

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 10/20)

Fiscal Year 21/22	Business Unit 0540	Department Natural Resources Agency	Priority No. XXX
Budget Request Name 0540-024-BCP-2021-GB		Program 0320	Subprogram XXX

Budget Request Description
 Proposition 68: Habitat Funding

Budget Request Summary

The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Proposition 68) authorized more than \$4 billion in funding for natural resources-related programs including habitat conservation, expanded access to parks and water resilience projects. Of this, \$200 million was designated to support multi-benefit water quality, water supply and watershed protection and restoration projects. Consistent with language in Section 80114 of Prop 68, the California Natural Resources Agency requests the remaining \$125 million of Proposition 68 funds for its Protecting California's Rivers, Streams and Watersheds Program for Fiscal Year 2021-22. The requested funds will be used consistent with Sections 79732 and 79736 of the Water Code.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed Click or tap here to enter text.	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO Click or tap here to enter text.	Date Click or tap to enter a date.

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No. Click or tap here to enter text. **Project Approval Document:** Click or tap here to enter text.

Approval Date: Click or tap to enter a date.

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Jennifer Norris	Date Click or tap to enter a date.	Reviewed By Amanda Martin	Date Click or tap to enter a date.
Department Director Click or tap here to enter text.	Date Click or tap to enter a date.	Agency Secretary Bryan Cash	Date Click or tap to enter a date.

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE Dept. of Technology

PPBA Sergio Aguilar	Date submitted to the Legislature 1/8/2021
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Analysis of Problem

A. Budget Request Summary

The California Natural Resources Agency requests \$125 million in Proposition 68 funds for the Protecting California's Rivers, Streams and Watersheds Program for Fiscal Year 2021-22.

B. Background/History

Over the past several decades, populations of salmon and other native fish that migrate through or inhabit the Delta and other river systems have declined dramatically, while others have been brought to the brink of extinction. Multiple factors contribute to these declines, and there is a clear need to improve environmental conditions to promote recovery of these species. This need has contributed to the creation of the Protecting California's Rivers, Streams and Watersheds Program (Program). The Program's purpose is to support multi-benefit water quality, water supply and watershed protection and restoration to improve environmental health in the Sacramento and San Joaquin river systems.

Section 80114 of Prop 68 allocates \$200 million towards these efforts. Subdivision (d) of section 80114 concludes that, "If no voluntary agreements are submitted [to the Water Board by Fish and Wildlife] on or before June 1, 2018, any remaining funds [from the 200 million originally allocated] shall be available to the Natural Resources Agency (Agency) for the purposes of Sections 79732 and 79736 of the Water Code." Section 79732 of the Water Code refers to 13 purposes for expenditures of bond funds. All projects within the Program fall within one or more of these 13 purposes.

The Legislature previously appropriated \$70 million to the Agency from Section 80114 of Prop 68. The Agency has encumbered \$50 million of those funds for 15 important fish passage and habitat restoration projects along Central Valley rivers. To be selected for funding, projects had to meet the following selection criteria: advance at least one recognized species recovery plan or effort; be almost certain to deliver identified benefits to target species; provide durable, long-term benefits; be feasible to implement within a clear, reasonable timeframe; be planned for completion by an experienced project team; and be supported by a wide variety of governmental and non-governmental partners.

Resource History
(Dollars in thousands)

Program Budget	PY – 4	PY – 3	PY – 2	PY-1	PY	CY
Authorized Expenditures						70,000
Actual Expenditures						50,000
Revenues						N/A
Authorized Positions						-
Filled Positions						-
Vacancies						-

Workload History

Workload Measure	PY – 4	PY – 3	PY – 2	PY-1	PY	CY
Projects Awarded	-	-	-	-	-	15

C. State Level Consideration

This request is needed to fund additional projects through the Program, which aims to restore natural aquatic or riparian functions or wetlands habitat for birds and aquatic species, protect or promote the restoration of endangered or threatened species, enhance the reliability of water supplies on a regional or interregional basis, and provide significant regional or statewide economic benefits. State agencies continue to work to advance the Voluntary Agreements (VAs) with water users to improve the health of the Sacramento River, San Joaquin River and Sacramento- San Joaquin Bay Delta. These agreements hold promise to achieve important, durable environmental improvements of these river systems that can be implemented expeditiously. Projects funded through this appropriation advance habitat restoration that will provide critical environmental benefits to these river systems regardless of whether VAs are achieved. Allocation of this funding is consistent with the intent of the voters in enacting Prop 68.

D. Justification

Prop 68 authorized more than \$4 billion in funding for natural resources-related programs including habitat conservation, expanded access to parks and water resilience projects. The measure directed \$200 million to the Agency to support multi-benefit water quality, water supply and watershed protection and restoration as part of improving environmental health of river systems. All intended outcomes of the Program are in alignment with voter-approved language in Prop 68.

Many of California's native salmon, steelhead and other native species are highly threatened due to habitat loss and degradation. Climate change is accelerating these trends resulting in longer and more frequent drought and higher temperatures. These additional funds will continue the urgent work of restoring the Central Valley's river systems to recover these imperiled species now before it is too late.

E. Outcomes and Accountability

Agency staff are committed to making the Program's application process rigorous and transparent to the public. To be selected for funding, projects will be required to meet the following selection criteria: advance at least one recognized species recovery plan or effort; be almost certain to deliver identified benefits to target species; provide durable, long-term benefits; be feasible to implement within a clear, reasonable timeframe; be planned for completion by an experienced project team; and be supported by a wide variety of governmental and non-governmental partners. Currently approved projects are accessible online for review on the Agency website.

Projected Outcomes

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
Projects Awarded	15	10-20	10-20	-	-	-

F. Analysis of All Feasible Alternatives

Alternative 1: Approve the request.

Pro: The Agency can increase the current number of approved projects and increase the number of projects that help recover imperiled native fish species in the Central Valley.

Con: This will result in a cost to the General Fund sooner to pay debt service on the bonds sold to fund the projects.

Alternative 2: Partially approve the request.

Pro: This approach would partially delay payment of debt service from the General Fund. Fewer projects would be implemented to help recover imperiled native Central Valley fish species.

Con: This will result in a cost to the General Fund sooner to pay debt service on the bonds sold to fund the projects.

Alternative 3: Deny the request.

Pro: This would delay payment of debt service from the General Fund.

Con: This approach would prevent additional projects from being funded until after 2021-22. This would negatively impact recover efforts for imperiled native Central Valley fish species.

G. Implementation Plan

Before proposals are solicited, program guidelines will be updated through a public process and made available on the Agency website. Once guidelines are finalized, Agency proposes to accept proposals on a continuous basis until funds are exhausted. Agency anticipates the first awards will be made before the end of the 2021-22 fiscal year and to encumber all funds within three years.

H. Supplemental Information

This request includes budget bill language for an extended encumbrance period to June 30, 2024 and to allow no more than 5% of the funds be used to cover administrative costs.

I. Recommendation

The Agency recommends Alternative 1.

BCP Fiscal Detail Sheet

BCP Title: Proposition 68: Habitat Funding

BR Name: 0540-024-BCP-2021-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY21 Current Year	FY21 Budget Year	FY21 BY+1	FY21 BY+2	FY21 BY+3	FY21 BY+4
54XX - Special Items of Expense	0	125,000	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$125,000	\$0	\$0	\$0	\$0

Total Budget Request

Total Budget Request	FY21 Current Year	FY21 Budget Year	FY21 BY+1	FY21 BY+2	FY21 BY+3	FY21 BY+4
Total Budget Request	\$0	\$125,000	\$0	\$0	\$0	\$0

Fund Summary

Fund Source

Fund Source	FY21 Current Year	FY21 Budget Year	FY21 BY+1	FY21 BY+2	FY21 BY+3	FY21 BY+4
Local Assistance - 6088 - California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Fund	0	125,000	0	0	0	0
Total Local Assistance Expenditures	\$0	\$125,000	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$125,000	\$0	\$0	\$0	\$0

Program Summary

Program Funding

Program Funding	FY21 Current Year	FY21 Budget Year	FY21 BY+1	FY21 BY+2	FY21 BY+3	FY21 BY+4
0320 - Administration of Natural Resources Agency	0	125,000	0	0	0	0
Total All Programs	\$0	\$125,000	\$0	\$0	\$0	\$0