting water infrastructure systems to adapt to climate change, encouraging collaboration in managing a region’s water resources and setting regional priorities for water infrastructure, and improving regional water self-reliance.

PROVIDING SAFE WATER FOR ALL COMMUNITIES

Although much progress has been made, some disadvantaged communities rely on contaminated groundwater and lack the resources to operate and maintain their water systems to deliver safe and affordable water. The Administration is committed to working with the Legislature and stakeholders to address this issue. The Budget also continues efforts to reduce source contamination from agricultural practices.

Significant Adjustment:

- Irrigated Lands Regulatory Program—An increase of \$1 million Waste Discharge Permit Fund and 5 new positions for the State Water Board, in coordination with the Department of Food and Agriculture, to address contamination of groundwater basins from agricultural practices.

ACHIEVING CO-EQUAL GOALS FOR THE DELTA

The Bay-Delta Water Quality Control Plan establishes water quality control measures needed to protect municipal, industrial, agricultural, and environmental uses of water in the watershed of the Sacramento-San Joaquin Delta and San Francisco Bay.

This watershed is a source of drinking water for two-thirds of the state's population and millions of acres of farmland. The waterways of the Bay-Delta estuary and its tributaries also provide critical habitat for numerous threatened and endangered species and recreationally and commercially important species, as well as other public trust values. The State Water Board is currently in the process of updating the Plan, which was last updated in 2006.

The State Water Board relies on a regulatory approach to balancing competing demands for water in the Delta. As directed by the Governor, the Natural Resources Agency is leading voluntary negotiations with water districts and environmental groups.

Agreements would describe additional water flows and habitat restoration and other measures in the major rivers that flow to the Delta. If sufficient, voluntary agreements could be accepted by the Water Board in lieu of regulatory action.

EXPANDING WATER STORAGE CAPACITY AND IMPROVING GROUNDWATER MANAGEMENT

The California Water Action Plan recognizes the need to increase the state's storage capacity, whether surface or groundwater. More storage is needed to address the effects of drought and climate change on water supplies for both human and ecosystem needs. Additionally, water storage is needed to help provide widespread public and environmental benefits, such as seasonal fish flows, improved water quality and cooling water for salmon. Proposition 1 provided \$2.7 billion for investments in the public benefits of water storage projects.

In addition to storage, the state also needs to manage groundwater in a sustainable manner. To this end, the Governor signed a package of groundwater management bills in September 2014. For the first time, California water policy directed cities, counties, and water districts to work together to prevent long-term overpumping of groundwater basins.

The underlying principle of the Sustainable Groundwater Management Act of 2014 (SGMA) is that groundwater is best managed at the local level. SGMA places significant responsibilities upon local agencies to organize, plan, and ultimately manage their

groundwater resources to a sustainable level within a 20-year time horizon, along with fee authority to help cover costs. However, the State will intervene temporarily to protect groundwater basins when local agencies are unwilling or unable to adequately do so.

Progress since enactment of SGMA includes reviewing formation notices for 139 local Groundwater Sustainability Agencies, adoption of regulations, technical assistance for local agencies and grants from the state to assist with planning.

To further this important component of the Water Action Plan, the Budget supports public investments in water storage infrastructure and additional funding for SGMA implementation.

Significant Adjustments:

- Water Investment Storage Program—An increase of \$1.9 million in reimbursements, from the California Water Commission’s allotment of \$2.7 billion Proposition 1 water storage funding, for the Department of Fish and Wildlife to support initial outreach and technical review of the ecosystem benefits of water storage project proposals submitted to the Commission.
- Sustainable Groundwater Management Act Implementation:
 - Department of Water Resources—An increase of \$15 million General Fund for 29 existing positions for statewide technical assistance and to provide detailed information on basin scale water use, water supplies, and groundwater conditions. Gathering data on a statewide level is more efficient and provides greater consistency.
 - State Water Board—An increase of \$2.3 million Water Rights Fund for 5 new positions and \$1.5 million in contract funds to enforce reporting requirements and protect local groundwater resources beginning July 1, 2017 in high- or medium-priority groundwater basins that fail to form local governance structures as required by SGMA.

PROTECTING AND RESTORING IMPORTANT ECOSYSTEMS — REVITALIZING THE SALTON SEA

Straddling Riverside and Imperial counties in the state’s southern desert and covering 350 square miles, the Salton Sea supports millions of birds and is a key stop on the Pacific Flyway. The Sea’s water level will begin to decline sharply at the end of 2017 as

farm-to-city water transfers take effect. The decline of the Sea poses the potential of serious impacts to wildlife and nearby residents. The Salton Sea Management Program aims to develop 25,000 acres of wildlife habitat, suppress dust, and pursue other projects over the next decade. Strengthened by a Memorandum of Understanding with the U.S. Department of the Interior, and initially funded with over \$80 million from Proposition 1 in 2016-17, the program is guided by a 10-year plan that aims to preserve and enhance the ecology, economy and public health of the Sea and surrounding Colorado River region. Initial projects in the plan have begun construction, and the state will coordinate with stakeholders to further implement the plan in 2017-18.

DEPARTMENT OF FISH AND WILDLIFE

The Department of Fish and Wildlife manages California’s diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological value and for their use and enjoyment by the public. This includes the management of recreational, commercial, scientific, and educational programs. The Budget includes \$522.7 million (\$89.3 million General Fund) and 2,375 positions for the Department.

The Department’s fundamental mission includes activities such as habitat protection, law enforcement, promotion of hunting and fishing opportunities, and management of wildlife areas and ecological reserves which are supported by the Fish and Game Preservation Fund. The fund generates revenues of approximately \$100 million annually, primarily from fishing and hunting licenses. While revenues have remained relatively stable in recent years, costs to deliver these programs have increased considerably, due largely to employee compensation and operational needs.

In 2012, the Natural Resources Agency completed a statutorily required California Strategic Vision process for the Department of Fish and Wildlife, which culminated with the release of the report, “Recommendations for Enhancing the State’s Fish and Wildlife Management Agencies.” That process and report identified the importance of long-term sustainable funding in a state that has more biodiversity than any other. The Department has completed many of the report’s identified recommendations; however, the need for sustainable funding remains.

Expenditures from the fund currently exceed annual revenues by more than \$20 million. Pursuant to the requirements in the 2016 Budget Act, the Department met with stakeholders for input on potential solutions, and will continue this process in 2017. The Budget proposes a significant first step to address the structural imbalance of the

non-dedicated Fish and Game Preservation Fund by bringing the fund into balance for the upcoming fiscal year and reducing the annual shortfall by more than half.

Significant Adjustment:

- Fish and Game Preservation Fund—An increase of \$12.4 million in additional revenue from commercial fish landing fees to fully support the Department’s commercial fishing program, and a one-time redirection of \$10.6 million from the Lifetime License Account. Currently, revenue from the commercial fish landing fees support less than one quarter of the Department’s program costs. Further, these fees have not been adjusted in at least 20 years. This proposal sustains the current level of service, acknowledging the need to implement more permanent measures in 2018-19.

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation protects and preserves the state’s valued natural, cultural, and historical resources while providing recreational opportunities including hiking, camping, mountain biking, horseback riding, boating and off-highway vehicle activities. The Department achieves its mission through grant programs and a network of 280 parks, which includes beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites. The Budget includes \$675.6 million (\$138.8 million General Fund) and 3,555 positions for the Department.

In recent years, there has been a concerted effort to strengthen the Department. In February 2015, the Parks Forward Commission, a multidisciplinary advisory council created to independently assess the state parks system and make recommendations for potential improvements, recommended improvements to address financial, cultural, and operational challenges. By that time, the Administration had established the Transformation Team to develop specific initiatives. The Transformation Team and the Department have implemented many of the reforms suggested by the Parks Forward Commission and the Legislature. In February 2017, the Transformation Team will complete its two-year term and release a final progress report. Although the work of the Transformation Team is ending, the Department is committed to continuing these important reforms and further innovation. Highlights include:

- Continue Fiscal Improvements—With philanthropic funds, the Department secured the assistance of a consulting group to help develop a new innovative budget

tool, Service Based Budgeting, to be launched in spring 2017. This will improve priority setting and communicate the relationship between fiscal resources and service levels in a clear and simple manner, informing both internal and external departmental budget discussions.

- **Create New Path to Park Leadership**—Previously, only individuals from state parks law enforcement could serve as the Department’s top leaders. The Department worked with the State Personnel Board and the Department of Human Resources to allow individuals from broad professional backgrounds to serve as top leaders throughout the state park system. Today, over 25 percent of top Parks leaders are serving from within this new classification. The Department is now developing promotional paths for the various professional groups that have a new opportunity to lead.
- **Modernize Fee Collection and Technology**—The Department is modernizing how it takes reservations, collects data and revenue, and manages its camping reservation inventory. The new data will allow for better-informed business decisions across the Department including operations, planning, and fiscal and customer ease.
- **Foster Partnerships**—The Department established a new Office of Partnerships to better support partnership arrangements that enhance programs and access.
- **Restructure Organization**—The Department’s organizational review included internal and external stakeholder discussions and meetings around the state. The reorganization aims to eliminate redundancy while preserving programs with strong ties to local stakeholder groups such as off-highway vehicles and boating.

Building on the successes accomplished to date and those still underway, the Budget includes the following significant adjustment:

- **Maintain Services at State Parks**—A one-time increase of \$12.6 million State Parks and Recreation Fund and \$4 million from the Environmental License Plate Fund to maintain existing service levels throughout the state parks system. This proposal will allow the Department to continue implementation of recommendations of the Parks Forward Commission and the Legislature, including the establishment of an outside support organization as specified by Chapter 540, Statutes of 2016 (SB 1111). The Budget sustains the current level of service at parks for the upcoming year, although a long-term structural shortfall remains.

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