
Resources

The May Revision proposes a major reorganization of the CALFED Bay-Delta Program and increased funding to implement the Marine Life Protection Act. In addition, the May Revision includes significant amounts to reimburse local governments for flood protection projects and to repair storm damage on lands owned by the Department of Fish and Game.

- 2005-06 \$150 million
- 2006-07 \$185.1 million

Investing in Resources Programs

Recognizing that state revenues have been higher than anticipated, the Administration proposes to invest a portion of this temporary revenue boost in the Resources area. The May Revision provides \$50 million in one-time funding for six important activities:

- \$10 million for salmon and steelhead restoration.
- \$10 million for marine life and marine reserve management.
- \$10 million for non-game fish and wildlife programs.
- \$10 million for deferred maintenance in state parks.
- \$5 million for wetlands and riparian habitat conservation.

- \$5 million, from which the interest only would be expended for management of coastal wetlands.

Funding for some of these activities has been provided in the past directly from Tidelands Oil revenues by statute. This statutory scheme will sunset on June 30, 2006. The funding proposed in the May Revision will allow continued support for these and other high-priority programs in the budget year. Tidelands Oil revenues will be deposited directly into the General Fund, as is appropriate.

Reorganization of the CALFED Bay-Delta Program

The CALFED program was designed during the 1990s to link local, state and federal agencies in a common effort to improve water quality, water supply, flood protection, and environmental health in the San Francisco Bay and the Sacramento-San Joaquin River Delta. In response to concerns regarding the efficacy of the CALFED program, the Governor last year ordered major program and fiscal reviews conducted by the Department of Finance, the Little Hoover Commission, and an independent consulting firm to identify the program's deficiencies, accomplishments, and options for improvement.

The May Revision proposes to address some of the most important recommendations produced from these reviews. One recommendation was that the California Bay-Delta Authority, which was established to coordinate CALFED efforts and administer the program's science activities, should be placed in the Office of the Secretary for Resources. The elimination of the California Bay-Delta Authority as an independent entity and the incorporation of its resources and responsibilities in the Secretary's office are therefore proposed in the May Revision. Under this approach, \$31.0 million and 68 positions budgeted in the Bay-Delta Authority will be transferred to the Secretary for Resources. This will add visibility, accountability, and decision-making authority to the CALFED administrative function.

Another recommendation was that the Bay-Delta Authority should focus its efforts exclusively on coordination, tracking program progress, science, and strategic planning. To implement this recommendation, the May Revision proposes an internal reorganization of the Authority to concentrate on these activities and a centralization of the Ecosystem Restoration Program within the Department of Fish and Game. Fish and Game will operate the Ecosystem Restoration Program as a single unit, combining efforts previously diffused among the

Bay-Delta Authority, Department of Water Resources, Fish and Game, and the Secretary for Resources.

All of the CALFED reform proposals with budgetary implications are proposed in the May Revision. Further reforms to CALFED governance and other improvements will require statutory changes, which the Administration will pursue through the legislative process.

Payments for Local Flood Projects

State law provides for reimbursement by the state on a cost-sharing basis to local flood control agencies for all rights of way and relocation costs of channel improvement and levee projects. Because of budgetary constraints in recent years, reimbursement claims from local governments have not been processed or paid in a timely manner. Claims received or expected to be received by the end of the 2005-06 fiscal year total approximately \$250 million. The May Revision proposes \$100 million General Fund to pay a substantial portion of the outstanding claims. Past budget reductions have all but eliminated the capacity of the Department of Water Resources to examine, verify, and authorize payment of the claims; therefore, an additional \$739,000 General Fund and seven positions are proposed for claim processing.

Emergency Repair of State Levees

On February 24, 2006, the Governor proclaimed a state of emergency for California's levee system and directed the immediate repair of critical levee erosion sites. The Governor recently gained federal support for expediting federal permits for the projects, so they can be completed by November of this year. These repairs will cost an estimated \$150 million.

A severe storm in late December 2005 and early January 2006 caused damage to various levees and other infrastructure belonging to the Department of Fish and Game. The May Revision proposes \$8.8 million General Fund in order to repair or prevent damage to levees, habitat, utility lines, roads, private residences, and other property in counties that have been declared eligible for federal emergency funding. Up to 75 percent of the state funding proposed would be eligible for federal reimbursement.

In addition, the Legislature appropriated \$500 million for levee evaluation and related work, and flood control system improvements. This funding will allow the department to jump-start

the most critical flood control activities immediately, without waiting for bond funding that will be before the voters in November 2006.

Marine Life Protection Act

The Marine Life Protection Act, enacted in 1999, directed the Department of Fish and Game to design and manage a network of marine protected areas in order to protect marine life and habitats, and to improve recreational and educational opportunities provided by marine ecosystems. DFG has begun planning efforts on how to implement the MLPA. The planning process is being accomplished on a regional basis until the entire coast is covered by implementation plans.

Funding provided to date has been substantially dedicated to the initial regional planning phase on one section of the Central Coast. The resulting planning document will be considered by the Fish and Game Commission in late 2006. The Governor's Budget included baseline funding of \$500,000 for implementation of the Act, and an April Finance Letter proposed \$380,000 General Fund to replace expiring private funds. The May Revision proposes to provide an additional \$2.62 million General Fund and 11 positions, for a total of \$3.5 million to initiate planning for the second phase, which would cover another portion of the coast. This funding will ensure that all views are heard, that progress continues in developing and managing a statewide network of marine protected areas along California's coast using the best available science, and that the objective of protecting the richness of California's marine heritage is met.

Enhancing Resources Base

In addition to other actions proposed for Resources programs, the May Revision includes a General Fund transfer of \$19.9 million to the Fish and Game Preservation Fund, in order to bring each of the subaccounts within the fund into balance. Similarly, the May Revision proposes \$3 million to fully fund legislation requiring attainment of fish hatchery production goals. An earlier Finance Letter provided \$15 million General Fund to the Department of Parks and Recreation and ended a transfer of gas tax funds to the department. The gas tax monies will now flow to the Department of Boating and Waterways and significantly enhance the funds available for grants and loans to marinas and other boating facilities. These actions are a prudent use of this year's robust revenues to benefit Resources programs.