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Thursday, May 7, 2026
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultants: Hans Hemann and Joanne Roy

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(CALRECYCLE)

Issue 1: Elimination of Vacant Positions

Background. *Elimination of Vacant Positions and Control Section 4.12 of the 2025 Budget Act.* The Governor’s budget assumes on-going savings associated with the permanent elimination of vacant positions across all state agencies and departments. The authorization to eliminate vacant positions was included in [Control Section 4.12 of the 2025 Budget Act](#) which authorized the Department of Finance to adjust items of appropriation to achieve ongoing savings associated with the elimination of the positions. In total, [6,002.4 vacant positions were proposed for elimination](#) beginning in 2025-26, with savings totaling \$478.1 million (\$182.3 million General Fund) and \$487.1 million (\$191.3 million General Fund) in 2026-27, ongoing.

The 2025 Budget Act gave the Joint Legislative Budget Committee (JLBC) until January 1, 2026, to review and express nonconcurrency to the elimination of a subset of vacant positions. Specifically, JLBC had the authority to review and non-concur with the proposed elimination of positions authorized to implement legislation passed in 2022 and 2023 and positions at nine specified departments. The nine departments included the Office of Inspector General, Department of Fish and Wildlife, Department of Parks and Recreation, Department of Pesticide Regulation, State Water Resources Control Board, Department of Toxic Substances Control, Department of Industrial Relations, Department of Food and Agriculture, and the Department of Veteran Affairs.

In total, the JLBC was authorized to review the proposed elimination of 1,008.7 positions.

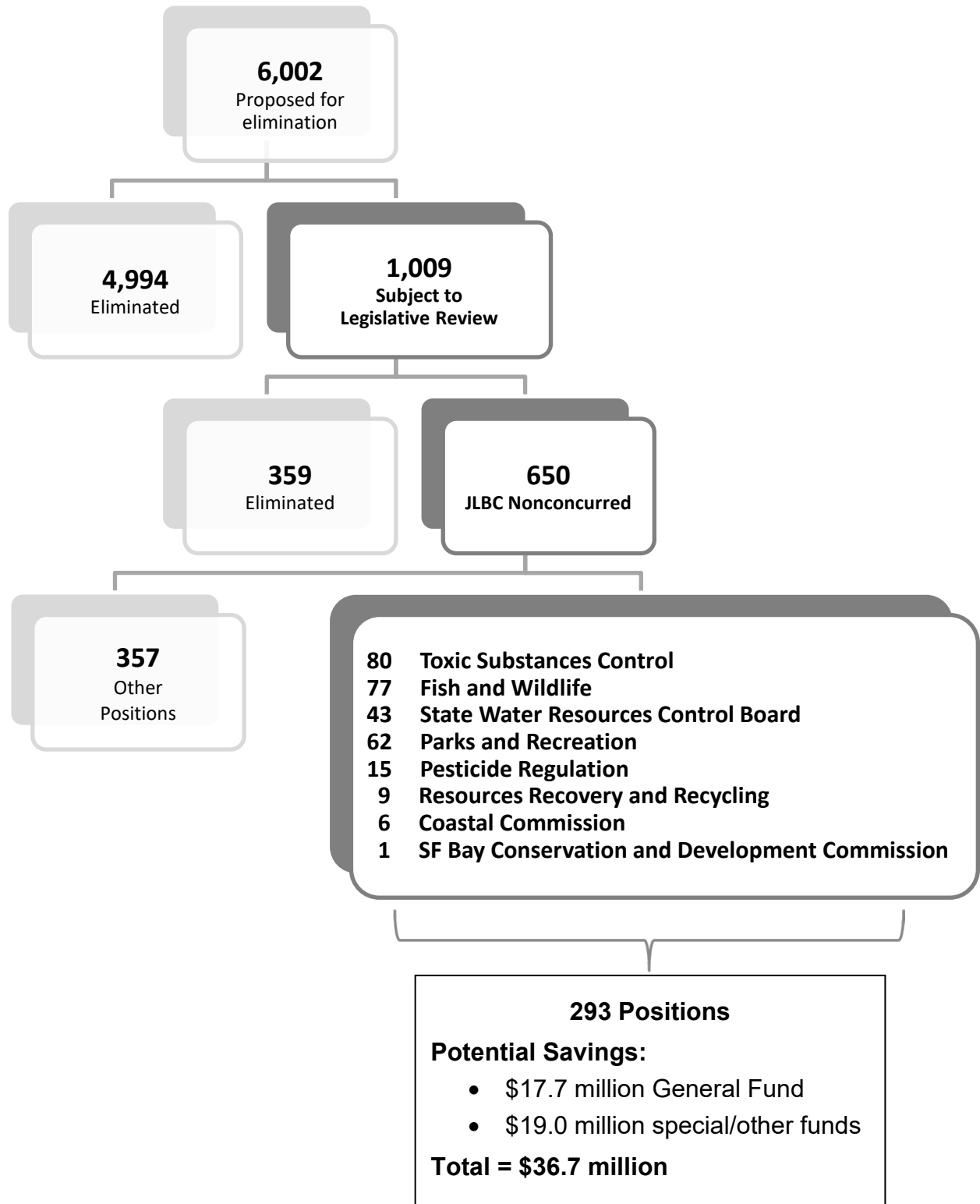
After reviewing responses from the various departments to questions posed by the JLBC, the committee identified 650.1 positions that merited additional review by the Legislature and issued a [response letter](#) on December 29, 2025 non-concurring with their elimination.

The Governor’s budget continues to assume savings associated with the elimination of the 650.1 positions in fiscal year 2026-27.

The remainder of the positions, 5,352.3, were effectively eliminated on January 1, 2026.

Governor’s Proposed Elimination of Vacant Positions

JLBC Did Not Concur with the Elimination of 293 Positions within Departments at the Natural Resources and Environmental Protection Agencies



Source: Legislative Analyst’s Office

Vacant Position Eliminations at the California Department of Fish and Wildlife (CDFW)

Of the 6002.4 positions being eliminated, 164.3 positions are within the California Department of Fish and Wildlife (CDFW). According to the Governor’s January budget, CDFW has a total of 3,312.5 authorized full-time equivalent positions.

The 2025-26 Budget Act approved in June, estimated the savings associated with the elimination of positions at CDFW to be \$22.7 million (\$10.7 million General Fund). However, the Governor’s January budget revised the total savings to \$11 million (\$10.7 million General Fund) – a reduction of \$11.6 million in non-General Fund savings. The January budget maintains most of CDFW’s special fund spending authority associated with the positions without maintaining position authority. The budget continues to reflect the elimination of all 164.3 positions, including those supported by non-General Fund sources.

California Department of Fish and Wildlife Control Section 4.12 Vacant Position Eliminations			
Positions	Savings from Vacant Position Eliminations		
Total FTEs Proposed to be Eliminated	General Fund Savings (# of positions)	Other Fund Savings (# of positions)	Total Savings
164.3	\$10,734,000 (76 FTEs)	\$293,000 (88.3 FTEs)	\$11,675,000

JLBC’s Review of Proposed Eliminations. Of the 164.3 positions proposed for elimination, JLBC objected to the elimination of 77.1 full-time equivalents (FTEs). Maintaining the positions would result in a loss of savings totaling \$4.6 million General Fund. There is no lost special fund savings because the Governor’s budget retains the special fund spending authority associated with the eliminated FTEs.

The JLBC identified five areas and non-concurred with positions that performed or had responsibilities associated with those specific activities. The following chart shows the breakdown of responsibilities and the number of positions JLBC non-concurred with:

JLBC Non-concur List for CDFW	
Responsibility/Activity Performed by Position	Number of Positions
• California Endangered Species Act Permitting Activities	3
• Streambed/Lake Alteration Activities	12
• Oil Spill Prevention and Response	14.1
• Law Enforcement - Wildlife and Resource Protection	45
• Cutting Green Tape Initiative	3
Total Number of Positions	77.1

Position Eliminations Impact CDFW’s Service-Based Budgeting Gaps

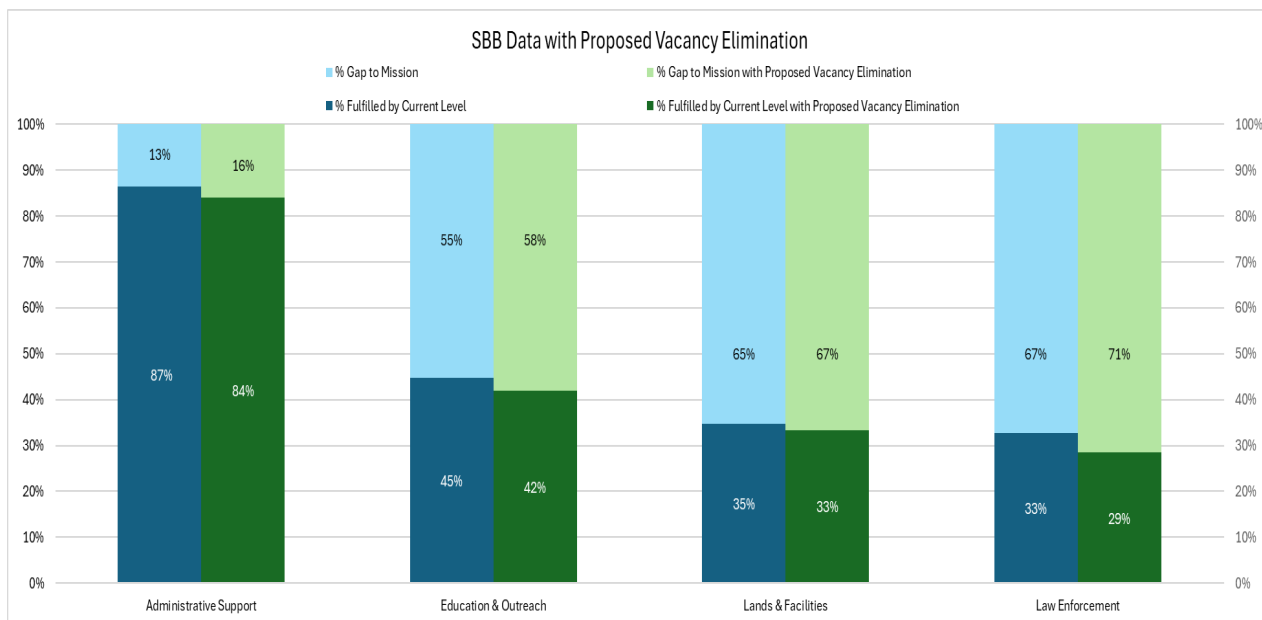
SB 854 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2018, directed CDFW to conduct a service-based budget (SBB) review. SBB is a task-based budgeting approach that describes the services the department provides and informs budgeting and operational approaches by identifying current staffing at the task level, projected staffing needs to meet its mission, operational improvement actions that may reduce costs, and revenue sources supporting specific activities. SBB is a budgeting approach that identifies the tasks needed to accomplish the department’s mission.

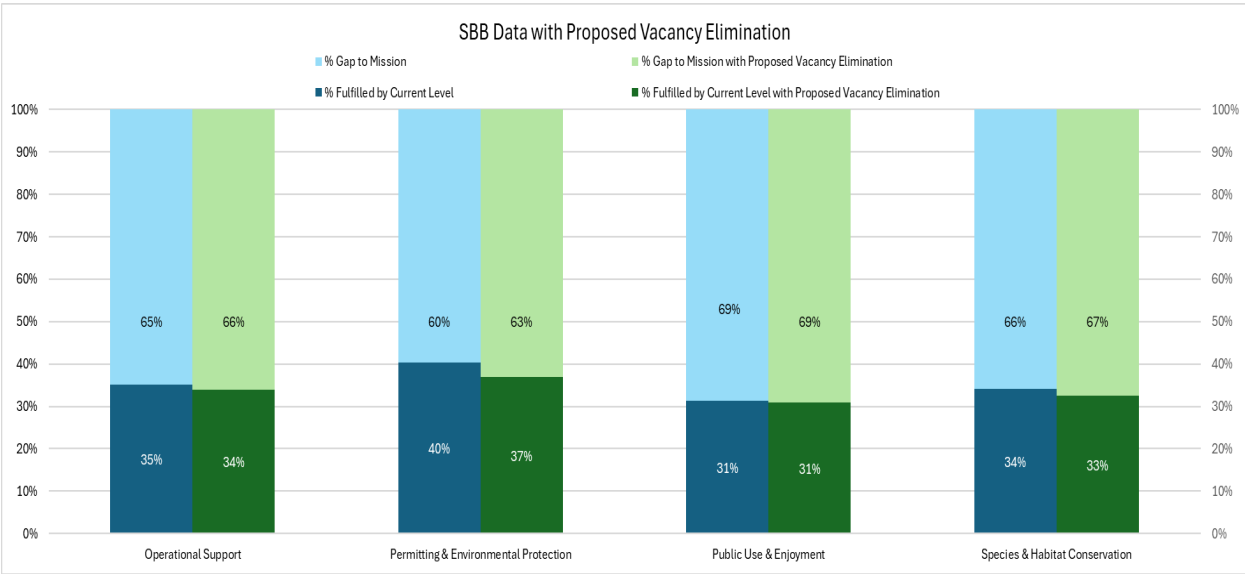
This review informs future budgets based on staff time needed to complete these tasks. The SBB approach is task-based, labor-focused, and organized by CDFW’s services to the public. The SBB organizes CDFW into eight service areas, reflecting its core programs:

- Public use and enjoyment
- Species and habitat conservation
- Permitting and environmental protection
- Lands and facilities
- Law enforcement
- Education and outreach
- Operational support
- Administrative support

Last year, CDFW provided the Senate Budget Subcommittee #2 with a status update on the SBB which identified gaps in meeting its service-based missions.

The chart below shows how the proposed eliminations of the 164.3 positions will increase the service gaps by up to four percent, depending on the mission.





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Vacant Position Eliminations at Department of Parks and Recreation (Parks)

Of the 6002.4 positions proposed for permanent elimination, 85 positions are within the California Department of Parks and Recreation – accounting for savings of \$11.7 million (\$10.4 million General Fund). According to the Governor’s January budget, Parks has a total of 4,743.1 authorized positions.

JLBC’s Review of Proposed Eliminations. Of the 85 positions proposed for elimination, JLBC non-concurred with the elimination of 62 positions. Maintaining the positions would result in a loss of savings totaling \$8.6 million General Fund.

The JLBC identified five key missions performed by Parks. The JLBC tried to identify positions, if eliminated, that might have an impact on the department’s ability to protect environmental, cultural and historical resources, provide public safety, address deferred maintenance or provide interpretive or educational experiences to visitors. The JLBC identified five areas of particular concern and non-concurred with positions that performed or had responsibilities associated with those specific activities and non-concurred with the elimination of 62 positions. The following chart shows the breakdown of responsibility and the number of positions the committee non-concurred with:

JLBC Non-concur List for State Parks	
Responsibility/Activity Performed by Position	Number of Positions
• Fixing State Parks Initiative	14
• Public Safety/Peace Officers	12
• Responsible for Addressing Deferred Maintenance	15
• Support Environmental, Cultural and Historical Resource Protection	15
• Provide Interpretative and Educational Services	6
Total Number of Positions	62

Fix State Parks/Service-Based Budgeting. The 2018 Budget Act, added 364 full-time positions to improve the State Park System allowing the delivery of critical services that addressed facilities and other infrastructure and increased access to parks. Called Fixing State Parks and Improving Access for All Californians, the initiative was designed to increase services across a variety of programs and emphasized those that directly benefitted park visitors by improving access and fixing and maintaining the aging infrastructure of the state park system. Significant resources were directed to addressing deferred maintenance projects, protecting and preserving biological and cultural resources, improving interpretive and educational programs and visitor safety.

Concerns with the Elimination of Positions at State Parks. Based on the responses from the department, the JLBC was concerned that staff reductions may require prioritization of urgent needs and deferral of lower-priority work. As a result, the department may also need to engage outside consultants to fill essential roles and manage the ongoing work. Ultimately, the reliance on private consultants to backfill lost staff positions may have implications for both efficiency and cost.

Vacant Position Eliminations at the Department of Pesticide Regulation (DPR)

The Administration has proposed eliminating a total of 19 positions at DPR as part of the Control Section 4.12 vacant position elimination savings. The elimination of the positions results in savings of \$1.7 million Special Funds. There are no General Fund savings associated with the elimination of these positions. According to the Governor’s budget, DPR has a total of 556.6 full-time equivalents.

Department of Pesticide Regulation Control Section 4.12 Vacant Position Eliminations			
Positions	Savings from Vacant Position Eliminations		
Total FTEs Proposed to be Eliminated	General Fund Savings (# of positions)	Other Fund Savings (# of positions)	Total Savings
19	\$0 (0 positions)	\$1,740,000 (19 positions)	\$1,740,000

JLBC’s Review of Proposed Eliminations. Of the 19 positions proposed for elimination, JLBC non-concurred with the elimination of 15 positions. Maintaining the positions would result in a loss of savings totaling \$1.5 million Special Funds – there is no loss of General Fund savings.

To focus the JLBC’s review and identify positions responsible for implementing key legislative priorities, the committee asked the department to indicate which positions proposed for elimination were associated with the following tasks or responsibilities:

- Involved in pesticide registration.
- Responsible for pesticide regulation.
- Play a role in supporting alternative pest management solutions.
- Collect pesticide use data.
- Responsible for worker safety and pesticide exposure.
- Support the 2024-25 program expansion approved in AB 2113.
- Support programs for disadvantaged communities.
- Were approved as part of the strategic plan.

Ultimately, the JLBC non-concurred with the 15 positions that the department identified as playing a role in the program expansion approved as part of [AB 2113 \(Garcia\), Chapter 60, Statutes of 2024](#). AB 2113 increased the mill assessment to help fill DPR’s structural funding deficit and provided additional support to enhance the department’s core functions. In addition, the measure was designed to improve timelines for registering pest management alternatives and re-evaluating high-risk pesticides. All 15 of the positions are funded by Special Funds and will not have an impact on General Fund spending.

Concerns with the Elimination of Positions at DPR. Following the adoption of the 2024-25 Budget Act and AB 2113, DPR raised registration fees paid by manufacturers of pesticide products to increase funding by over \$10 million annually. A coalition of agricultural interests expressed concerns that the elimination of positions could impact DPR’s ability to meet the registration timelines and reevaluation requirements. AB 2113 requires the department to “prioritize hiring for positions within the pesticide registration branch” and without the additional staff the department could struggle to eliminate the registration backlog.

Vacant Position Eliminations at State Water Resources Control Board (SWRCB)

Pursuant to Control Section 4.12, the Administration proposed the elimination of 90.8 full-time equivalent positions at SWRCB. The elimination of the positions result in ongoing savings of \$16.9 million (\$5.8 million General Fund). According to the Governor’s budget, SWRCB has 2,802 authorized positions.

State Water Resources Control Board Control Section 4.12 Vacant Position Eliminations			
Positions	Savings from Vacant Position Eliminations		
Total FTEs Proposed to be Eliminated	General Fund Savings (# of positions)	Other Fund Savings (# of positions)	Total Savings
90.8	\$5,773,000 (20 positions)	\$11,182,000 (70.8 positions)	\$ 16,955,000

JLBC’s Review of Proposed Eliminations. Of the 90.8 positions proposed for elimination, JLBC non-concurred with the elimination of 43 positions. Maintaining the positions would result in a loss of savings totaling \$8.1 million (\$2.5 million General Fund).

The criteria the JLBC considered in determining which positions should be maintained included positions that were:

- Responsible for enforcement and permitting of National Pollutant Discharge Elimination Systems.
- Support permitting and compliance of water discharge requirements.
- Assist with issuing water rights permits and licenses or managing change permits.
- Support enforcement of curtailments and other drought management measures.
- Work with flood management programs.
- Help with the administration of the Sustainable Groundwater Management Act.
- Responsible for Water Quality/Bay-Delta Plans/Stormwater Quality Control Plans.
- Responsible for monitoring per- and polyfluoroalkyl substances (PFAs) and maximum contaminant levels (MCLs).
- Work on implementation of drinking water grants or support Proposition 4.

In total, JLBC identified 43 positions that met one or more of the criteria above.

Concerns with the Elimination of Positions at SWRCB. According to the LAO’s review of the [Proposed Elimination of State Environmental Positions](#), the environmental positions proposed to be eliminated were authorized to serve important state functions, including related to preserving health and safety and enforcing state laws. At the SWRCB, positions include staff who help regulate waste discharge into waters of the state, including drinking water sources. Eliminating these positions could come with serious trade-offs.

Last year in a letter, a coalition of water and sanitation agencies pointed out that the SWRCB’s waste discharge program, water rights program, water quality program, dam safety program were transitioned from the General Fund to a fee-based system during the 2003-04 fiscal year. The shift was part of a

broader budget strategy to alleviate the state's General Fund expenditures by increasing reliance on fees collected from regulated entities.

78 percent of the positions proposed for elimination are supported by funding sources other than the General Fund. Many of the industry-based fees were put in place to ensure timely review of permits and eliminating the positions supported by the revenue could impact oversight, enforcement or approval of important projects. Of the 43 positions that JLBC non-concurred with, 28 positions play a role in SWRCB's drinking water and water quality programs.

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Vacant Position Eliminations at Department of Toxic Substances Control (DTSC)

Of the 6002.4 positions proposed for permanent elimination, 112.1 positions are within the Department of Toxic Substances Control – accounting for savings of \$15.2 million (\$815,000 General Fund). According to Governor’s budget, DTSC has 1,369.1 authorized positions.

Department of Toxic Substances Control Control Section 4.12 Vacant Position Eliminations			
Positions	Savings from Vacant Position Eliminations		
Total FTEs Proposed to be Eliminated	General Fund Savings (# of positions)	Other Fund Savings (# of positions)	Total Savings
112.1	\$815,000 (5 positions)	\$14,431,000 (107.1 positions)	\$ 15,246,000

JLBC’s Review of Proposed Eliminations. Of the 112.1 positions, JLBC non-concurred with the elimination of 80.1 positions. Maintaining the positions would result in a loss of savings totaling \$11.3 million (\$680,000 General Fund).

The JLBC tried to identified positions that performed key functions for the department or supported important legislative priorities including activities that protect communities and the environment from toxic substances, support the restoration of contaminated land, and ensure the manufacturing of safer consumer products. In reviewing the proposed eliminations, the following criteria were used to determine which positions should be maintained:

- Responsible for criminal investigations.
- Conduct health and safety enforcement activities.
- Positions were approved as part of the 2022 reforms.
- Responsible for supporting or administering the Safer Consumer Product Program.
- Support brownfield cleanup programs.
- Administer or oversee fee collection and enforcement.
- Review permitting applications of hazardous waste facilities.
- Involved in enforcement activities that could result in generation of fine and penalty revenue.
- Perform work that is reimbursable.
- Supported by Special Funds.

In total, JLBC identified 80.1 positions that met one or more of the criteria above.

Concerns with the Elimination of Positions at DTSC. While the criteria listed above were the reasons JLBC objected to the elimination of specific positions, most of the positions identified by the JLBC fell into three categories:

- The positions were established as part of the 2022 reform efforts.
- The positions were funded through Special Funds.
- The positions performed work that is reimbursable or generate revenue through fines and penalties.

2022 Reforms at DTSC. In 2021, after years of legislative hearings and policy changes, the Legislature enacted SB 158 (Committee on Budget and Fiscal Review), Chapter 73, Statutes of 2021, which mandated several policy reforms at DTSC, stabilized funding, and created the Board of Environmental Safety. SB 158 restructured and increased the charges that support the Hazardous Waste Control Account (HWCA) and the Toxic Substances Control Account (TSCA). According to the LAO, the resulting revenues were intended to (1) solve the longstanding structural deficits in HWCA and TSCA, (2) support a new Board of Environmental Safety, (3) support programmatic expansions that address high-priority programs and activities, and (4) build sufficient reserves in both accounts. The additional revenue was also used to establish position authority for 260 new positions in 2022-23 and addressed staffing shortages across most of the department's mission responsibilities. Under Control Section 4.12, the Administration has proposed eliminating 17.6 position or about 7 percent of the positions authorized to implement the reforms.

Limited General Fund Savings. The Administration's elimination of positions at DTSC primarily included positions supported by Special Funds. 106.1 of 112.1 positions are supported by sources other than the General Fund. This includes fees that were raised to support the various programmatic expansions needed to fully implement the reforms. It is unclear how these eliminations will impact the reforms in the long term, but they could hinder the department's ability to continue implementing the needed reforms and meeting its statutory obligations.

Positions Generate Revenue or Reimbursements. Many of the positions either assist the department with revenue generation through the imposition of fines and penalties or perform work that is reimbursable. JLBC identified 66.5 positions that fall within this category. The elimination of positions that bring in fiscal resources could have a compounding impact on the department's overall budget.

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Elimination of Vacant Positions Associated with Implementation of Legislation

Of the 1008 positions that the JLBC reviewed, there were 116.5 positions that were approved as part of a Budget Change Proposal (BCP) for the purposes of implementing legislation that was chaptered in 2022 or 2023. The 116.5 positions were associated with 51 different pieces of legislation implemented by 23 different departments. The JLBC objected to the elimination of 96 of 116.5.

Three of the departments with positions being eliminated that were originally approved as part of a BCP are scheduled to be heard today. These include the California Coastal Commission (Coastal Commission), the San Francisco Bay Conservation and Development (BCDC) and the Department of Resources Recycling and Recovery (CalRecycle). The bills impacted by the proposed eliminations are as follows:

- **SB 272 (Laird), Chapter 384, Statutes of 2023.** SB 272 requires local government agencies located in the coastal zone or within the jurisdiction of the BCDC to develop sea level rise plans and prioritizes funding for local government projects that meet the state's goal for approval of the required plans. It was anticipated that implementing the new law would require significant time and resources for both the Coastal Commission and BCDC on an ongoing basis. It was anticipated that both departments would need to provide increased assistance to local governments on the technical and legal aspects of sea level rise planning to protect critical infrastructure and communities from costly hazards while preserving and restoring the state's valuable coastal resources, consistent with the state's 30X30 initiative. To fully implement SB 272, the 2024-25 Budget Act approved 18 permanent positions over two years at the Coastal Commission and 15 positions over three years at BCDC. As part of the vacancy sweeps, the 2025 May Revision proposed eliminating six of the positions at the Coastal Commission and one position at BCDC for a savings of \$1.3 million General Fund. The JLBC objected to the elimination of the seven positions. The JLBC was concerned that the elimination of positions would reduce the two departments' ability to meet SB 272's ambitious deadlines and reduce the capacity to provide local agencies with technical assistance.
- **AB 1526 (Committee on Natural Resources), Chapter 848, Statutes of 2023.** AB 1526 was a committee omnibus bill that included provisions requiring specific reporting requirements on the amount of aerosol paints that are sold and recovered and how those aerosol paints are handled and processed. The BCP approved by the Legislature included a total of five permanent positions over two years at CalRecycle for the implementation of the measure. The Governor's budget proposes the elimination of three FTEs, a saving of \$355,000 Special Funds. The JLBC objected to the elimination of the three FTEs because the reduction in positions could result in delays in rulemaking and cause a backlog in technical reviews of stewardship plans.
- **AB 2440 (Irwin), Chapter 351, Statutes of 2022.** AB 2440 created the Responsible Battery Recycling Act of 2022 and requires producers of specific types of batteries to establish a stewardship program for the collection and recycling of batteries. The BCP approved by the Legislature in the 2023-24 Budget Act included a total of 18 positions over two years at CalRecycle to fully implement the measure. The Governor's budget proposes eliminating two FTEs, a savings of \$333,000 Special Fund. The JLBC non-concurred with the elimination of the two FTEs.

- **SB 1013 (Atkins), Chapter 610, Statutes of 2022.** SB 1013 added wine and distilled spirits to the California Beverage Container Recycling and Litter Reduction Act (Bottle Bill) and authorizes dealers in unserved convenience zones to join a dealer cooperative to meet their redemption responsibilities. The BCP approved by the Legislature added 44 permanent positions and 15 two-year limited term positions at CalRecycle for the implementation of the measure. The Governor’s budget proposes elimination of three FTEs – a savings of \$399,000 Special Fund. The JLBC did not concur with the proposed eliminations.
- **SB 1215 (Newman), Chapter 370, Statutes of 2022.** SB 1215 expanded the Electronic Waste Recycling Act, administered by CalRecycle, to include battery-embedded products. The Legislature approved 14 permanent positions, phased in over three fiscal years to implement the measure. The JLBC objected to the proposed elimination of one position. The January budget includes the elimination of the position, a savings of \$148,000 Special Fund.

LAO Assessment. *Maintaining Positions Would Erode Savings Administration Assumed in the Governor’s Budget...* The Legislature did not concur with the elimination of 650 positions from the Governor’s original proposed amount, including 349 environmental positions. As such, the Governor’s proposal is not consistent with the priorities the Legislature expressed through the JLBC letter. However, if departments were able to retain and fill these positions, the budget would not achieve the associated level of savings assumed in the Governor’s budget. Consequently, if the Legislature wishes to retain the positions as part of its final budget package, it likely will need to find a commensurate level of savings elsewhere in the budget, at least for those positions supported by the General Fund.

...However, *Maintaining Special-Funded Positions Would Not Directly Affect General Fund Condition.* JLBC did not concur with the elimination of 349 environmental positions. Of these, a majority—about 216—receive special fund support, while about 133 receive General Fund support. If all of these positions ultimately are eliminated—as the Governor proposes—they would generate \$19 million in General Fund savings and \$25 million in special fund savings. Depending on their balances and constraints, certain special funds can be tools to help address a budget deficit, such as by providing loans to the General Fund or taking on expenditures previously funded by the General Fund. However, in many cases, the residual positions in question supported by special funds do not have a direct impact on the General Fund and thus do not factor directly into efforts to balance the budget. Consequently, if the goal of eliminating vacant positions is to address the state’s structural imbalance, in many cases, applying this approach to special-funded positions will not help. Rather, the primary fiscal results of this action will be larger reserves of unspent monies in these funds. Moreover, often special funds administered by the California Natural Resources Agency and California Environmental Protection Agency departments, California Department of Food & Agriculture, and California Public Utilities Commission are structured specifically to ensure fee-payers help support regulatory activities and the mitigation of their industry’s environmental impacts. As such, reducing positions and expenditures could mean that funds—at least in the near term—end up sitting unused in account balances rather than supporting the activities that fee-payers have paid the state to undertake.

Eliminating Certain Positions Could Have Undesirable Programmatic Impacts. The environmental positions proposed to be eliminated were authorized to serve important state functions, including related to preserving health and safety and enforcing state laws. This was one of the key arguments JLBC cited for opposing their permanent elimination. For example, at the California Department of Fish and Wildlife (CDFW), positions include game wardens who provide important law enforcement and wildlife and resource protection services. Some CDFW positions also administer various permits, a key function to ensure that projects—from habitat restoration to infrastructure and housing development—can be

completed with less damage to the environment. Positions proposed for elimination at the Department of Parks and Recreation include public safety officers and staff protecting environmental, cultural, and historical resources. At the State Water Resources Control Board, positions include staff who help regulate waste discharge into waters of the state, including drinking water sources. Eliminating these positions consequently would come with serious trade-offs.

Positions May Address Important Needs Despite Being Vacant. The administration targeted vacant positions to achieve budgetary savings. Eliminating a vacant position may appear to have less of an impact on a department than eliminating a filled position. However, positions can be vacant for a number of reasons. For example, in the case of recently enacted legislation, departments likely had not yet had time to hire staff and still were in the initial process of filling the newly established positions when the Department of Finance determined that the positions would instead be eliminated. Additionally, positions can be vacant due to recruitment challenges, labor market constraints, or operational or practical considerations (for example, a department may still be filling a position after a recent employee departure), rather than as an indication of reduced program workload. While such challenges can lead to delays in filling positions, they do not mean these roles will not eventually be filled, nor that the responsibilities such staff perform are not important. While eliminating vacancies could appear to be an easy way to achieve ongoing budgetary savings, in some cases doing so could undermine environmental departments' long-term capacity and ability to achieve the goals and tasks laid out for them in state law.

LAO Recommendations. Maintain Special-Funded Environmental Positions Identified by JLBC. LAO recommends the Legislature reject the elimination of 216 environmental positions supported by special funds that JLBC identified in its nonconcurrency letter to the administration. The costs associated with these positions—totaling \$25 million—would begin to accrue as positions are filled. LAO finds several compelling reasons for maintaining these positions. As described above, these positions serve important purposes and eliminating them could have negative programmatic impacts. Many of these positions may be vacant because they are hard to fill or for point-in-time circumstances, and not because they lack importance. Moreover, the fees used to pay for many of these positions were designed specifically to support the regulation and mitigation of industry's environmental impacts. Through JLBC, the Legislature already expressed its preference for maintaining these positions and doing so would not have an impact on the General Fund condition.

Weigh Importance of General-Funded Environmental Positions Against Other Budget Priorities. For the 133 General-Funded environmental positions identified by JLBC in its nonconcurrency letter, LAO recommends the Legislature consider the relative merits within the context of its overall budget architecture. Although many of the same arguments apply about the programmatic importance of these positions, maintaining them will have an impact on the General Fund condition (about \$19 million) and could require the Legislature to identify other budgetary reductions to accommodate their support. If the Legislature were to maintain these positions, costs would not accrue until the positions are filled. Consequently, the total 2026-27 cost likely would be less than \$19 million.

Staff Recommendation. Hold open.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 2: Department Overview: SWRCB

SWRCB, along with the nine Regional Water Quality Control Boards (RWQCBs) (collectively Water Boards), are the state's regulatory agencies responsible for ensuring that the quality of the state's rivers, streams, lakes, wetlands, ocean, and groundwaters is protected.

The Water Boards are responsible for protecting and restoring water quality in all surface waters (streams, rivers, lakes, and wetlands) and groundwater (aquifers, drinking water wells) of the state. Water Board scientists, engineers, analysts, and support personnel collaborate with local, state, and federal agencies, communities, and organizations to ensure that water issues are addressed.

The Water Boards set water quality standards in plans and policies, monitor and assess the state's waters, regulate identified pollutant sources, and enforce compliance with regulatory requirements.

SWRCB. SWRCB is responsible for ensuring that the state surface water supplies are properly allocated and used for beneficial purposes through the administration of the water rights system. SWRCB reviews petitions that contest RWQCB actions. SWRCB funds water quality improvement projects.

RWQCBs. RWQCBs' boundaries are based on watersheds (as opposed to county lines) so that their water quality decisions and actions appropriately recognize local differences in climate, topography, geology, and hydrology. Each board develops and updates Basin Plans, which designate beneficial uses for water bodies and set water quality objectives. SWRCB sets policy and reviews RWQCBs' actions.

The state has nine RWQCBs:

- North Coast Region
- San Francisco Bay Region
- Central Coast Region
- Los Angeles Region
- Central Valley Region
- Lahontan Region
- Colorado River Basin Region
- Santa Ana Region
- San Diego Region

The Water Boards promote proper allocation and use of the state's water resources, and preserve, enhance, and restore the quality of water resources. These objectives are achieved through the Water Quality, Water Rights, and Drinking Water programs. The following figure summarizes the Governor's 3-year expenditures and positions plan for SWRCB and provides a list of funds used to pay for SWRCB programs:

3-YEAR EXPENDITURES AND POSITIONS †

	Positions			Expenditures		
	2024-25	2025-26	2026-27	2024-25*	2025-26*	2026-27*
3560 Water Quality	1,647.8	1,907.5	1,927.5	\$1,829,545	\$1,896,562	\$1,495,780
3565 Drinking Water Quality	441.6	465.6	470.6	231,150	270,462	248,479
3570 Water Rights	417.9	390.9	389.9	92,282	88,224	77,634
3571 Administrative Hearings Office	-	13.0	14.0	-	3,392	3,610
3575 Department of Justice Legal Services	-	-	-	2,801	2,801	2,801
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	2,507.3	2,777.0	2,802.0	\$2,155,778	\$2,261,441	\$1,828,304
FUNDING				2024-25*	2025-26*	2026-27*
0001 General Fund				\$232,230	\$122,711	\$69,488
0028 Unified Program Account				630	670	673
0129 Water Device Certification Special Account				86	390	390
0179 Environmental Laboratory Improvement Fund				3,884	4,533	5,549
0193 Waste Discharge Permit Fund				179,438	183,034	189,227
0212 Marine Invasive Species Control Fund				97	97	97
0235 Public Resources Account, Cigarette and Tobacco Products Surtax Fund				535	180	302
0247 Drinking Water Operator Certification Special Account				2,280	2,874	2,880
0306 Safe Drinking Water Account				35,392	47,536	49,368
0387 Integrated Waste Management Account, Integrated Waste Management Fund				6,579	7,055	7,076
0436 Underground Storage Tank Tester Account				18	20	19
0439 Underground Storage Tank Cleanup Fund				567,113	286,055	280,525
0625 Administration Account				14,896	10,951	11,209
0626 Water System Reliability Account				9,576	27,840	27,877
0628 Small System Technical Assistance Account				1,689	5,363	5,246
0679 State Water Quality Control Fund				33,082	33,082	33,082
0740 1984 State Clean Water Bond Fund				-	313	313
0890 Federal Trust Fund				431,257	491,623	504,000
0995 Reimbursements				20,863	20,863	20,863
1018 Lake Tahoe Science and Lake Improvement Account, General Fund				490	498	499
3046 Oil, Gas, and Geothermal Administrative Fund				5,691	9,162	7,800
3058 Water Rights Fund				34,769	41,430	41,666
3145 Underground Storage Tank Petroleum Contamination Orphan Site Cleanup Fund				38,045	-	-
3147 State Water Pollution Control Revolving Fund Small Community Grant Fund				15,131	14,060	8,000
3160 Wastewater Operator Certification Fund				1,234	1,330	1,334
3212 Timber Regulation and Forest Restoration Fund				4,341	5,130	5,146
3228 Greenhouse Gas Reduction Fund				34,367	227,138	-
3237 Cost of Implementation Account, Air Pollution Control Fund				722	758	761
3264 Site Cleanup Subaccount				76,780	38,429	44,442
3324 Safe and Affordable Drinking Water Fund				129,013	130,379	130,379
3339 Cannabis Tax Fund - State Water Resources Control Board				17,739	17,768	17,768
3398 California Emergency Relief Fund				2,875	-	-
6013 Watershed Protection Subaccount				-	1,512	-
6022 Coastal Nonpoint Source Control Subaccount				-	1,133	-
6029 California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund				1,326	-	-
6031 Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002				49	2,816	-

6051	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006	-259	9,679	-
6083	Water Quality, Supply, and Infrastructure Improvement Fund of 2014	153,803	6,351	1,642
6088	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Fund	29,349	33,106	1,662
6093	Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Fund	-	395,729	292,212
7500	Public Water System, Safe Drinking Water State Revolving Fund	18,984	29,472	29,490
8026	Petroleum Underground Storage Tank Financing Account	42,347	34,243	17,677
8110	Water Data Administration Fund	-	289	289
8506	Coronavirus Fiscal Recovery Fund of 2021	3,880	-	-
9739	State Water Pollution Control Revolving Fund Administration Fund	5,457	15,839	15,853
9755	Safe Drinking Water State Revolving Fund Administration Fund	-	-	3,500
TOTALS, EXPENDITURES, ALL FUNDS		\$2,155,778	\$2,261,441	\$1,828,304

Source: Department of Finance. * Dollars in thousands, except Salary Range.

† Fiscal year 2024-25 budget display reflects the best available information for use in decision-making for this department and/or these fund(s). Additional review and reconciliation of 2024-25 ending fund balances will occur in the spring to evaluate if a budget adjustment is required.

Programs. *Water Quality.* This program advances the highest possible quality of water for the state. Specific activities include:

- Formulating, adopting, and updating water quality control plans and policies that set standards and provide guidance in water management decisions.
- Monitoring water quality to determine compliance with control plans, permit terms, conditions, and water standards and implementing the Total Maximum Daily Load program to address pollution in the state’s most seriously impaired water bodies by developing plans that allocate responsibility for reducing pollution.
- Ensuring the waters of the state are not degraded by hazardous waste spills or tank leaks, or by spills or tank leaks from solid and hazardous waste treatment, storage, and disposal facilities.
- Requiring waste discharges, including storm water discharges, to prevent and abate water pollution and inspect dischargers to determine compliance with requirements.
- Assisting owners and operators of underground tanks in financing the cleanup of unauthorized releases from their tanks.
- Administering financial assistance programs, which include loan and grant funding for construction of municipal sewage facilities, drinking water systems, water recycling facilities, watershed protection projects, and nonpoint source pollution control projects.

Drinking Water. The Division of Drinking Water (DDW) regulates public drinking water systems. The Drinking Water Program works to protect and improve the health of all state residents by promoting the safety of drinking water. The program is responsible for enforcing the state and federal Safe Drinking Water Acts, adopting drinking water standards, and enforcing compliance with drinking water standards. The program also establishes criteria for water recycling projects; supports and promotes water system security; provides support for improving technical, managerial, and financial capacity of public water systems; certifies laboratories that analyze environmental samples for regulatory purposes; and maintains a registry of certified water treatment devices.

Safe and Affordable Funding for Equity and Resilience (SAFER) Program. The primary purpose of SAFER is to assist in providing safe drinking water in California communities. SWRCB's DDW, Division of Financial Assistance, and Office of Public Participation implement the SAFER program as follows:

- Division of Drinking Water (DDW) enforces federal and state drinking water statutes and regulates over 7,400 public water systems.
- Division of Financial Assistance (DFA) awards state and federal grants and loans for drinking water projects, including funding from the Safe and Affordable Drinking Water Fund, to support safe drinking water needs.
- Office of Public Participation (OPP) oversees community engagement and supports effective public participation in SWRCB decisions and actions.

SAFER funds water systems to help provide safe, accessible, and affordable drinking water supply to communities by implementation of short- and long-term drinking water solutions, moving water systems to more efficient modes of operation, providing short-term operation and maintenance support until long-term solutions are in place, and providing long-term operation and maintenance support when necessary.

SAFER: Safe and Affordable Drinking Water Fund (SADWF) Expenditure Plan. This plan is adopted annually by SWRCB, directs how money from SADWF can be spent. The SADWF Expenditure Plan is based on a drinking water needs assessment, documents past and planned expenditures, prioritizes projects for funding, and includes the following elements:

- Identifies public water systems, community water systems, state small water systems and regions where domestic wells consistently fail or are at risk of failing to provide adequate safe drinking water, the causes of failure, and appropriate remedies.
- Determines the amounts and sources of funding needed to provide safe drinking water or eliminate the risk of failure to provide safe drinking water.
- Identifies gaps in supplying safe and affordable drinking water and determine the amounts and potential sources of funding to eliminate those gaps.

SAFER: SADWF. SB 200 (Monning), Chapter 120, Statutes of 2019, established SADWF and required the annual transfer of five percent Greenhouse Gas Reduction Fund (GGRF) (up to \$130 million) into SADWF until June 30, 2030. SB 200 provided a backfill of General Fund monies if the GGRF appropriation was less than \$130 million. Money transferred into SAFER is continuously appropriated and must be expended consistent to the Safe and Affordable Drinking Water Fund Plan, which is adopted annually by SWRCB.

The fund supports solutions such as consolidation with larger water systems, operations and maintenance costs, building local technical and managerial capacity, providing interim replacement water, and administrators to run small systems.

Last year, SB 840 (Limón), Chapter 121, Statutes of 2025, among other things, reconfigured the continuous appropriations established for GGRF and set new legislative intent for how GGRF monies are spent. significant changes were made to GGRF, among other things, creating a tier system for allocating funds. The new tier system does not include a General Fund backfill should the GGRF

appropriation to SAFER be less than \$130 million. This year's proposed GGRF funding for SAFER is \$92 million with no backfill.

Environmental Laboratory Accreditation Program (ELAP). ELAP implements an accreditation program that ensures laboratories generate environmental and public health data of known, consistent, and documented quality to meet stakeholder needs. ELAP provides evaluation and accreditation of environmental testing laboratories used for regulatory purposes to meet the requirements of the state's drinking water, wastewater, and hazardous waste programs. The state agencies that monitor the environment use the analytical data from these accredited laboratories. The ELAP-accredited laboratories have demonstrated capability to analyze environmental samples using approved methods.

The California Environmental Laboratory Improvement Act (1988) established a consolidated fee-supported accreditation program for environmental health laboratories, a special fund, the Environmental Laboratory Improvement Fund, to support the program. Under the Act, accreditation is required of an environmental laboratory for producing analytical data for state regulatory agencies. The data is used to demonstrate compliance with requirements of drinking water, wastewater, food for pesticide residues, shellfish testing, and hazardous waste sections of the California Health and Safety and Water Codes.

Water Rights. The Water Rights Program ensures that the state's water resources are put to beneficial use, while protecting prior rights, water quality, and the environment. Specific activities include:

- Allocating the unappropriated waters of the state to ensure water is used in accordance with state laws.
- Maintaining a record of title of appropriative water rights initiated and maintained since 1914, including those for stock ponds, livestock, and small irrigation and domestic use ponds.
- Maintaining records of water diversion and use under riparian and pre-1914 rights and groundwater extractions in four southern counties.
- Enforcing permit and license terms and conditions, abating illegal diversions, protecting public trust resources, and preventing waste or unreasonable use under all rights.
- Assisting the courts in determining existing rights to surface water throughout the state through court reference and statutory adjudication proceedings, and in determining rights to groundwater through the groundwater adjudication process.

SWRCB is the only agency with the authority to administer water rights in the state. Local governments, water districts, and the RWQCBs do not administer water rights. SWRCB shares the authority to enforce water right laws with the state courts.

Administrative Hearing Office (AHO). The AHO is an independent unit of SWRCB established in 2019 to conduct neutral, fair, and efficient hearings on water-right matters. Qualified and impartial AHO hearing officers conduct these hearings, and either issue final orders or submit proposed orders for consideration by the Board.

Department of Justice Legal Services. This program supports the Water Boards in judicial proceedings related to the Water Boards' authorities.

Office of Enforcement (OOE). Since 2006, the enforcement support that OOE provides has expanded beyond Water Quality to include all the Water Boards’ program areas. Its role is to ensure that violations of orders and permits result in firm, fair, and consistent enforcement through direct actions, the development of policies and guidance, and the identification of metrics for decision-making on enforcement issues.

OOE is comprised of legal and investigative staff. The attorneys represent enforcement staff in SWRCB and RWQCB programs in pursuing enforcement where appropriate. The investigative staff is divided into multiple units that provide technical and enforcement expertise to support investigations across a broad range of programs. OOE includes the Cannabis Enforcement Unit, Special Investigation Unit, Underground Storage Tanks Enforcement Unit, and the Fraud, Waste & Abuse Unit.

Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (Proposition 4). Of the SWRCB programs funded by Proposition 4, the Governor’s budget proposes the most significant spending of \$173 million for drinking water and \$78 million for water recycling in 2026-27.

Governor's Proposition 4 Proposal: State Water Resources Control Board
(In Millions)

Purpose	Code Section	Implementing Departments	Bond Total	2025-26	2026-27 Proposed	Remaining Balance ^a
Water quality, safe drinking water	91011(a)	SWRCB	\$585	\$183	\$160	\$237
Tribal water infrastructure	91011(a)(8)(B)	SWRCB	25	11	13	0.8
Water reuse and recycling	91014	SWRCB	386	153	78	152
Water data management, stream gages	91017	SWRCB	5	0.4	0.7	4
Urban stormwater management	91023	SWRCB	110	1	39	69
California-Mexico rivers and coastal waters	91032(j)	SWRCB	50	47	0.7	2
Totals			\$1,161	\$396	\$292	\$465

a Amounts displayed are reduced by the estimated statewide bond costs. The remaining balance also includes program delivery and state operations costs, some of which are scheduled for appropriation in future fiscal years.

Note: Numbers may not add due to rounding.

SWRCB = State Water Resources Control Board.

Source: Legislative Analyst’s Office

The budget proposes \$39 million for urban stormwater management – the first infusion of Proposition 4 funding for this purpose. SWRCB anticipates issuing a grant solicitation in the fall of 2026.

Below are brief descriptions of the programs with proposed investments in the Administration’s spending plan:

- **Water Quality and Safe Drinking Water.** Grants or loans that improve water quality or help provide clean, safe, and reliable drinking water.
- **Tribal Water Infrastructure.** Projects that provide safe, clean, and reliable drinking water to tribal communities.
 - None of the \$11 million appropriated in 2025-26 has been committed because emergency regulations have not been developed. The Water Board plans to draft

emergency regulations following the preparation of this year's 2026-27 Drinking Water State Revolving Fund Intended Use Plan.

- ***Multi-benefit Urban Stormwater Projects.*** Projects addressing flooding in urbanized areas and provide multiple benefits; examples include stormwater capture and reuse, planning and implementation of low-impact development, restoration of urban streams and watersheds, debris flow mitigation, and increasing permeable surfaces to help reduce flooding.
 - SWRCB has been outreaching with stakeholders and plans to post draft guidelines and draft emergency regulations in July 2026 for public review and comment. SWRCB plans to adopt guidelines and emergency regulations in October 2026. Following the Office of Administrative Law's approval of emergency regulations, SWRCB will open the solicitation for these project funds.
- ***Water Reuse and Recycling.*** Projects include treatment, storage, conveyance, and distribution facilities for potable and non-potable recycling projects, distribution infrastructure to serve residential, commercial, agricultural, and industrial end user retrofit projects to allow use of recycled water, and multi-benefit recycled water projects that improve water quality.
 - SWRCB is preparing nine new applications and revising six existing applications. These 15 projects will receive \$153 million Prop. 4 appropriated in 2025-26.
- ***Cross-Border Rivers and Coastal Waters (Tijuana and New River).*** Loans or grants for projects that will address water quality problems arising in the California-Mexico cross-border rivers and coastal waters.
- ***Water Data Management and Stream Gages.*** Improve water data management and reactivate existing stream gages and deploy new gages.
 - SWRCB's Division of Water Rights is working with the Water Data Consortium (a 501(c)(3) non-profit organization) on allocating these funds. The initial set of projects will focus on planning within a new watershed to expand a telemetry pilot project and preparing a technical and engineering contract for installing and administering telemetry equipment and data. Division staff are working with the Data Consortium to bring in local water users and partners, which is a slower process but key to long-term success of the project.

The Bay-Delta Plan and Voluntary Agreements. According to the Legislative Analyst's Office (LAO) (*The Bay-Delta Plan and Voluntary Agreements: Ensuring Effective Oversight*, March 2026):

SWRCB develops and manages the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Watershed (Bay-Delta Plan) under its regulatory authority provided by state and federal law. The Bay-Delta Plan seeks to balance "beneficial uses" of water — including municipal and agricultural water supply and protection of fish and wildlife — primarily through establishing water quality and flow requirements. (Flow refers to the volume of water moving through rivers, streams, or the Delta and is typically measured in cubic feet per second.) More than two-thirds of Californians and millions of acres of farmland rely on water from the Bay-Delta watershed. Two massive water structure projects — the State Water Project (SWP) and the Central Valley Project (CVP) — move water from the Delta to Central and Southern California for municipal and agricultural purposes. SWRCB is

currently updating the Bay-Delta Plan to include a regulatory compliance pathway and incorporate an alternative framework known as the Voluntary Agreements (VAs), also known as the Healthy Rivers and Landscapes Program. The VAs represent a collaboration among water agencies and the state and federal governments to manage diversions, but also to implement habitat restoration projects — something that SWRCB alone cannot directly mandate under existing law.

San Francisco Bay-Sacramento-San Joaquin Delta (Bay-Delta) Watershed



Source: Legislative Analyst's Office

Bay-Delta Plan Updates Needed for Protection of Fish and Wildlife. SWRCB is in the process of updating the Bay-Delta Plan. This regulatory plan establishes enforceable water quality standards — such as flow requirements — to protect beneficial uses of water (including municipal, agriculture, and fish and wildlife) in the Bay-Delta and Sacramento and San Joaquin Rivers and their tributaries. These waterbodies are an important source of drinking water and agricultural water around the state. The Bay-Delta system is culturally and spiritually significant for a number of native tribes and central to their traditional diets. In addition, this watershed provides vital habitat for hundreds of species of fish and wildlife. SWRCB is making updates because the plan has not adequately protected fish and wildlife, including several species of threatened and endangered native fish.

Proposed Sacramento/Delta Updates Incorporate Voluntary Agreements (VAs). SWRCB is updating the Bay-Delta Plan in two phases. Phase one—adopted, but not yet implemented—concerned the Lower San Joaquin River and its tributaries and salinity objectives for the Southern Delta. Phase two—the focus of this report—concerns the Sacramento River and its tributaries, Delta eastside tributaries, and the Delta. SWRCB has proposed two compliance pathways for most Sacramento/Delta water users. One pathway—VAs—would apply to most of the water use in the watershed. The VAs reflect negotiated

commitments among certain water agencies, the State Water Project, federally run Central Valley Project (CVP), and state agencies to provide flows, habitat restoration, and funding as an alternative to typical top-down regulatory requirements. The other pathway—more traditionally regulatory—would apply to water users that do not choose to be part of the VA program. Key features of the two pathways include:

- ***VA Pathway Includes Flows and Habitat Projects.*** VA parties would provide additional flows to stay within the rivers—including from water purchases—above a set baseline amount, and complete roughly 47,000 acres of habitat restoration projects. The VA program—also known as the Healthy Rivers and Landscapes Program—would last eight years and could be extended if SWRCB determines it has been effective. Estimated implementation costs for habitat projects and water purchases total about \$3 billion and would be shared by the state (paying about half), water users, the federal government, and the CVP. VAs would become binding commitments—not voluntary—upon SWRCB’s adoption of the updated Bay-Delta Plan. (The term “voluntary” derives from the fact that the parties came together voluntarily to develop an alternative approach.)
- ***Regulatory Pathway Uses an Unimpaired Flows Approach.*** For water users that are not part of the VA program, the regulatory pathway would require 55 percent of unimpaired flows to be maintained in rivers year-round. (Unimpaired flow refers to the estimated natural flow that would occur absent human alterations such as dams, reservoirs, or diversions.) This percentage of unimpaired flows could be lowered to 45 percent or 35 percent in certain water supply circumstances.

Key LAO Takeaways. *Long Delays in Updating the Bay-Delta Plan Further Threaten Native Fish.* The Bay-Delta watershed supports residents, farms, tribes, fish, wildlife, and businesses, yet its ecosystem has been significantly compromised over the years. The current Bay-Delta Plan has not provided adequate protection of all beneficial uses, and long delays in updating the plan further threaten native fish. Making near-term progress on updating the plan is a critical step in beginning to reverse these trends.

Board Likely to Adopt VAs, Which Theoretically Could Balance Multiple Competing Goals... Although it has not formally adopted updates to the Bay-Delta Plan, SWRCB has signaled its intent to move forward with the VA approach. While SWRCB’s regulatory tools—focused on flows and diversions—are essential, they cannot directly compel habitat restoration and, on their own, likely would not be able to fully restore fish populations or ecosystem health. In this context, the VA approach could theoretically offer some benefits—somewhat increasing flows while also improving habitat. Moreover, VAs are more flexible than traditional regulations (allowing adaptation in closer to real time), have fewer adverse impacts on water users, provide more certainty to water agencies, and could be implemented more quickly.

...Yet Significant Uncertainties About VAs Remain. Despite their potential benefits, significant uncertainties about the VAs remain, including whether VA flows will be sufficient to support recovery of native fish. In addition, federal policy changes—including the CVP potentially pumping more water from the Delta—could undermine the VA parties’ ability to implement the plan. Given these considerable uncertainties, the VA program must be closely monitored.

Legislature Has Important Oversight Role. SWRCB is likely to adopt the updated Bay-Delta Plan that includes VAs, potentially later this year. Given the high stakes for fish and water users, the Legislature can play a critical role in monitoring plan implementation. Because the VAs are designed to adapt as new information becomes available—and the board retains authority to terminate the VAs for some or

all water users if they are not working as intended—performance will require ongoing evaluation. Legislative oversight can help ensure problems are identified and corrective action is taken when needed. To conduct its oversight, the Legislature could hold informational and/or oversight hearings, require reporting by SWRCB to the Legislature, require independent scientific evaluation of plan implementation and the VA pathway, and review how state funds are being spent. By holding SWRCB accountable to the Bay-Delta Plan’s objectives and shining a light on the successes, challenges, and unintended consequences of the VA program, the Legislature can help ensure the state achieves its environmental and water management goals for this important watershed.

Issue 3: Permitting Impacts of Recent Supreme Court Decisions

Governor’s Proposal. The Governor’s budget requests \$2.6 million Waste Discharge Permit Fund in 2026-27 and ongoing, and 12 permanent positions to conduct essential water quality permitting and enforcement work due to the 2023 US Supreme Court decision in *Sackett v. Environmental Protection Agency* that reduces federal jurisdiction over several waterbodies.

The Sackett Ruling, which redefined what qualifies as “waters of the United States,” has substantially reduced the scope of federal jurisdiction. As a result, the Water Boards will need to redesign programs to fill gaps left by the loss of federal oversight and to ensure state protection in areas no longer covered under federal law. In many cases the state processes require more time and resources than the federal processes that were historically used. Additional resources are needed to ensure the Water Boards perform essential permitting and enforcement functions in a timely manner and prevent delays with the approval of important projects, including housing, energy and other infrastructure. The Sackett Ruling impacts the Water Boards’ resources in a number of fundamental ways that are relevant to this proposal:

- It increases workload by requiring dredge or fill projects to be permitted using the less efficient WDR processes instead of issuing CWA Section 401 Certifications.
- It requires creation and ongoing maintenance of WDRs for activities that were previously permitted through existing nationwide permits or NPDES stormwater permits.
- It requires expansion of inspection and enforcement activities to replace USEPA actions on waters that are no longer under federal jurisdiction and further increases workload by replacing CWA enforcement authorities with less efficient and more resource intensive state authorities.

LAO notes that this proposal reflects the same augmentation that SWRCB originally proposed in 2024-25 that was not approved, pending additional information.

Background. According to LAO:

Federal and State Laws Govern Water Quality in California. Water quality is governed by the federal Clean Water Act (CWA) and state Porter-Cologne Water Quality Control Act. Under CWA, the U.S. Environmental Protection Agency (EPA) establishes national standards and delegates authority to SWRCB and its nine regional water boards (collectively referred to as the water boards) to administer federal permitting programs. The water boards also implement and enforce the state Porter-Cologne Act.

Water Quality Permits Required for Projects Affecting California Waters. Projects and activities that involve the release of dredged or fill materials into waters or result in the discharge of pollutants into waters require federal and/or state permits. The various types of water quality permits (also called certifications and orders) that project applicants must attain, their purposes, and the issuing agencies, are generally issued as follows:

- For the release of dredged or fill materials, the U.S. Army Corps of Engineers issues a CWA Section 404 permit. A federal dredge/fill permit requires the state to first issue a CWA Section 401 certification indicating that the activities also comply with state water quality standards.
- For pollutant and stormwater discharges, the water boards issue permits on behalf of EPA. These are called National Pollutant Discharge Elimination System (NPDES) permits.

- For either dredge/fill or discharge permits, if the water is not under federal jurisdiction, the water boards issue an order for Waste Discharge Requirements (WDR). These state-only permits typically involve more work for the water boards than either state dredge/fill certifications or federal discharge permits.

Permits can be issued as a “general” order that applies to a whole class of projects, or an individual order tailored to a specific project. Individual orders are more workload-intensive for the water boards.

Water Quality Permits

Permit/Certification	Issuer	Purpose	Examples
Dredged or Fill Materials			
CWA Section 404 permit (federal dredge/fill permit)	U.S. Army Corps of Engineers	For WOTUS, regulates discharges of dredged or fill material. Also requires a Section 401 certification.	Water and transportation infrastructure (levees, highways), mining, and development fill.
CWA Section 401 certification (dredge/fill certification)	State and Regional Water Boards	For WOTUS, issued in conjunction with Section 404 permits to ensure projects also comply with state water quality standards.	Same as above.
WDRs (state-only dredge/fill permit)	State and Regional Water Boards	For non-WOTUS waters of the state, regulates discharges of dredged or fill material.	Same as above, but for non-WOTUS waters of the state (for example, isolated wetlands and ephemeral streams).
Pollutant and Stormwater Discharge			
CWA Section 402 NPDES permit (federal discharge permit)	State and Regional Water Boards	For WOTUS, regulates point source discharges of pollutants, including stormwater.	Municipal, construction, and industrial stormwater and municipal wastewater discharges to WOTUS via point sources such as pipes, ditches, or channels.
WDRs (state-only discharge permit)	State and Regional Water Boards	For non-WOTUS waters of the state, regulates discharges of pollutants, including stormwater. ^a	Construction and industrial stormwater, landfill wastewater, food processing waste, and winery process discharges to non-WOTUS waters or groundwater.
<small>^aNPDES permits apply to point-source discharges to WOTUS, whereas state-only discharge permits (WDRs) apply to a broader range of discharges to waters of the state, including nonpoint source and groundwater discharges.</small>			
<small>Note: Individual or general permits can be issued. General permits apply to a class of projects.</small>			
<small>CWA = Clean Water Act; WOTUS = Waters of the United States; WDRs = Waste Discharge Requirements; and NPDES = National Pollutant Discharge Elimination System.</small>			

Source: Legislative Analyst’s Office

How Waters Are Defined Affects How They Are Regulated. Federal CWA requirements only apply to “waters of the United States” (WOTUS), so the definition of WOTUS is important. The broader the definition, the more bodies of water will fall under federal jurisdiction—and vice versa. Federal regulations have defined WOTUS differently over the years and the definition has been the subject of extensive litigation.

U.S. Supreme Court Decision in 2023 Narrowed Federal Jurisdiction... A 2023 U.S. Supreme Court decision—*Sackett v. U.S. Environmental Protection Agency (Sackett)*—narrowed the definition of WOTUS. The ruling limits federal jurisdiction to relatively permanent bodies of water and to wetlands that have a continuous surface connection to WOTUS. California has many wetlands and other ephemeral or seasonal waters that previously were considered WOTUS but now no longer meet the federal definition because they lack a continuous surface connection or are not relatively permanent. The EPA and U.S. Army Corps of Engineers recently released a [proposed rule](#) to effectuate the narrowed definition of WOTUS.

...Shifting Regulation of Certain Waters to the State. At the state level, all WOTUS—and many other waters, wetlands, and streams—meet the state statutory definition for “waters of the state” because it is much broader than the federal definition. As a result, under current state law, the narrower definition of WOTUS means that certain waters previously regulated under federal law must now be regulated solely by the state to maintain comparable water quality protections.

Shift in Regulatory Responsibilities Is Increasing Workload for Water Boards. The shift to state regulation for water bodies that are no longer considered WOTUS is leading to an increase in workload

for the water boards. For example, SWRCB reports that out of all dredge/fill permit applications received, the share of state-only permit applications increased from about 5 percent before *Sackett* to about 20 percent after that decision. SWRCB also found that approximately 48 percent of individual state-only permits processed recently could have instead been processed as dredge/fill certifications before *Sackett*. SWRCB estimates an individual state-only dredge/fill permit requires up to 140 more staff hours than a dredge/fill certification. The water boards also have had to take on certain responsibilities formerly conducted by federal agencies, such as verifying delineations (identification and mapping) for waters that are no longer under federal jurisdiction and conducting certain enforcement-related inspections and complaint response. SWRCB also reports increases in workload to investigate and respond to challenges from regulated entities about which waters are considered WOTUS.

The 2024-25 State Budget Provided Resources to the Water Boards to Respond to New Workload. The 2024-25 budget provided \$5 million on an ongoing basis from the Waste Discharge Permit Fund and 26 new positions for the water boards to support the water quality permitting and enforcement work that previously was handled directly by the federal government or under federal authorities. In addition to staffing support, the budget provided \$1.1 million (also from the Waste Discharge Permit Fund) in one-time contracting funds for SWRCB to begin design of an electronic application and information technology management system to support this work.

Budget Action Reflected Legislature’s Desire to Gather More Information. The administration had proposed to phase in an additional 12 positions (and \$2.1 million) starting in 2025-26. The final budget agreement instead approved only the 26 positions beginning in 2024-25, and the Legislature indicated it desired more information about how specifically the water boards’ workload would change before approving such a large number of ongoing positions and resources. To that end, the 2024-25 budget package included language requiring SWRCB to submit a report to the Legislature by January 2026 on (1) the impacts of the *Sackett* decision on workload, permitting, and enforcement processes; (2) the nature of any legal challenges to state regulatory authority; and (3) any regulatory limitations it was experiencing under current statute.

LAO Assessment. Proposed Staffing Increases Appear Justified. LAO finds the request for additional positions and associated funding justified and supported by SWRCB’s workload data. The state has a statutory responsibility to regulate waters that were formerly under federal jurisdiction (and has an interest in doing so given the implications for drinking and agricultural water quality and fish and wildlife habitat). Moreover, even if statute were to be amended to make regulatory processes more efficient (as we discuss next), these positions likely still will be needed, at least in the near term. Approving and implementing any statutory amendments could take some time, and the water boards must be adequately staffed to handle the increase in workload under current law in the meantime. In addition, regardless of whether statute is amended or not, state staff will need to conduct certain activities—such as inspections and complaint responses—that were formerly conducted by federal agencies for waters that have shifted to state jurisdiction.

Changes to State Statute Could Improve Permitting Efficiency. The water boards must now rely more heavily on state statute to regulate water quality in California following the *Sackett* decision. However, current state procedures differ from the federal procedures the water boards were accustomed to using for many of their permitting decisions. Specifically, in comparison, the current-law procedures for state-only permits can increase permit processing times and limit water boards’ enforcement options. In its statutorily required report to the Legislature, SWRCB identified several ways that state law could be amended to increase the efficiency of the state permitting processes and reduce workload while maintaining core environmental protections. These include:

- ***Aligning State Enforcement More Closely With Federal Requirements.*** Relative to federal enforcement, state tools are more limited, and the maximum state penalty amounts also are lower than federal equivalents. Both factors reduce the deterrent effect of the water boards' enforcement efforts and create additional workload. For example, under current state law, the water boards cannot impose an administrative civil liability for violation of state-only permit terms until an actual discharge has already occurred. By contrast, under delegated federal authority, the water boards can proactively assess penalties for violations of federal discharge permit terms to prevent unwanted discharges from happening. In addition, under current state law, the water boards cannot initially cite an illegal discharge (such as illegal dumping) if that type of discharge was not included in a permit. Instead, they must issue a notice and can only cite the illegal discharge the second time it has occurred. Aligning state enforcement more closely with federal requirements would create consistency and equip the water boards with more effective tools to protect water quality.
- ***Expanding Applicability of Statewide Water Quality Control Plans to Non-WOTUS.*** SWRCB uses statewide rulemaking authority through water quality control plans to protect wetlands and other waters. However, when issued by the state water board (rather than a regional board), these plans are limited to WOTUS. As such, under current state law, to protect non-WOTUS, each regional board must revise their regional plans to match the statewide plan. Amending statute to extend the rulemaking authority for statewide plans to all waters would reduce workload and processing times.
- ***Authorizing Regional Water Board Executive Officers to Approve WDRs.*** Unlike dredge/fill certifications which can be approved by a regional board's executive officer, under current state law, state-only dredge/fill permits require a public hearing and adoption by the regional board. Allowing executive officers to approve state-only permits would reduce processing times.
- ***Fully or Partially Exempting State-Only Discharge Permits From the California Environmental Quality Act (CEQA).*** While issuance of NPDES discharge permits is exempt from CEQA, under current state law, state-only discharge permits are subject to CEQA and often require the water boards to prepare environmental impact reports and economic analyses. Providing a full or partial CEQA exemption or alternative process for these state-only permits would reduce processing times. (SWRCB estimates that exempting state-only permits from having to meet CEQA requirements would shorten their preparation timelines by at least a year.)
- ***Aligning Public Notification Requirements With Federal Processes.*** Current state law requires the water boards to provide public notice of draft state-only dredge/fill permits and consider and respond to written comments before adoption. By contrast, dredge/fill certifications only require public notice of an *application* and do not require responses to comments. SWRCB indicates that the vast majority of dredge/fill projects do not receive public comments. Aligning the state process with the federal process would reduce the time and workload needed to process permits.

Statutory Amendments Identified by SWRCB Would Primarily Affect Procedures, Not Water Quality Standards. In LAO's review, many of the potential statutory revisions identified by SWRCB appear reasonable. They would not change the water quality standards with which permitted activities must comply. That is, activities regulated under either federal or state authorities still would have to comply with the water quality standards in state and regional water quality control plans, just as they do now. Rather, these amendments could potentially increase permitting efficiency, reduce water boards' workload, and provide water boards with more robust enforcement options. Still, such statutory amendments would have some trade-offs. For example, if these changes were to apply to all state waters,

they could potentially reduce existing opportunities for public participation and CEQA environmental review for state waters that were never under federal jurisdiction.

LAO Recommendations. *Approve Positions and Funding.* LAO recommends the Legislature approve SWRCB's proposal for 12 new permanent positions and \$2.6 million ongoing from the Waste Discharge Permit Fund. The Water Boards' workload has increased and providing additional resources would help prevent unnecessary delays in the permitting process and allow them to better enforce permit requirements.

Consider Amending Statute to Improve Permitting Process. LAO recommends the Legislature consider some or all of the statutory amendments identified by SWRCB to align state procedures and requirements more closely with the federal approach, while evaluating trade-offs related to public participation and environmental review. (For example, LAO suggests careful consideration of providing CEQA exemptions to ensure that an adequate amount of environmental review will still occur.) Such amendments offer the potential for the state to increase the efficiency of the permitting and enforcement processes. The Legislature could consider making amendments through the budget trailer bill process or through the policy committee process. However, using the policy process likely would allow for more in-depth consideration of the benefits and trade-offs of each change.

Staff Recommendation. Hold open.

Issue 4: Recycled Water Program Needs (SB 31)

Governor’s Proposal. The Governor’s budget requests the following:

- \$1 million in 2026-27 and ongoing, and four permanent positions from the Waste Discharge Permit Fund and SDWA to permit and oversee the new types of water recycling uses authorized by SB 31 (McNerney), Chapter 736, Statutes of 2025.
- \$500,000 annually between 2026-27 and 2028-29 from the Waste Discharge Permit Fund to fund two 3-year limited-term positions for developing necessary updates to water recycling regulations in the Division of Drinking Water.

Costs for the two limited-term positions developing regulations and the costs for the two permanent Division of Water Quality positions would be incurred primarily to the Waste Discharge Permit Fund. The remainder of the costs are intended to be passed through as billable review time to the recycled water projects for the two permanent Division of Drinking Water positions, thus reimbursable to the state through SDWA.

The production and use of recycled water is permitted by RWQCBs and must include requirements and specifications recommended by SWRCB’s Division of Drinking Water staff through conditionally approved engineering reports. Existing recycled water permits will need to be reviewed to evaluate whether changes may be needed to incorporate changes to the Title 22 regulations and the Recycled Water Policy as a result of SB 31. A new or amended statewide general waste discharge requirement or water recycling requirement permit may be an appropriate mechanism to enable staff to more efficiently update applicable recycled water permits to be consistent with the requirements of SB 31.

Background. *SB 31 (McNerney): Water Quality: Recycled Water.* SB 31 encourages the use of recycled water by changing the requirements for specific recycled water applications. Among other things, the bill provides that outdoor landscape irrigation of common areas that does not enter the boundaries of a residence is not considered a part of the same premises as an individual residence and is not considered a dual plumbed system.

The bill necessitates updates to the California Code of Regulations for “Water Recycling Criteria,” which are the non-potable water recycling regulations related to advancements in technology and best practices, such as:

- Allow recycled water to be used for toilet and urinal flushing, and outdoor irrigation at food handling and processing facilities.
- Allow parks to be irrigated with recycled water, while complying with the Model Water Efficient Landscape Ordinance.
- Allow homeowners associations to irrigate common space with recycled water.
- Ensure decorative lakes can use recycled water.

These changes are intended to help recycled water projects work towards the state's goal of recycling 1.8 million acre-feet of water by 2040. But these changes require updates to the Title 22 regulations, and review and conditional approval of new and updated existing reuse project engineering reports and permits.

In addition, SB 31 amends the Water Code to exempt recycled water from notification requirements to RWQCBs should water overflow occur when recycled water is used to refill decorative ponds. This provision exempts managers of facilities with decorative ponds, such as golf courses and homeowners associations, from having to notify the RWQCB when recycled water is used in these ponds, even if that use constitutes an unauthorized discharge. Proper management of decorative ponds is to lower their level, so they have capacity to accommodate flows from stormwater. These ponds contain chemicals to control algae growth and possibly invasive species. Discharges from decorative water bodies not containing recycled water during storm events are not exempt from regulation and municipalities must implement operational source control measures to ensure water quality impacts are minimized. As a result of SB 31, amendments are needed to SWRCB's Recycled Water Policy to evaluate potential water quality impacts from these potential overflows and establish and implement appropriate water quality requirements to protect beneficial uses of waters of the state.

Staff Recommendation. Hold open.

3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 5: Department Overview: DWR

DWR’s responsibilities are to protect, conserve, develop, and manage the state’s water supply. The department evaluates existing water resources, forecasts future water needs, and explores potential solutions to meet the state’s growing needs for personal use, irrigation, industry, recreation, power generation, and fish and wildlife. DWR also works to prevent and minimize flood damage, oversee the safety of dams, and educate the public about the importance of water and its efficient use. Because DWR’s programs drive a need for infrastructure investment, the department has a capital outlay program to support this need.

The figure below summarizes the Governor’s 3-year expenditure and positions plan and provides a list of funds used to pay for SWRCB programs:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2024-25	2025-26	2026-27	2024-25*	2025-26*	2026-27*
3230	Continuing Formulation of the California Water Plan	489.1	469.4	469.4	\$907,491	\$899,443	\$683,988
3240	Implementation of the State Water Resources Development System	2,256.1	2,252.8	2,252.8	2,591,900	2,522,302	1,627,658
3245	Public Safety and Prevention of Damage	587.0	578.1	593.1	234,455	789,466	310,623
3250	Central Valley Flood Protection Board	54.3	54.3	54.3	14,024	24,160	23,857
3255	Services	13.7	13.7	13.7	2,367	8,691	8,716
3260	California Energy Bond Office	28.0	26.9	26.9	910,605	910,737	910,729
3265	Loan Repayment Program	-	-	-	-1,405	-1,405	-1,405
9900100	Administration	553.5	553.5	553.5	152,363	108,050	108,050
9900200	Administration - Distributed	-	-	-	-152,363	-108,050	-108,050
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		3,981.7	3,948.7	3,963.7	\$4,659,437	\$5,153,394	\$3,564,166

(Continue to next page)

FUNDING	2024-25*	2025-26*	2026-27*
0001 General Fund	\$906,924	\$1,388,359	\$247,916
0140 California Environmental License Plate Fund	3,646	3,331	3,333
0465 Energy Resources Programs Account	3,434	3,808	3,814
0502 California Water Resources Development Bond Fund	1,334,558	1,334,558	1,334,558
0506 Central Valley Water Project Construction Fund	-136	-136	-136
0507 Central Valley Water Project Revenue Fund	287,433	287,433	287,433
0545 River Parkway Subaccount	81	-	-
0793 California Safe Drinking Water Fund of 1988	1,568	92	-
0890 Federal Trust Fund	90,157	143,313	102,536
0995 Reimbursements	38,262	91,281	68,266
3057 Dam Safety Fund	25,129	26,007	27,487
3100 Department of Water Resources Electric Power Fund	6,189	6,217	6,220
3210 Davis-Dolwig Account, California Water Resources Development Bond Fund	10,683	10,000	10,000
3228 Greenhouse Gas Reduction Fund	113,654	-	-
3237 Cost of Implementation Account, Air Pollution Control Fund	130	407	408
3296 Flood Risk Management Fund	1,600	308	308
3398 California Emergency Relief Fund	46,606	20,000	-
3413 Diablo Canyon Extension Fund	442,343	-	-
6001 Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund	19	19	-
6005 Flood Protection Corridor Subaccount	755	-	-
6026 Bay-Delta Multipurpose Water Management Subaccount	5,897	287	-
6027 Interim Water Supply and Water Quality Infrastructure and Management Subaccount	12,199	280	280
6031 Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002	3,558	608	608
6051 Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006	1,946	222	226
6083 Water Quality, Supply, and Infrastructure Improvement Fund of 2014	414,235	405,672	415,727
6088 California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Fund	2,801	2,691	7,825
6093 Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Fund	-	522,784	141,498
8110 Water Data Administration Fund	1,350	1,350	1,350
9333 Department of Water Resources Charge Fund	904,416	904,503	904,509
TOTALS, EXPENDITURES, ALL FUNDS	\$4,659,437	\$5,153,394	\$3,564,166

Source: Department of Finance. * Dollars in thousands, except Salary Range.

† Fiscal year 2024-25 budget display reflects the best available information for use in decision-making for this department and/or these fund(s). Additional review and reconciliation of 2024-25 ending fund balances will occur in the spring to evaluate if a budget adjustment is required.

California Water Plan. The California Water Plan (Plan) is the state’s strategic plan for the efficient use, management, and development of the state’s water resources. The Plan is updated every five years and provides a framework for water managers, legislators, and the public to consider options and make decisions regarding the state’s water future. The Plan evaluates current and future water conditions, challenges, and opportunities. It presents basic data and information on the state’s water resources including water supply evaluations and assessments of existing and future agricultural, urban, and environmental water uses. The Plan identifies and evaluates multiple future scenarios and over 30 resource management strategies such as conservation, recycling, desalination, transfers, storage, conveyance, water quality, watershed management, ecosystem restoration, groundwater, and urban lan use management to help meet future demands in light of uncertainties and unexpected catastrophic events. This program also identifies ways for the state to: (1) help local agencies and governments prepare interacted regional water management plans on a watershed basis and diversify their regional water portfolios to ensure sustainable water uses, reliable water supplies, better water quality

environmental stewardship, efficient urban development, protection of agriculture, and supporting a strong economy, (2) help cities, counties, and local agencies prepare a Water element for their General Plans, Urban Water Management Plans and Agricultural Water Management Plans, and (3) help local agencies and tribal governments improve water and land use planning coordination.

Programs. *State Water Project (SWP).* The SWP is a water storage and delivery system that consists of 700 miles of conveyance (canals, pipelines, and tunnels), 34 storage facilities (reservoirs and lakes), 21 pumping plants, four pumping-generating plants, and five hydroelectric power plants. SWP provides water to over 25 million Californians and 750,000 acres of irrigated farmland. The state's water supply depends on several factors, including rainfall, snowpack, runoff, water storage facilities, and pumping capacity from the Sacramento-San Joaquin Delta (Delta). The amount of water available for distribution and operational constraints are meant to be balanced with the need to protect fish and wildlife, water quality, and environmental and legal obligations. For the last 20 years, SWP's average water is 34 percent for agriculture and 66 percent for residential, municipal, and industrial uses. The SWP also serves to help manage the state's water supply during extremes such as flooding and drought, it also is a major source of hydroelectric power deliveries for the state's power grid.

SWP's water supplies originate in the high Sierra Nevada Mountains where snowmelt and rainfall flow through rivers and tributaries. SWP moves water from Lake Oroville towards the Delta, which serves as the hub for the state's water supply and delivery system. SWP captures and stores its share of these water supplies, which is then delivered through 700 miles of canals and pipelines for use in several parts of the state. SWP is a complex and complicated system; and it is one of the largest water and power delivery systems in the world.

DWR's Role in SWP. DWR is the owner and operator of the SWP and is responsible for and manages SWP's water supply and infrastructure — administering the financing, construction, upgrades, operation, and maintenance of the SWP. However, DWR does not fund SWP — this is the responsibility of the State Water Contractors.

State Water Contractors (SWC). While the majority of the SWP was being constructed in the 1960s, public agencies and local water districts signed long-term water supply contracts with DWR and are collectively known as the SWP long-term water contractors, or more simply, SWP water contractors. Today, 29 local public water agencies (PWAs) make up SWC, which is a non-profit association. These PWAs serve parts of the Bay Area, San Joaquin Valley, Central Coast, Southern California, Inland Empire, and Desert regions. The water supply contracts (which expire in 2035) set forth the maximum amount of SWP water that a contractor may request annually. However, the amount of SWP water available for delivery varies from year to year and is based on a number of factors, including:

- Hydrologic conditions
- Current reservoir storage
- Delivery requests from the SWP water contractor

The SWC PWAs finance the SWP's maintenance, operations, and capital improvement costs. Ultimately, the SWP is paid for by the 27 million Californians, who receive water from the SWP, via the water utility rates of their local PWA.

The Delta. As noted above, the Delta is at the center of the SWP's water distribution system. Roughly two-thirds of the state's water originates in the Sierra Nevada mountains, eventually flowing through the Delta where, consistent with water rights and applicable water quality requirements, it is delivered to various regions of the state.

The Delta is an estuary. An estuary and its surrounding wetlands are bodies of water usually found where rivers meet the sea. Estuaries are home to unique plant and animal communities that have adapted to brackish water — a mixture of fresh water draining from the land and seawater. In the Delta, many species of birds (including waterfowl and sandhill cranes) and fish (such as the Chinook salmon, Central Valley steelhead and green sturgeon) depend on the habitats in and around the 700,000-acre estuary for survival. However, the Delta has been negatively impacted by pollution, invasive species, and destruction of the area's wetlands and river habitat. In addition, water supply operations have reversed the direction of rivers flowing out of the Delta, jeopardizing several native species.

SWP: Delta Conveyance. Delta Conveyance refers to the SWP water transport infrastructure hub in the network of waterways comprising the Sacramento-San Joaquin Delta (Delta), collecting and moving water to the Bay Area and Southern California. As the owner and operator of SWP, DWR is responsible for all associated upgrades and maintenance.

Public Safety and Prevention of Damage (e.g. Flood Protection). The state has experienced destructive flood events throughout its history. For example, in 2017, the Governor declared a state of emergency in 52 of the 58 counties due to damage from winter storms and floods. All areas of the state are subject to at least some sort of flooding – since 1992, every county in the state has been declared a federal disaster area at least once for a flooding event.

DWR's flood management program supports the California Water Action Plan by protecting life and property from damage by floods, ensures proper construction and maintenance of jurisdictional dams and levees, and provides loans for levee construction. Activities include assessing the state and regional investment needs to reduce risk, preventive floodplain management to discourage unwise use of areas subject to flooding, protection of floodplains, issuance of flood warnings, operation of flood control facilities, coordination and supervision of flood fight activities, and annual levee and flood channel maintenance and inspection in cooperation with other local, state, and federal partner agencies.

This program also buys land, easements, and right-of-way for federal flood control project and supervises the design and construction of new dams and periodic inspections and the reevaluation of all existing jurisdictional dams for proper operation and maintenance.

Fiscal oversight and coordination activities associated with the Disaster Preparedness and Flood Prevention Bond Act of 2006 are administered under this program. The program also reviews federal dam projects in coordination with federal and other state agencies with regard to dam safety.

Central Valley Flood Protection Board (CVFPB). CVFPB has regulatory authority over the State Plan of Flood Control (SPFC) facilities, designated floodways, and regulated streams in the Central Valley. CVFPB regulates encroachments on the system by issuing permits and initiating enforcement action when necessary to maintain the integrity of the levees and floodways that protect the valley's people and property. CVFPB manages the state's portfolio of real property held by the Sacramento-San Joaquin Drainage District. CVFPB serves as the non-federal sponsor to the United States Army Corps of Engineers on large joint state-federal levee improvement projects and assists the more than 100 local maintaining agencies that operate and maintain the SPFC. CVFPB conducts regular public meetings, workshops, and tours, providing a public forum for stakeholders.

Services. This program provides technical support within DWR and expertise in the fields of water resources planning, development, and management; watermaster services; scientific analyses performed

by DWR’s chemical laboratory; information technology; mapping, surveying, and engineering services for other agencies.

California Energy Bond Office. The California Energy Bond Office manages the Electrical Power Fund and DWR Charge Fund. The Electric Power Fund was created in response to the 2001 California energy crisis; for a limited period of time, the Electrical Power Fund purchased electric power on behalf of the state’s investor-owned utilities and issued \$11.3 billion in bonds. The final amount of the outstanding bonds were defeased in September 2020. Bond proceeds were used to repay amounts borrowed for power purchases during the 2001 energy crisis. The DWR Charge Fund was created by AB 1054 (Holden), Chapter 79, Statutes of 2019, to collect remittances from charges on investor-owned utilities ratepayers pursuant to Water Code Section 80550.

Proposition 4. According to LAO, nearly two-thirds of the Safe Drinking Water, Drought, Flood, and Water Resilience chapter of the bond is dedicated to five program areas within DWR and SWRCB: flood management, dam safety, groundwater management/instream flow, drinking water, and water recycling. The 2026-27 proposal emphasizes three of these areas, while mostly deferring providing funding for the other two. Specifically, the Governor proposes providing \$232 million for three flood programs, \$173 million for drinking water, and \$78 million for water recycling, but only \$20 million for groundwater management/instream flow and \$2 million for dam safety (state operations only).

DWR indicates that it plans to request appropriation of most groundwater project funding in 2027-28 following engagement with groundwater sustainability agencies as well as public scoping meetings in 2025-26 and development of guidelines and regulations in 2026-27. (Funding in 2026-27 would support a DWR-led fish passage project that is part of the San Joaquin River restoration.) Additionally, DWR notes that it has been developing guidelines and regulations for the Dam Safety Program and will solicit proposals in 2026-27 using funding it received in the current year.

Governor’s Proposition 4 Proposal: Department of Water Resources
(In Millions)

Purpose	Code Section	Implementing Departments	Bond Total	2025-26	2026-27 Proposed	Remaining Balance ^a
Flood Risk			\$1,030	\$418	\$234	\$370
Sacramento-San Joaquin Delta levees	91021(a)	DWR	\$150	—	\$60	\$89
Flood Control Subventions Program	91021(b)	DWR	150	123	24	1
State Plan of Flood Control projects	91021(c)	DWR	250	63	148	37
Dam safety	91022	DWR	480	232	2	243
Rivers, Streams, Watershed Resilience			\$335	\$151	\$20	\$161
Integrated regional water management	91031	DWR	\$100	\$0.5	\$2	\$97
Riverine Stewardship Program	91032(c)	DWR	50	1	5	44
Urban Streams Restoration Program	91032(e)	DWR	25	1	11	13
Salton Sea Management Program	91033(a)	DWR/CNRA	160	148	3	7
Other			\$609	\$41	\$91	\$472
Groundwater management, instream flow	91012(a)	DWR	\$386	\$30	\$20	\$334
Brackish desalination, salinity management	91016	DWR	63	0.2	0.6	61
Water data management, stream gages	91017	DWR	10	8	0.5	2
Regional conveyance projects and repairs	91018	CNRA/DWR	75	3	69	3
Water conservation—agricultural and urban	91019	DWR	75	0.3	1	73
Totals			\$1,974	\$610	\$345	\$1,004

a Amounts displayed are reduced by the estimated statewide bond costs. The remaining balance also includes program delivery and state operations costs, some of which are scheduled for appropriation in future fiscal years.

Note: Numbers may not add due to rounding.

DWR = Department of Water Resources and CNRA = California Natural Resources Agency.

Source: Legislative Analyst’s Office

Within flood programs, the budget proposes \$60 million for maintenance of Sacramento-San Joaquin Delta levees. Additionally, separate from Proposition 4, the budget proposes \$14 million one time from the General Fund for DWR to support habitat mitigation that is required whenever Delta levee maintenance projects are undertaken. Without that support for mitigation, DWR's ability to proceed with Proposition 4-funded levee maintenance projects may be delayed.

Below are brief descriptions of DWR programs with proposed investments in the Administration's spending plan:

- ***Groundwater Storage/ Banking/ Recharge & Instream Flow.*** Projects related to groundwater storage, groundwater banking, groundwater recharge, or instream flow projects that support the conjunctive use of groundwater and surface water supplies.
 - The funding proposed for 2026-27 is planned for the San Joaquin River Restoration Program's Rock Ramp Project. Most of the funding in the pot will be made available for competitively awarded local assistance grants through DWR's Sustainable Groundwater Management (SGM) Grant Program. The department's current plan is to conduct public scoping meetings in late Quarter 1 of 2026. These meetings will solicit guidance on how to prioritize SGM Grant Program funding. Guideline and Regulation development will begin shortly after the public scoping meetings. The intent is to have the Regulations finalized/approved in 2027 and to initiate the solicitation immediately after approval.
- ***Brackish Desalination and Salinity Management Projects.*** Capital investments in brackish desalination, contaminant and salt removal, and salinity management projects to improve California water and drought resilience.
- ***Regional Conveyance Projects and Repairs to Existing Conveyances.*** Competitive grants for regional conveyance projects or repairs to existing conveyances with priority given to projects that improve regional or interregional water supply or water supply reliability, improve groundwater recharge or mitigation of conditions of groundwater overdraft, salinity intrusion, water quality degradation, or subsidence, adapt to impacts of hydrologic changes, improve water security from drought, natural disasters, or other events that could interrupt water supplies, or provide safe drinking water.
 - The Administration is proposing to use \$45 million of the \$75 million pot for repairs to the State Water Project. Proposition 4 funding would be used to address five near-term subsidence remediation projects along the State Water Project, and will restore lost capacity at five key locations along the aqueduct while a permanent long-term subsidence solution is developed.

The remaining balance (\$30 million) will be awarded as competitive grants for new conveyance projects that deliver regional or interregional benefits, such as water supply reliability, safe drinking water, increased groundwater recharge, and improvements to water security.

- ***Water Conservation in Agricultural and Urban Areas.*** Program still in development; Department of Water Resources plans to use the initial year to focus on scoping a grant program in combination with the \$100 million set aside for integrated regional water management projects; the department will adjust funding needs in out-years based on the scoping process.

- **Various Flood Management Projects**, including:
 - **Flood Control Subventions Program.** Provides financial assistance to local agencies partnering with the U.S. Army Corps of Engineers (USACE) to construct federally authorized flood control projects that are not part of State Plan of Flood Control facilities. Currently, DWR is partnering with local agencies to provide funding for ten active and two future projects. This proposal requests \$23.8 million in 2026-27, reflecting remaining project funding.
 - Funding for *State Plan of Flood Control Projects* is proposed to be allocated across three different flood programs:
 - *Small Communities Flood Risk Reduction Program* (\$14.4 million): Funding will be used to plan and implement projects that will address climate change impact risks, repair known deficiencies in the State Plan of Flood Control Projects flood management facilities (such as levees, weirs, and channels), and improve operation and maintenance of facilities that are vital to flood safety and the economy of more than 60,000 residents in the small communities of the Central Valley.
 - *USACE Projects/Studies and the Urban Flood Risk Reduction Program* (\$109.1 million) to support the state cost-share of critical flood risk reduction projects. USACE leads the design and construction of these projects, which directly contribute toward 300-year flood protection required under Chapter 364, Statutes of 2007 (Senate Bill 5), and will benefit various disadvantaged communities in Lathrop/Manteca, Natomas, West Sacramento, and the Stockton area.
 - *Systemwide Flood Risk Reduction Program* (\$24.1 million): Funding will be allocated to the Yolo Bypass levee enhancement and repair work that supports systemwide flood risk reduction.
- **Dam Safety and Climate Resilience.** Projects to enhance dam safety and reservoir operations and protect public benefits pursuant to the existing Dam Safety and Climate Resilience Local Assistance Program.
 - The administration is not requesting new funding in 2026-27, as the first round (\$228 million) of project funds from 2025-26 are expected to be committed through 2026-27.
- **Integrated Regional Water Management.** Funding from this suballocation will be combined with funding from the Water Conservation in Agricultural and Urban Areas pot for a single grant program. The department will adjust funding needs in out-years based on the scoping process. DWR shared a Survey for Public Input on February 13th to receive public feedback and ensure the program is designed to effectively support watershed-scale solutions, local priorities, equity considerations, and climate resilience goals across California.
- **Riverine Stewardship Projects.** Requested funding for the 2026-27 fiscal year includes \$513,000 in Technical Assistance, and \$3.9 million in Project funding to implement the North Fork Feather Above Almanor Fish Passage Project (NFFAA) Phase II and other cold water expansion projects that provide access to high-quality, historically available spawning habitats that are resistant to climate change and currently inaccessible or out of reach to migrating salmon.

- ***Urban Streams Restoration Program.*** For multiple-benefit urban stream and river projects under the Urban Streams Restoration Program established in Water Code Section 7048 that protect and restore riparian habitats, improve climate resilience, enhance natural drainages, protect and restore watersheds, and provide public access.
 - The \$10.6 million requested for 2026-27 includes \$625,000 in Technical Assistance, and \$10 million in Project funding. The Urban Streams Restoration Program plans to expend all Program Delivery and Technical Assistance funding within FY 26-27. Criteria for receipt of funding from the Urban Streams Restoration Program will be determined through the Regulations or Guidelines.

Issue 6: River Forecast and Snow Survey Resources

Governor’s Proposal. The Governor’s budget requests \$9.5 million General Fund ongoing and 15 permanent positions to mitigate the impacts of federal reductions in staffing and capabilities and ensure that DWR can continue to provide 24-hour flood emergency response, issue river forecasts, and collect snow course measurements for water supply forecasting.

Background. Existing law requires DWR to issue real-time river and reservoir inflow forecasts and ensure statewide collection of manual snow course data. DWR historically relied on federal partnerships to perform these duties, including the National Weather Service’s (NWS) suite of meteorology and hydrology models to produce real-time forecasts, and for federal partners to measure nearly half of the snow courses in the state. In early 2025, federal staffing cuts at the NWS greatly reduced the capability of issuing accurate and timely statewide real-time river and reservoir inflow forecasts vital to public safety and effective water and reservoir management. Additional federal cuts to the US Forest Service (USFS), the National Park Service (NPS), and the National Resources Conservation Service (NRCS) have further reduced the collection and distribution of manual snow course data critical for accurate runoff forecasts and crucial to keeping Californians safe from floods, droughts, and wildfire.

With the sudden reduction in federal resources and services within the NWS, USFS, NPS, and NRCS, California is now vulnerable to gaps in flood emergency forecasts and warnings vital to public safety and critical snow survey data that is the backbone to water supply forecasting. Extreme weather events can rapidly change and happen at any time of the day or night. DWR needs to have adequate staff resources and an ongoing program budget to build, operate, and maintain a statewide real-time 24-hour weather, river, and reservoir inflow forecasting system.

LAO Comments. LAO notes that this proposal meets a very high bar to approve, which addresses critical health and safety concerns or other time-sensitive objectives. LAO states, “The budget proposes \$9.5 million ongoing from the General Fund and 15 positions to replace critical river forecasting and snow survey activities that previously were conducted by the federal government. Reductions in federal staffing and capacity are leading to gaps in vital information that the state and local entities use to forecast water supply and floods, provide 24-hour flood-emergency response, and manage reservoirs.”

Staff Recommendation. Hold open.

PUBLIC COMMENT ONLY

3560 STATE LANDS COMMISSION (SLC)

Issue 7: Long Beach Office Lease Renewal

Governor's Proposal. The Governor's budget requests \$31,000 (\$9,000 General Fund and \$22,000 Oil Spill Prevention and Administration Fund (OSPAF)) in 2026-27, \$63,000 (\$18,000 General Fund and \$45,000 OSPAFA) in 2027-28, \$96,000 (\$28,000 General Fund and \$68,000 OSPAFA) in 2028-29, \$129,000 (\$37,000 General Fund and \$92,000 OSPAFA) in 2029-30, and \$237,000 (\$69,000 General Fund and \$168,000 OSPAFA) in 2030-31 and ongoing to pay for the increasing difference in the projected new rent for its Long Beach Office over its existing rent after lease renewal. The lease is currently set to expire on February 28, 2027.

The current lease contains annual rent increases of three percent. Accordingly, this request is also based on the same annual rent increases of three percent. However, the anticipated rent increases could surpass the estimate provided in this request based on the current office leasing market and the Department of General Services' (DGS's) negotiations with the landlord. SLC intends to update this request, as needed, when more information from DGS is available.

SLC has occupied its current office space since March 1, 2019. SLC, through DGS, has initiated the lease renewal process and is also evaluating potential alternative locations. Preliminary indications suggest that remaining in the current office space is the most cost-effective option. The landlord has also indicated an inclination towards retaining SLC as a lessee. Accordingly, this request is based on a lease renewal, while acknowledging that the landlord will expect regular rent increases over the new lease term.

Background. SLC is headquartered in Sacramento and has satellite offices in Long Beach, Hercules, and a field office in Huntington Beach. The Long Beach office houses most of the staff of the Marine Environmental Protection Division (MEPD) and the Mineral Resources Management Division (MRMD), as well as staff from the Division of Environmental Science, Planning, and Management (DESPM), Land Management Division (LMD), and administrative staff.

The divisions occupy a total of 21,874 square feet of office space on two floors. MEPD and DESPM staff have regulatory authority over marine oil terminals, ballast water transfers, and marine invasive species in California waters. The Ports of Long Beach and Los Angeles are the two largest ports in California and many of these divisions' regulatory responsibilities are located there.

Among other responsibilities, MRMD staff oversees the leasing and management of SLC's mineral interests including offshore oil production. The division has engineering, inspection, and oil spill prevention responsibilities associated with oil production. Most of SLC's offshore oil leases and agreements are in the Pacific Ocean offshore Los Angeles, Orange, Ventura, and Santa Barbara Counties. Staff also need to be in this area to be able to respond promptly in the event of an oil spill incident.

Staff Recommendation. Hold open.

Issue 8: Ongoing Inspections, Remediations, and Repairs of Previous Closures of Abandoned Mine Features on State-Owned School Lands

Governor’s Proposal. The Governor’s budget requests \$102,000 School Land Bank Fund in 2026-27 and ongoing to conduct mandatory safety inspections of abandoned mine features on school lands, use updated equipment to improve the safety of staff involved in these inspections, perform mine closures that present a safety risk to the public, and remediate features that require repair or have been breached therefore removing the safety risk to the public.

The requested funding is intended to enable staff to secure contracts with appropriate contractors and support the scheduling of mine remediations and repairs as needed. Funding will also support regular field inspection trips, the purchase of necessary field and safety supplies, and provide staff with greater control over the prioritization and timing of remediation work at school land mine sites.

The requested funding includes \$100,000 to hire specialized contractors for repairs or remediation of breached abandoned mine features on state land. Additionally, outdated or inoperable equipment will be repaired or replaced, including gas monitors, Geiger counters, face/gas masks, flashlights/lamps, safety ropes, welders, generators, saws, and signage. With these resources, staff plan to inspect up to ten parcels with abandoned mine features on an annual basis.

SLC faces a major challenge in remediating new mine features and repairing vandalized closures on its school lands parcels due to the limited current budget, which only covers staff’s inspections and warning sign installations.

Background. According to a 2009 study by the Department of Conservation’s Division of Mine Reclamation (DMR), there are 100 state school land parcels with abandoned mine features. Public Resources Code Section 6201.5 authorizes SLC to remediate abandoned mine features on school lands. Field inspections show that previously remediated mine sites are frequently vandalized to gain entry by members of the public. Mine entrances become an attractive nuisance and require relatively frequent monitoring to ensure that they are not accessible to the public. Most underground mines include unstable tunnels, shafts, chutes, and other features that can present major safety risks to the general public who may not be aware of or may ignore the inherent and varied dangers within an underground mine. Public access to the mines also disturbs endangered and threatened wildlife, such as bats, bobcats, owls, desert tortoises, and bighorn sheep, who make their home in and around the mine openings. Staff authorize the installation of bat gates and cupolas which help prohibit public access but still allow free ingress and egress for the resident wildlife.

Historically, staff have relied on DMR to fund the remediations of mines on SLC’s school lands parcels. To date, SLC staff have remediated mines on 71 parcels, partially remediated six parcels, and identified six parcels located in remote areas with known heavy metal content in conjunction with DMR. The remaining 17 parcels will require inspections to determine if any remediation is needed. Approximately 11 bat gates, 11 cupolas, and 23 fences have been constructed.

Staff Recommendation. Hold open.

Issue 9: Regulatory Operations and Enforcement to Support Increased Import Demands

Governor’s Proposal. The Governor’s budget requests six positions and \$2.09 million OSPAF in 2026-27 and \$2.04 million ongoing to support six new Senior Engineers, Petroleum Structures (Specialist) positions in the Marine Environmental Protection Division (MEPD) to meet the growing demands of the Marine Oil Terminal (MOT) industry and regulatory mandates. These positions require technical expertise and understanding of structural, mechanical, electrical and pipeline engineering.

While the demand for petroleum products has declined, the available in-state production is unable to meet the current demand. Consequently, imported products will be required to close the shortfall between demand and supply. Current MOTs will require upgrades to meet the increased throughput requirements. To that end, SLC’s MEPD does not have sufficient multi-disciplined engineering resources to effectively implement the Marine Oil Terminal and Engineering Maintenance Standards (MOTEMS) and Marine Terminals Oil Pipelines regulations as well as adapt to the continuously evolving MOT industry.

Background. The Lempert-Keene-Seastrand Oil Spill Prevention and Response Act requires SLC to regulate MOTs to prevent oil spills and protect public health safety, and the environment. MEPD administers this process by adopting and enforcing MOT regulations.

In the next ten years, MEPD anticipates overseeing the construction of at least four new MOTs, major seismic rehabilitation of at least two existing MOTs, and numerous construction projects related to the rapidly evolving MOT industry. MEPD must also continue to track and assess MOTEMS Audits and Inspections of all thirty five MOTs (which are conducted every three to six years for the life of the facilities), MOTEMS Post-Event Inspections resulting from significant, potentially damage-causing events such as earthquakes, storms, vessel impact, fire, explosion, and tsunami.

Staff Recommendation. Hold open.

3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 10: California Dam Safety Program Funding

Governor’s Proposal. The Governor’s budget requests \$1.4 million Dam Safety Fund ongoing to address new and increased operating expenses and equipment (OE&E) costs associated with DWR’s Division of Safety of Dams’ (DSOD’s) Dam Safety Program. This funding is intended to support DSOD’s enforcement efforts (\$850,000), existing/increased travel costs (\$470,000), and increased/new IT costs (\$100,000).

Background. DSOD. The state regulates dams to prevent failure, safeguard life, and protect property. DSOD regulates dam safety by providing oversight to the design, construction, and maintenance of over 1,200 jurisdictional sized dams in the state. DSOD ensures dam safety by doing the following:

- Review and approve dam enlargements, repairs, alterations, and removal to ensure that the dam appurtenant structures are designed to meet minimum requirements.
- Perform independent analysis to understand dam and appurtenant structure performance. These analyses can include structural, hydrologic, hydraulic, and geotechnical evaluations.
- Oversee construction to ensure work is being done in accordance with the approved plans and specifications.
- Inspect each dam on an annual basis to ensure it is safe, performs as intended, and is not developing issues. Roughly one third of these inspections include in-depth instrumentation reviews of the dam surveillance network data.
- Periodically review the stability of dams and their major appurtenances in light of improved design approaches and requirements, as well as new findings regarding earthquake hazards and hydrologic estimates in the state.

Jurisdictional Sized Dams. Jurisdictional dams are dams under the regulatory powers of the state. A “dam” is an artificial barrier, together with appurtenant works as described in Water Code Sections 6002 and 6003. A dam owner is a person or non-federal entity with legal responsibility for the dam.

If the dam height is more than six feet and it impounds 50 acre-feet or more of water, or if the dam is 25 feet or higher and impounds more than 15 acre-feet of water, then it will be under DSOD’s jurisdictional oversight, unless it is exempted. Jurisdictional height of a dam, as determined by DSOD, is vertical distance measured from the lowest point at the downstream toe of the dam to its maximum storage elevation, which is typically the spillway crest.

Dam Owners. There are 619 dam owners in the state as follows:

- 191 Private Companies
- 151 Individual Citizens
- 110 Districts
- 63 Cities
- 39 Associations

- 36 Counties
- 11 State Departments & Trusts

DSOD Enforcement. DSOD has an enforcement branch, which has civil administrative enforcement authority and enforces regulations through site inspections, construction oversight, and administrative penalties for Water Code violations. The branch has internal processes to initiate and carry out enforcement actions against non-compliant dam owners; however, DSOD does not have the necessary funding to fully implement these enforcement responsibilities.

Administrative Enforcement includes two types of violations: (1) dam safety issues; (2) Maps and emergency action plans. Types of civil penalties assessed include: (1) Civil monetary penalties; (2) reservoir restrictions; and, (3) property liens.

When civil administrative enforcement actions taken against non-compliant dam owners by DSOD are ineffective, DSOD engages the Office of Attorney General (AGO). Pre-trial costs can be significant, averaging over \$200,000 per case, though cases going to trial are significantly more expensive. An additional ongoing appropriation of \$400,000 would account for both and for more complex cases, including when cases overlap. The additional OE&E funding is needed as DSOD expects there will be additional non-compliant dam owners where engagement of the AGO will be necessary. Any monetary penalties paid by non-compliant dam owners as part of settlements or judgements would be used to offset annual fees.

When carrying out civil administrative enforcement actions, non-compliant dam owners are provided with the opportunity to request a hearing as required by regulations. Hearings can be held at the Office of Administrative Hearings (OAH) or within DWR. It is estimated that DSOD's Enforcement Branch will issue up to 20 Administrative Complaints to non-compliant dam owners every fiscal year (see Table 1, Supplemental Information), and DSOD expects this to drive hearing requests. Dam owners who receive an Administrative Complaint have the opportunity to request a hearing before a neutral party.

The expected cost for each hearing on average is estimated to be between \$15,000 and \$20,000 based on costs per case and cost per hour and that the average case would require an Administrative Law Judge spending 40 hours on the case. An additional ongoing appropriation of \$200,000 is requested to hold these hearings at OAH.

Both before and after referring an enforcement case to DSOD's Enforcement Branch, engagement of OGC is necessary. 2024 costs were \$115,700 and estimated 2025 costs were \$100,000. As DSOD's Enforcement Branch continues to move forward with cases, it is expected that DSOD's engagement of OGC attorneys will increase as the program grows with additional staff. Because of this an additional ongoing appropriation of \$250,000 is requested for these costs.

Travel. DSOD is statutorily required to inspect all but "Low" hazard dams at least once every fiscal year and "Low" hazard dams at least once every two fiscal years. DSOD is also required to make continuous or period inspections during the construction of new dams and the enlargement, alteration, repair, and removal of existing dams.

While a recent BCP provided additional positions and funding for the positions to address an increased workload application related work, additional funding is needed to cover travel related to this work and to address increases in travel related costs. There is expected to be a significant increase in construction related travel once Site Reservoir, New Lake Wohlford, New Vail, and the second stage of Leroy Anderson Dam begin construction.

Also, as part of a spillway reevaluation program initiated by DSOD following the Oroville Dam spillway incident, 25 spillways have been identified that either need significant retrofit or replacement which will require additional oversight and travel. An additional ongoing appropriation of \$450,000 is requested to support travel costs driven by these new inspection requirements.

An increase of \$20,000 to the DSOD's OST budget would allow a growing number of new staff to attend trainings, workshops, conferences, and representation opportunities that benefit DSOD and keep the Dam Safety Program in the state-of-the practice. Additionally, this increase is needed to account for travel cost increases that affect both in State and Out-of-State travel. This increase would prevent staff from missing out on career-advancing opportunities that benefit DSOD and DWR's workforce, and it would avoid the necessity for DSOD to seek additional approvals through Individual Trip Requests to CNRA under short notice. With this increase, DSOD would be better able to coordinate with outside organizations convening around dam safety topics allowing DSOD to advance Dam Safety Program standards and bolster the program as a national leader in dam safety. OST costs on average are about \$2,500 per person. With the current \$20,000 OST limit, this allows eight trips. With recent increases in staffing levels, and hiring younger less experienced engineers, an additional \$20,000 would double the amount of training opportunities that occur outside California.

Dam Analysis Software. DSOD's engineers utilize specialized software in analyzing dams and their appurtenant structures:

- SAP 2000 - \$5,000 annual cost (structural analysis program)
- LS DYNA - \$25,000 annual cost (more complex structural analysis program)
- True Grid - \$15,750 annual cost (modeling program that feeds into LS DYNA)
- GeoStudio - \$6,500 annual cost (geotechnical analysis program)
- FLAC - \$20,000 annualized cost (more complex geotechnical analysis program)
- FLAC3D - \$25,000 estimated cost (more complex geotechnical analysis program)

An additional ongoing appropriation of \$100,000 would allow continued utilization of these programs at current work levels (e.g., number of licenses).

LAO Comments. LAO notes that this proposal meets a very high bar to approve, which addresses critical health and safety concerns or other time-sensitive objectives. LAO states, "The budget proposes \$1.4 million in ongoing funding from the Dam Safety Fund to support enforcement-related activities, travel costs, and new and increased information technology costs in the Dam Safety Program. Following the Oroville Dam spillway incident in 2017, legislation increased both DWR's enforcement authority and dam inspection requirements. Without the additional funding, DWR would have less capacity to implement current law and ensure dam owners are following rules designed to protect people and property from dam failures."

Staff Recommendation. Hold open.

Issue 11: Delta Levees Program Mitigation

Governor’s Proposal. The Governor’s budget requests, for DWR’s Division of Multibenefit Initiatives (DMI), \$14 million General Fund to support the compensatory mitigation needs of the Delta Levees Program, which includes the Delta Levees Special Flood Control Projects and Delta Levee Maintenance Subventions Programs in the Sacramento-San Joaquin Delta.

Mitigation is a requirement for implementing levee safety projects in the Delta and is not an eligible use of recent general obligation bond (e.g. Proposition 68 and Proposition 4) funding.

Given the current mitigation acreage deficit and projected demand of an additional 12 acres (average) of credit per year, the Delta Levees program, in coordination with local Reclamation Districts and California Department of Fish and Wildlife, has identified three methods of eliminating the deficit and securing mitigation in advance to meet the requirements of the regulatory agency.

Mitigation needs fluctuate each year and in order to keep up with demand, the program needs to develop its own advanced mitigation projects to create a cost-effective, larger supply of credits. Without the ability to secure mitigation credits, Delta Reclamation Districts will be in violation of Water Code requirements, thereby losing eligibility to receive state funds to maintain their levees and continue to incur costs associated with retentions being withheld.

The purchase of credits from an established mitigation bank alleviates the need for a local Reclamation District to record a permanent conservation easement, establish an endowment, and manage a site in perpetuity.

Most of the requested funds will be used for a standalone advanced mitigation site. The initial investment is needed to sustain the program over time as well as reverse the deficit.

Background. Levees in the Sacramento-San Joaquin Delta protect hundreds of thousands of acres of farmland, Legacy Communities, major highways, and other critical infrastructure, as well as water quality and critical habitat.

Delta Levees Program: DMI’s Delta Resiliency Branch. DMI’s Delta Resiliency Branch implements the Delta Levees Special Flood Control Projects and Delta Levee Maintenance Subventions Programs (Programs), which are critical to maintaining flood protection in the Sacramento-San Joaquin Delta. These programs administer and manage projects to reduce flood risk for communities, farms and businesses, highways and other infrastructure, improve the Delta ecosystem, and help ensure a reliable water supply for California consistent with existing law.

Delta Levees Special Flood Control Projects Program. This program works directly with local agencies to provide financial assistance for flood protection in the Delta. This program provides funding to safeguard public benefits, including roads, utilities, urbanized areas, water quality, recreation, navigation, and fish and wildlife from flood hazards. The program mitigates habitat impacts of each project and ensures a net long-term habitat improvement in the Delta.

The Special Projects Program works closely with the Delta Levees Maintenance Subventions Program, as well as the Delta Ecosystem Enhancement Section. Entities that can participate in the program include: Levee Maintenance Agencies, Reclamation Districts, and other government agencies responsible for levees in the Delta.

Delta Levee Maintenance Subventions Program. This program provides funding on a cost-share basis to local levee maintaining agencies for rehabilitation and maintenance of levees in the Delta. The program funds levee work with the purpose of preserving the Delta’s resources including agriculture, recreational assets, fisheries, and wildlife. The Central Valley Flood Protection Board (formerly known as the Reclamation Board) periodically develops program criteria. Entities that can participate in the program include: Levee Maintenance Agencies, Reclamation Districts, and other government agencies responsible for maintaining levees in the Delta.

“No Net Loss of Habitat” — Mitigation. Rehabilitation of levees often results in impacts to habitat types that are assessed by the California Department of Fish and Wildlife (CDFW). Existing law specifies that the program’s projects must result in a “no net loss of habitat,” which requires mitigation when impacts occur. This requires DWR to work with local public agencies, public beneficiaries, and CDFW to develop projects necessary to accomplish flood protection in the Delta, while achieving no net habitat loss.

Projects must protect fish and wildlife habitat determined to be necessary by CDFW. These projects may include, or be a combination of, the improvement, rehabilitation, or modification of existing levees and the conveyance of interests in land to limit or to modify land management practices which have a negative impact on flood control facilities. To carry out these statutory mandates, DWR works with local Reclamation Districts and CDFW to develop and implement projects.

Mitigation Credits. Historically, mitigation has been achieved through purchasing mitigation credits at mitigation banks or developing mitigation on-site. Currently, all mitigation credits have been expended for the habitat types necessary to compensate for the type of impacts caused by Delta levee safety projects. On-site mitigation is difficult and time consuming to obtain and is not always feasible, with each site taking a minimum of three to five years to complete.

Mitigation Banking. According to CDFW, a conservation or mitigation bank is permanently protected land that is conserved and managed for its natural resource values. In exchange for permanently protecting, managing, and monitoring the land, the bank sponsor may sell or transfer aquatic resources and/or species/habitat credits to permittees/project proponents that need to meet compensatory requirements for the environmental impacts of projects. Use of mitigation bank credits occur in advance of project impacts when the compensation cannot be achieved at the project site or would not be as environmentally beneficial.

A mitigation bank is created to compensate for activities authorized pursuant to Section 404 of the federal Clean Water Act (33 U.S.C. Section 1344 et seq.) and protects, restores, creates, or enhances wetland habitats. Additionally, mitigation banks may also include the conservation and protection of state and/or federally listed threatened, endangered species and/or habitat. Credits are established to compensate for unavoidable impacts to aquatic resources and/or special status species and/or habitat. Mitigation banks are approved by the US Army Corps of Engineers and may also be approved by the US Environmental Protection Agency, CDFW, US Fish and Wildlife Service, National Oceanic and Atmospheric Administration-National Marine Fisheries Service, and SWRCB.

LAO Comments. The budget proposes \$14 million one time from the General Fund for required habitat mitigation projects associated with Sacramento-San Joaquin Delta levee projects. State law requires mitigation when a project disturbs or destroys habitat. Without mitigation funding, DWR’s ability to proceed with levee maintenance projects may be delayed, putting Delta communities—and vital state water supply infrastructure—at risk of flooding from levee failure. However, up to \$3 million of the

proposed amount is to buy mitigation credits, yet the administration indicates that credits currently are not available for purchase. Therefore, LAO recommends the Legislature reduce the proposal to \$11 million since \$3 million may not be urgently needed or used.

Staff Recommendation. Hold open.

Issue 12: Modernization of the California Water Plan (SB 72)

Governor’s Proposal. The Governor’s budget requests \$5.8 million General Fund in 2026– 27 and annually for the first five years, and \$2.4 million General Fund in 2031-32 and ongoing to fulfill the requirements of SB 72 (Caballero), Chapter 210, Statutes of 2025.

SB 72 requires DWR to develop an actionable plan by 2033 that identifies watershed-scale actions necessary to achieve long-term water supply targets by 2040. SB 72 also requires the 2028 and 2033 updates to the California Water Plan to include planning targets for additional water, water conservation, and water storage capacity to be achieved by 2040 and 2050 respectively.

Background. California Water Plan. Since the 1998 update, the Water Plan has evolved from a technical document focused on water supply development to an evaluation of options for addressing significant water issues in the state. A new California Water Plan is produced every five years by DWR. The 2028 Water Plan will guide water resource decisions, support implementation, and help the state plan for a hotter and more unpredictable future.

Climate-driven weather extremes, long-term water supply uncertainty, and aging infrastructure are stressing the state’s water system. The modernized California Water Plan 2028 is driven by SB 72 (Caballero).

SB 72 (Caballero): California Water Plan: Long-Term Supply Targets. SB 72 revised the contents of the California Water Plan, required DWR to develop a long-term water supply planning target for 2050, established an interim target to develop an additional 9 million acre-feet of water, and required that each plan update include specified components.

California’s water system operates under climate extremes—longer, hotter, drier droughts and more intense flood events—projected to reduce water supplies by ~10 percent by 2040 and strain existing infrastructure. These compounding challenges strain ecosystems, water supply, and flood management infrastructure and require a more adaptive and integrated approach to statewide water planning.

According to UC Davis’ report, *Inaction’s Economic Cost for California Water Supply Challenges* (2025):

- Economic Losses: \$3.4 to \$14.5 billion annually (up to \$39.5 billion under extreme scenarios plus job losses (~67,000) and fallowed farmland (~3 million acres).
- Risk of Supply Collapse: 12–25 percent decline in water supply (up to 9 million acre-feet annually by 2050)
- Infrastructure Investment Needs: \$200–\$500 billion in future investment to maintain existing service levels and meet future demands.

The California Water Plan is the State’s strategic plan for sustainably managing and developing water resources for current and future generations. Required by Water Code Section 10005(a), it presents the status and trends of California’s water-dependent natural resources; water supplies; and agricultural, urban, and environmental water demands for a range of plausible future scenarios.

SB 72 establishes new statutory requirements to advance California’s water resource planning. New requirements under SB 72 are:

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- Develop statewide future water demand estimates and long-term water supply targets at watershed scales
 - Analyze climate change impact at regional and watershed scales
 - Identify strategies to meet these water supply targets, including an interim planning target of 9 million acre-feet
 - Evaluate cost/benefit impacts of strategies, programs, policies, and projects
 - Provide accountability through progress tracking

The requirements in SB 72 are interdependent and sequential, with each step building upon the last. To meet legislative deadlines and ensure consistency across interconnected work products, all work must be initiated and advanced simultaneously starting in 2026-27. DWR has completed initial analyses and pilots, such as modeling climate vulnerabilities at watershed scales and a process for tracking regional water actions and outcomes. This request will allow for the expansion of those proven approaches, scaling them, integrating them, and bringing them to regional and statewide scope, to comply with the requirements of the bill.

Staff Recommendation. Hold open.

Issue 13: San Joaquin River Restoration Settlement State Obligations — Eastside Bypass Control Structure Fish Passage Rock Ramp

Governor’s Proposal. The Governor’s budget requests \$9.5 million Proposition 1 to implement the Eastside Bypass Control Structure Fish Passage Rock Ramp project to further the work towards the state obligated San Joaquin River Restoration Program (SJRRP).

This funding is intended to be combined with the requested \$15.5 million Proposition 4 in the administration’s Proposition 4 rollout plan to support up to nine existing positions to develop plans and specifications, complete the permitting, and construct the project that includes modification of a control structure and construction of a rock ramp to improve fish passage for adult salmon and other native fish within the San Joaquin River (SJR).

The administration states that the requested funds are needed to meet the state’s commitment of \$200 million and the continued obligation of helping to bring salmon back to the SJR. This requested funding combined with the previous funding provided to DWR and CDFW, from Propositions 13, 84, and 1, is intended to support the construction of a key project for the implementation of the SJRRP.

Eastside Bypass Control Structure Rock Ramp Fish Passage Project. One of the two goals of the SJRRP is to restore fish back to the SJR above the Merced River confluence to maintain a self-sustaining, naturally reproducing Chinook salmon fishery. The Eastside Bypass Control Structure Rock Ramp Fish Passage project is intended to support the SJRRP in achieving a critical milestone of volitional Chinook salmon fish passage in the upper SJR system. Currently, the Eastside Bypass Control Structure is the first major barrier to fish passage for salmon, as well as other native fish migrating into the Restoration area. Because this structure is within the State Plan of Flood Control, DWR is best suited through its expertise and experience to design and lead this project to reduce flood impacts and meet state flood requirements.

The fish passage project eliminates the first major fish passage barrier in the SJR system that is also in the State Plan of Flood Control. The project includes installing a full-width rock ramp roughened channel below the flood control structure and modifications to the control structure to improve fish passage. Implementation of the project will open 23.6 miles of river for volitional fish passage. The total remaining project costs to construct the project are estimated at \$25 million (\$5 million to complete the design and drawings, and \$20 million for construction). DWR has completed 95 percent of the design and obtained most of the environmental permits. The current project schedule is to complete final design and specifications in June 2026, award the contract in March 2027, begin construction in June 2027, and close out the project in March 2029.

Settlement. ????

This project is a high priority project within the Settlement and once implemented will result in 23.6 miles of volitional passage within the SJR. In addition, construction on the Arroyo Canal modifications at Sack Dam in the fall of 2025 provide fish passage at Sack Dam to allow for an additional 22.6 miles of volitional passage on the main stem of the SJR. It is imperative that construction of both projects be aligned and coordinated to ultimately reduce the overall impact to fish. Delays in construction of DWR’s project would result in fish not having access to Reclamation’s fish passage improvements further upstream.

Background. The construction of Friant Dam in the 1940s, and its subsequent operation, diverted the

majority of SJR flow into the Friant-Kern and Madera canals, dewatering portions of the river and effectively blocking migration for anadromous and other fish. The SJRRP was established as a result of the San Joaquin River Restoration Settlement reached in 2006 due to a lawsuit filed by the Natural Resources Defense Council against the Reclamation and the Friant Water Users Authority in 1988. The federal legislation known as the San Joaquin River Restoration Settlement Act, was passed in 2009 authorizing federal agencies to implement the Settlement to restore and maintain fish populations in good condition in the main stem of the SJR. The Settlement includes an agreement among Settling Parties that participation of the State of California is required to successfully implement the Settlement.

The Settling Parties concurrently signed a Memorandum of Understanding (MOU) with four State agencies including, California Natural Resources Agency (CNRA), DWR, California Department of Fish and Game (now known as the Department of Fish and Wildlife), and California Environmental Protection Agency. The MOU states that the State agencies should play a major collaborative role in the planning, design, funding and implementation of the actions on the SJR called for by the Settlement.

The U.S. Bureau of Reclamation (Reclamation) continues to champion and fund the federal portion of the SJRRP by investing hundreds of millions in federal appropriations and the Restoration fund for large scale, high priority infrastructure projects including screening major diversions and providing fish passage at key structures along the mainstem of the SJR to further the actions of the Settlement. Reclamation will be executing a contract in July 2025 for approximately \$100 million to construct fish screens at the Arroyo Canal and fish passage modifications to Sack Dam. The implementation of the DWR project in this BCP is critical in the overall success of the SJRRP.

Staff Recommendation. Hold open.

Issue 14: Urban Flood Risk Reduction

Governor’s Proposal. The Governor’s budget requests \$12.5 million (\$8.7 million General Fund and \$3.8 million Proposition 4) to support and manage the United States Army Corps of Engineers (USACE) and Urban Flood Risk Reduction (UFRR) projects during 2026-27.

The \$12.5 million in state operations is needed to support ongoing, critical USACE/UFRR urban projects which require oversight and project management by state subject matter experts and to ensure state obligations are met. As a result of past significant federal appropriations, including the \$1.5 billion in supplemental funding in 2019 and large annual federal appropriations (\$90 - \$404 million per year since 2019), USACE has accelerated the current authorized work in Central Valley urban areas.

The funding is necessary to ensure that state obligations are met on critical USACE/UFRR urban projects for 2026-27. This will support the existing 26 positions within the Flood Projects Branch, consultant support, and operational expenses.

While the 2026-27 Capital Outlay portions of Urban Flood Risk Reduction need are planned for the Climate Bond (Prop 4), a combination of General Fund and Proposition 4 are needed to support the state operations component of various projects. State operations funding is used to support the 26 existing positions within the Flood Projects Branch, DWR staff costs outside of the Branch (such as real estate acquisition, environmental compliance, construction management, construction inspection), consultant support, and operational expenses.

Background. As stated in the 2020 Water Resilience Portfolio, flooding is a natural occurrence in California and federal participation is an important part of successful flood management. California’s exposure to flood risk presents an unacceptable threat to public safety, infrastructure, and our economy. Compared to the rest of the United States, urban areas in California’s Central Valley have some of the highest risk of catastrophic flooding in the Nation. The impacts of climate change are increasing the risk of flooding in the Central Valley. Since 2009, the State of California has partnered with federal, state, and local agencies to conduct feasibility studies that identified the most critical improvements needed to reduce flood risk for more than 1.1 million people and over \$108 billion of assets in Central Valley urban areas.

USACE spending has increased from an average of \$125 million per year to over \$500 million per year. To meet the state cost-share obligation of these USACE projects, the volume of non-federal sponsor activities has increased to keep up with project implementation. Increased state activities are related to evaluating and considering flood risk reduction effectiveness, environmental compliance, climate adaptation, equity, increased flood and ecosystem resiliency, the wise use of floodplains, system performance, land acquisition and access rights, construction inspection, and long-term operations and maintenance. State operations expenditures are independent from capital outlay expenditures because USACE requires state cost-share in advance. As an example, a large cost-share payment for a construction contract does not mean that a large amount of state operations is spent in that same period. DWR is still required to manage remaining project planning, design, land acquisition, environmental compliance, construction management, construction inspection, and close out activities for projects that already received their state funding in previous years. Close out activities alone include technical review of as-built drawings, inspections of as-built sites, environmental review of mitigation and monitoring activities, review, and assessment of long-term mitigation sites and/or mitigation resources, technical review of long-term operations and maintenance documentation, review and transfer of all real estate acquisitions, and review of final invoices and reconciliations of all expenditures. Additionally, large

payments for land acquisition or utility relocations do not equate to proportional state operations expenditures. State operations need is estimated and requested annually based on anticipated state operations workloads for the subsequent year to allow for better tracking and to ensure need is met.

Bond Funds. According to the administration:

Bond funds can only be used to support state operations that have capital funding through the same bond; projects receiving capital funding through other sources cannot use bond funding for state operations. Of the total 30 active projects in 2026-27, only five will receive Proposition 4 funding in 2026-27.

Therefore, Proposition 4 cannot be used to manage the remaining project planning, design, land acquisition, environmental compliance, construction management, construction inspection, and close out activities for projects that have already received their capital outlay state funding in previous years. Close out activities alone include technical review of as-built drawings, inspections of as-built sites, environmental review of mitigation and monitoring activities, review and assessment of long-term mitigation sites and/or mitigation resources, technical review of long-term operations and maintenance documentation, review and transfer of all real estate acquisitions, and review of final invoices and reconciliations of all expenditures.

Without state operations funding, there will be no funding to support the work needed to continue existing projects, putting billions in federal funding at risk. Over the past five years, the state has benefited from \$90 million to \$404 million per year in federal funding to implement federally authorized projects.

If the state is not able to meet its obligations, federal funding will be reallocated to other states, and approximately \$1.2 billion of previous state investments will be stranded. Further, if projects are discontinued and federal cost-share is reallocated to other states, the projects would be extremely difficult to restart, requiring many years of advocacy and potentially re-justifying project benefits.

During the re-justification process, USACE may not find federal interest in the project, which would result in the termination of the project and loss of USACE as a cost-share and implementation partner. This would expose the Central Valley to extensive and prolonged flood risk for 1.1 million people and over \$100 billion in assets.

LAO Comments. LAO notes that this proposal meets a very high bar to approve, which addresses critical health and safety concerns or other time-sensitive objectives. LAO states, “The budget proposes \$12.5 million (\$8.7 million General Fund and \$3.8 million Proposition 4) on a one-time basis to support state operations associated with high-priority flood management projects conducted in collaboration with the U.S. Army Corps of Engineers. Absent this funding, the state would be unable to complete required project support activities (such as planning, monitoring, inspection, and close-out), placing significant federal flood funding at risk. Because Proposition 4 funding is limited to state operations associated with bond-funded flood projects, General Fund support is needed to cover the remaining costs.”

Staff Recommendation. Hold open.

Issue 15: Central Valley Flood Protection Board (CVFPB): Unauthorized Activities: Enforcement Trailer Bill Language (TBL)

Governor’s Proposal. The Governor’s budget requests to TBL for CVFPB related to enforcement actions of unauthorized activities. According to Legislative Counsel, among other things, this TBL does the following:

- Authorizes the board, executive officer, or a designee to engage informally with an entity responsible for the encroachment, flood system improvement, or activity before issuance of a notice of violation or an enforcement order.
- Requires additional information to be included in the notice of violation, including, among other things a stop work order for active work being performed without prior approval.
- Revises and recasts provisions in statute to no longer authorize the issuance of cease and desist orders and instead authorizes the board or the executive officer to issue an enforcement order if the board or executive officer determines that any person or public agency has failed to adequately respond to a notice of violation.
- Authorizes an enforcement order to do various actions, as specified. The proposal would provide specified procedures for the issuance of an enforcement order, including for objection by the receiving party and notice and hearing process.
- No longer authorizes specified civil penalties for a violation of a cease and desist order.
- Authorizes the board to order the responsible person or public entity to pay specified penalties for violations and require the board or executive officer to consider specified factors in determining the penalty for a violation of an enforcement order.

Staff Comment. This bill makes substantive policy changes and should be vetted through the legislative policy process; not the budget process.

Staff Recommendation. Hold open.

3885 DELTA STEWARDSHIP COUNCIL (DSC)

Issue 16: Independent Peer Review for Science and Monitoring

Governor’s Proposal. The Governor’s budget requests \$539,000 General Fund ongoing and three permanent positions to support the DSC’s Delta Science Program and the Delta Independent Science Board (Delta ISB) in performing independent scientific review, advice, and monitoring for the implementation of SWRCB’s Bay-Delta Water Quality Control Plan.

DSC also requests \$139,000 General Fund ongoing and the inclusion of annual budget bill language to cover statutorily required rate increases for the members of the Delta ISB.

Background. *Sacramento-San Joaquin Delta Reform Act of 2009 (Delta Reform Act).* SBx7-1 (Simitian and Steinberg), Chapter 5, Statutes of 2009 (Seventh Extraordinary Session) revised and recast the Delta Protection Act and enacted the Delta Reform Act (DRA).

SBx7-1 replaced the existing Bay Delta Authority and CalFed Program with a new governance structure, designed to balance the needs of the environment, water users, and Delta communities. The bill established for the Delta the twin goals of ecosystem restoration and water supply reliability.

DRA established the Delta Stewardship Council and required the Council to develop a long-term management plan for the Delta (the Delta Plan) and advance the state’s coequal goals for the Delta. To achieve these goals, the DRA codified the importance of independently reviewed science in the Bay-Delta by establishing the Delta Science Program (DSP), tasked with “funding research, synthesizing and communicating scientific information to policy-makers and decision-makers, promoting independent scientific peer review, and coordinating with Delta agencies to promote science-based adaptive management” to fulfill its mission of “providing the best possible unbiased scientific information to inform water and environmental decision making in the Delta” (Wat. Code, § 85280 (b)(4)). On average, state and federal agencies request that the DSP facilitate independent peer review three times per year and enter into three-to-five-year reimbursable agreements for those services.

DRA also established the Delta Independent Science Board (Delta ISB), which is composed of ten internationally prominent scientists from across the country and supported by DSP staff. The Delta ISB was created to further fulfill the mission of the DRA by providing independent scientific review and oversight in the Delta. Since 2013, the Delta ISB has produced over 100 reports and products on a wide range of topics from water quality to levee hazards to restoration.

Both the DSP and the Delta ISB provide review services, but they serve different, equally important purposes. DSP technical peer reviews are narrow and specific and ensure scientific quality at the project or product level. Delta ISB reviews are big-picture, often span multiple programs, and provide strategic oversight and system-wide evaluations of science.

Staff Recommendation. Hold open.

Issue 17: Information Security Officer (ISO)

Governor’s Proposal. The Governor’s budget requests \$185,000 General Fund ongoing and one permanent position to serve as DSC’s Information Security Officer (ISO) and address critical information technology (IT) gaps including security and privacy, assist with security monitoring and enhancement, and ensure alignment with mandated IT security regulations and policies. The position is intended to support the following areas:

- Network security
- Application security
- Security Risk assessment
- Endpoint security
- Internal and external audits
- Security governance
- Cloud Security
- Security and incident documentation
- Vulnerability management

Current staffing levels are insufficient to address information security weaknesses identified in assessments and audits. The Office of Information Security (OIS) within the CDT conducts Information Security Program Audits to evaluate compliance with state security and privacy policies; and have produced a Plan of Action and Milestones (POAM) for the Council consisting of outstanding findings and action items for tracking and planning the resolution of information security weaknesses. Addressing these weaknesses and complying with state policies, standards, and procedures is a significant and ongoing workload that the Council cannot perform without the requested addition of a full-time, dedicated ISO.

Background. Information security is an ongoing concern in government. Threats are not just increasing, They are increasingly difficult to discover and prevent. As a result, there is a much greater demand for resources to respond and maintain information security.

At the time that the Council was created in 2010, information security was not as mature as it is today. As a result, the current IT staffing model for the organization lacks dedicated staff to fill the required ISO role.

Because DSC does not have an ISO, information security is handled part time as an ancillary duty by the CIO and existing four IT Specialists that also provide other critical IT services to the department. As a part-time ancillary duty, staff do not have the requisite knowledge or time resources to perform this function commensurate with the level of diligence required to adequately protect information assets.

Over the past several years, DSC has completed mandatory information security assessments and audits to highlight gaps and deficiencies. While some of the security gaps have been resolved, there are still many that need to be addressed. The remaining gaps and deficiencies require staff resources and the expertise of a dedicated ISO. These are not short-term activities, but mandatory ongoing activities.

Staff Recommendation. Hold open.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 18: Border Water Quality Protection Unit**

Governor’s Proposal. The Governor’s budget requests \$1 million Waste Discharge Permit Fund ongoing and four permanent positions to establish a Border Water Quality Protection Unit at the San Diego RWQCB to address cross-border pollution from Mexico and support the protection of human health, water quality, and beneficial uses associated with the Tijuana River and Estuary, and near-shore Pacific Ocean.

In general, the Unit will be responsible for the following tasks associated with the Tijuana River Valley:

- Permits for wastewater treatment, storm water, river diversion, and recycled water treatment facilities
- Clean Water Act Section 401 Water Quality Certifications
- Waste Discharge Requirements
- Stakeholder outreach through the Tijuana River Valley Recovery Team 2
- Coordination with multiple local, state, and federal agencies on project permitting and compliance issues
- Regulatory oversight including inspections, report review, compliance assurance and enforcement
- Preparation of Basin Plan amendments to support regulatory actions to protect and restore the River, Estuary, and near shore coastal waters
- Outreach and engagement with disadvantaged communities impacted by cross-border pollution

The Unit is intended to support the San Diego Water RWQCB and Executive Officer, SWRCB, Colorado River Basin RWQCB, and CalEPA on cross-border pollution projects and binational stakeholder engagement identified in the ongoing California-Mexico Memorandum of Understanding (MOU) efforts.

The administration states that the requested resources are necessary to provide timely permitting for the projects agreed to in the July 2025 MOU between Mexico and the US on Addressing the Sanitation and Environmental Crisis in the Tijuana–San Diego Region. In the 2025 MOU, both countries agreed to expedite the timelines of sanitation infrastructure projects in the International Boundary and Water Commission (IBWC) (US and Mexico) Minute No. 328.

In addition to focusing on the impacts of cross-border pollution on disadvantaged communities, the Unit is meant to work to protect federal, state, local, and public facilities and the people working at and visiting these locations that have been seriously impacted by the uncontrolled flows of sewage waste and excessive erosion in the Tijuana River Valley. These facilities, including the US Customs and Border Protection, Navy Seal Training Facility, State Parks, and County Regional Parks have reported over 85 workers compensation claims for illnesses and injuries filed by agents and contractors due to exposure to cross-border flows of sewage and airborne dust contaminated with industrial wastes or sewage and irritants (US Customs and Border Protection: Tijuana Water Quality Analysis: Sampling Period January through June 2018 Report). Health effects included dermatitis, respiratory infections, chemical burns, and eye-nose-throat irritation.

The Unit resources requested will also provide technical, administrative, or binational support to the Colorado River RWQCB as necessary to address transboundary flows of pollution in the New River and Alamo River.

The San Diego RWQCB is required to issue permits for discharges to land and waters of the state, as well as permits for treatment, mitigation, and restoration projects. Examples of permits issued by the Board are National Pollutant Discharge Elimination System (NPDES) permits, Waste Discharge Requirements, and Clean Water Act section 401 Water Quality Certifications. The permitting workload for projects in the River and Estuary will be assigned to the proposed Unit and will allow the San Diego RWQCB to expeditiously process applications and coordinate with other agencies to avoid duplicative efforts to meet regulatory requirements.

Background. The Tijuana River and Tijuana Estuary are in the San Diego Region, just north of the US-Mexico border and have been impaired for decades by pollution (sewage, sediment, trash, and industrial wastes) discharged from sources in Tijuana, Mexico. Pollution crossing the US-Mexico border causes water quality impairments, threatens life and property from increased flooding, degrades valuable riparian and estuarine habitats, threatens human health, and impacts recreational opportunities for residents and visitors. In addition, recent monitoring and assessment of the estuary by staff at the Tijuana River National Estuarine Research Reserve indicate that a 100 percent fish kill occurred in the estuary between 2022 and 2023.

As of December 23, 2025, beaches in South Imperial Beach have been closed for 1,473 consecutive days due to continuous sewage releases in Tijuana and failures in treatment at the IBWC South Bay International Wastewater Treatment Plant (SBIWTP). Each day, 5-10 million gallons of sewage-contaminated water flows through the River and Estuary, threatening human health and the environment. The River, Estuary, and Coastal Waters are listed as impaired on the Clean Water Act Section 303(d) List of Impaired Waters. To address the over 55 impairments of water quality in the River, Estuary, and Pacific Ocean, permanent staff resources are needed to provide focused response and regulation over at least the next ten years.

Permitting, remediation, compliance assessment, and enforcement work are anticipated over at least the next ten years requiring more border-focused staff to complete the anticipated tasks. The federal government and international partners are pursuing expedited expansion of the South Bay International Wastewater Treatment Plant, which treats wastewater flows originating from Tijuana. Recent state funding through Proposition 4 provides \$46 million for projects addressing water quality problems in cross-border rivers and coastal waters. All of these initiatives require corresponding permitting workload from the San Diego RWQCB.

SWRCB Division of Financial Assistance is drafting the Proposition 4 US-Mexico Border Guidelines for the project solicitation and competitive grant award process for fiscal year 2026-27. The Tijuana River Valley Recovery Team (over 30 stakeholder agencies and organizations) have identified a minimum of \$48 million of potential project funding requests for 12 projects to mitigate or remediate human health and environmental impacts in the Tijuana River Valley and Estuary from cross-border pollution.

In May 2025, the IBWC announced it would accelerate the expansion of the SBIWTP's capacity from 25 to 35 million gallons per day (MGD). IBWC also sped up its original plans to double the plant's capacity to at least 50 MGD, which is now scheduled to be completed by December 2027.

Staff Recommendation. Hold open.

Issue 19: California Environmental Regulatory Data Security Initiative

Governor’s Proposal. The Governor’s budget requests \$1 million one-time in contract funds from the Safe Drinking Water Account (SDWA) in 2026-27 to complete the project planning process for a secure, modern database to safeguard existing data, maintain uninterrupted accreditation services, and protect the integrity of the state’s Environmental Laboratory Accreditation Program (ELAP) regulatory infrastructure. The \$1 million in contract resources is intended to address ELAP’s outdated database, which has experienced multiple system outages and data loss incidents.

Background. As California’s primary enforcement authority for drinking water under the Safe Drinking Water Act, SWRCB operates ELAP, which accredits laboratories analyzing environmental samples for regulatory purposes.

Accreditation is required by the California Environmental Laboratory Improvement Act (1988) and ensures that environmental testing laboratories have demonstrated capability to analyze environmental samples using approved methods.

ELAP relies on a database that is outdated, unstable, and unsupported which jeopardizes core functions and statewide regulatory integrity. Frequent data loss creates security vulnerabilities that threaten accreditation continuity and threaten program data collapse. The system’s inability to retain historical data and deliver real-time accreditation information places SWRCB at risk of legal action, regulatory failure, and diminished public trust. The database lacks basic accounting functionality, resulting in revenue loss from fee-paying laboratories. Without modernization, ELAP cannot sustain its mission to support the state regulatory agencies that safeguard California’s public health and environmental protection.

Staff Recommendation. Hold open.

Issue 20: Drinking Water State Revolving Fund Administration Fund

Governor’s Proposal. The Governor’s budget requests \$3.5 million in expenditure authority for 2026-27 and ongoing from the Drinking Water State Revolving Fund Administration Fund to support the personnel costs of the Drinking Water State Revolving Fund (DWSRF) program.

This proposal is intended to provide a source of long-term funding to support SWRCB’s administration of the DWSRF program and help ensure this drinking water financing program revolves in perpetuity per state and federal requirements. This proposal, combined with future DWSRF four percent Administration Set-Aside funding, is intended to help offset rising personnel costs for the DWSRF program, including funding positions authorized three years ago under the additional DWSRF Infrastructure Investment and Jobs Act (IIJA) capitalization that is sunseting in 2026-27, but will revolve in perpetuity. This proposal also is intended to provide funding to help ensure a baseline of DWSRF administrative activities if future DWSRF federal grants are reduced.

This proposal establishes expenditure authority for the DWSRF Administration Fund while SWRCB, along with DWSRF stakeholders, develops and proposes long-term solutions for the optimal administration of the DWSRF program. These solutions aim to reduce and eventually eliminate SWRCB’s dependence on future DWSRF four percent Administration Set-Aside funding, if DWSRF federal grants continue to be appropriated.

This proposal is also intended to provide time for SWRCB and DWSRF stakeholders to explore long-term revenue sources for the DWSRF Administrative Fund that do not negatively impact the lending capacity of the DWSRF like the current “fee-in-lieu-of-interest” model where fees reduce the interest earnings of the DWSRF and decrease its lending capacity.

DWSRF stakeholders have been actively seeking solutions from SWRCB to increase the lending capacity of DWSRF to achieve the various water quality and public health objectives of the DWSRF program and to help subsidize the growing cost of drinking water infrastructure, including an estimated \$83.5 billion in drinking water infrastructure needs over the next 20 years for the state.

Background. *Drinking Water State Revolving Fund (DWSRF) Program.* DWSRF program provides grants and low-interest loans to assist public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with federal Safe Drinking Water Act (SDWA) requirements. For the last 25+ years the administration of the DWSRF program has been funded through four percent of the annual DWSRF federal grant amounts allocated to the state, commonly known as the “DWSRF 4 percent Administration Set-Aside.” In recent years, personnel and related administration costs for the DWSRF program have been increasing. However, historical DWSRF federal grant awards and the related DWSRF 4 percent Administration Set-Aside have not grown at a sustainable or proportional rate over the long term.

On average, DWSRF federal grants are awarded at approximately \$85 million annually, with four percent (\$3.4 million) set-aside each year for the administration of the DWSRF program (the DWSRF 4 percent Administration Set-Aside). Other factors that impact the amounts available from the Administration Set-Aside include future variation in DWSRF federal grant amounts and congressionally directed spending, which lowers the amount available to California for the 4 percent Administration Set-Aside. Where eligible, DWSRF administrative costs have also been supported by adjacent funding sources, such as set-asides from the DWSRF Infrastructure Investment and Jobs Act (IIJA) federal grants or administrative set-asides from other state investments in drinking water projects.

SWRCB is required by federal and state law to administer the revolving loans of DWSRF in perpetuity, which has driven the need to develop diversified funding sources for administration of the DWSRF program.

Staff Recommendation. Hold open.

Issue 21: San Diego County Water Recycling Oversight

Governor’s Proposal. The Governor’s budget requests \$785,000 SDWA ongoing and three permanent positions to oversee and regulate water recycling projects in San Diego County following the county’s termination of its oversight delegation agreement.

Background. SWRCB and nine RWQCBs are responsible for regulating the safe use of recycled water in the state. Local agencies often rely on the Water Boards’ assistance to complete recycled water projects and move them forward efficiently. In some cases, the Water Boards have delegated certain oversight to local agencies.

Specifically, in 2001, the San Diego Department of Environmental Health and Quality (DEHQ) signed a delegation agreement with SWRCB’s Division of Drinking Water (DDW) to oversee and regulate the use of recycled water in San Diego County.

Per the delegation agreement, DEHQ notified DDW in 2025 that DEHQ will be returning the program back to DDW in July 2026. Based on DEHQ records, there are approximately 2,000 recycled water projects currently active, with an average time commitment of three hours per project annually, which equates to 6,000 hours or the workload equivalent to over three positions. SWRCB’s requested three positions are intended to take back the regulation and oversight of DEHQ’s workload; and prioritize and streamline the project review process to ensure protection of public health and support the Governor’s Water Supply Strategy.

Staff Recommendation. Hold open.

Issue 22: School Lead Reporting (AB 1096)

Governor’s Proposal. The Governor’s budget requests \$500,000 SDWA in 2026-27 for one-time contract funding to upgrade existing information systems to streamline the collection, compilation, and posting of data on lead sampling in elementary schools and childcare facilities to SWRCB’s website as required by AB 1096 (Connolly), Chapter 290, Statutes of 2025.

Approximately 4,400 water systems, which will need to comply with the federal Lead and Copper Rule updates and AB 1096 requirements, are regulated by 30 district offices and 25 local primacy agency county programs. DDW does not currently have a data intake system to support this need; however, one is currently in development, WaterTAP.

Augmentation of the planned development of this future system, WaterTAP, will be necessary in order to meet the requirements of AB 1096. Updates to WaterTAP are intended to allow community water systems to comply with the new requirements and support SWRCB staff through modernizing data collection and supporting accountability and transparency while ensuring data publication in a publicly accessible in a searchable format.

The contract services are intended to allow the existing WaterTAP development to be augmented to collect additional information from community water systems around their outreach to schools and childcare facilities for lead testing, identify justification for schools or childcare facilities which decline lead testing, improve public understanding of sampling data, and ensure community water systems include specific information around lead testing for schools and childcare facilities in their Consumer Confidence Reports. Since the inventory of schools included in AB 1096 is different than the inventory included in the federal Lead and Copper Rule Improvements (LCRI), additional data tracking will be necessary to ensure conformance with requirements and to facilitate the collection, compilation, and posting of data on SWRCB’s website.

By June 30, 2028, SWRCB must make specified data publicly accessible in a searchable format on its website. Additionally, by December 31, 2028, community water systems must include a written statement in their annual Consumer Confidence Reports about the availability of lead testing information and provide a direct link to SWRCB’s website. To fulfill the additional reporting and publishing requirements under AB 1096, SWRCB requests \$500,000 one-time in contract funding to make necessary augmentations to the in-progress WaterTAP project.

Background. *Federal Lead and Copper Rules.* SWRCB is the federally designated primacy agency for the drinking water program in California and is responsible for the implementation of the federal Safe Drinking Water Act and the California Safe Drinking Water Act. The Drinking Water Quality Program regulates drinking water standards, monitoring requirements, cross-connections, design and operational standards, and operator certification.

The federal Center for Disease Control and Prevention (CDC) states that there is no safe level of lead in blood levels of children. Reducing lead in drinking water helps to decrease children’s overall lead exposure. In 2021, USEPA finalized the first major update to the Lead and Copper Rule (LCR) in nearly 30 years. USEPA’s Lead and Copper Rule Revisions (LCRR) strengthen the LCR to improve protection of communities and children in elementary schools and childcare facilities from the risks of lead exposure. LCRR includes direct sampling of schools and childcare facilities to protect the most sensitive populations. LCRR requires state drinking water programs to continue the current LCR program as well

as add additional program elements not associated with any current program. In 2024, USEPA published an update to the LCRR, called the Lead and Copper Rule Improvements (LCRI).

AB 1096 (Connolly). AB 1096 requires SWRCB to publicly post on its website specified information, collected and submitted to SWRCB by community water systems pursuant to federal LCRI requirements for lead testing in schools and childcare facilities. The bill expands on the federal requirements by requiring community water systems, when conducting outreach to elementary schools and childcare facilities under USEPA’s LCRI, to collect specific information and offer facilities that decline lead sampling an opportunity to indicate their reasons by selecting from a provided list. SWRCB is authorized to expand that list with additional reasons through the adoption of a policy handbook. Community water systems are also required to submit the information collected to SWRCB.

SWRCB’s WaterTAP Project. SWRCB’s DDW is completing the WaterTAP project, which is an intake data system for water systems to upload required documentation and certifications, compliance forms, and data in a secure portal with the ability for staff to review and query for compliance. Due to the number and complexity of added requirements, the system will need to track submissions, deadlines, automate compliance decision support, and support new federal reporting requirements. As part of the primacy delegation, California is required to report specific information to USEPA on a quarterly basis to ensure conformance with federal regulations and to demonstrate appropriate actions are taken. This data system is necessary to support USEPA reporting as current federally provided tools are inadequate to meet the complex needs of the state.

Community water systems (2,876) and non-transient non-community water systems (1,492) in California will need to comply with the LCRR (total 4,368). The WaterTAP project received resources in the 2022, 2023, and 2025 Budget Acts, and is supported by ten positions and \$31.7 million in contract funds.

Implementation of the LCRR and the WaterTAP project is funded primarily through the Drinking Water State Revolving set-aside for state program management provided by the Federal Bipartisan Infrastructure Law.

Staff Recommendation. Hold open.

Issue 23: Site Cleanup Subaccount
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Governor’s Proposal. The Governor’s budget requests \$6 million Site Cleanup Subaccount ongoing to reimburse costs associated with the investigation, mitigation, and remediation of surface or groundwater contamination at sites where there are no financially viable responsible parties.

The requested increase is an augmentation to the existing program funding of \$34 million annually, providing for a total of \$40 million, and implements SWRCB’s increased allocation of petroleum storage fees for Site Cleanup Subaccount projects.

Background. *Site Cleanup Subaccount Program (SCAP).* SB 445 (Hill), Chapter 547, Statutes of 2014, established SCAP to provide funding for the investigation and cleanup of nonpetroleum sites posing threats to water quality and human health (e.g. chlorinated solvents, perchlorate, dioxin, and other compounds from former dry cleaning and industrial sites).

SWRCB and RWQCBs (collectively, the Water Boards) administer SCAP as part of various programs under the Underground Storage Tank Cleanup Fund. Work supported by SCAP allows the Water Boards to broaden site cleanup to include inactive sites considered to be a higher human health threat and with no viable responsible parties, rather than addressing only sites with cost recovery agreements.

SCAP is one of the few funding mechanisms in place to address high-risk, non-petroleum contaminants. SCAP helps to ensure soil and groundwater pollution is promptly cleaned up to protect human health. The Water Boards have identified the SCAP as a key program to address contaminants threatening human health in public water supply wells and indoor air (via the vapor intrusion pathway) where a responsible party cannot be identified or is unable to pay for cleanup.

Petroleum Underground Storage Tank Financing Account (PUSTFA), School District Account (SDA), and Site Cleanup Account (SCA). Health and Safety Code Section 25299.51 requires that \$0.003 (3 mills) per gallon from the existing \$0.02 per gallon petroleum storage fee be allocated among the following accounts as determined annually by SWRCB:

- *PUSTFA:* Provides loans and grants to small business UST owners and operators. This account is administered by the Replacing, Removing, or Upgrading Underground Storage Tanks (RUST) program to assist underground storage tank (UST) owners and operators to come into compliance with UST regulatory requirements by removing, replacing, or upgrading USTs (including the removal and/or replacement of single-walled USTs in accordance with SB 445);
- *SDA:* Reimburses costs associated with cleaning up contamination from leaking petroleum USTs on school district properties; and,
- *SCA:* Funds private sites undergoing or in need of investigation and remediation of harm or threat of harm caused by existing or threatened surface or groundwater contamination.

The 3 mills allocation generates approximately \$42 million annually. Up until 2020-21 the 3 mills were allocated evenly between PUSTFA and SCS with no funds being allocated to SDA. In 2021-22, the SDA received a \$2 million allocation and from the remainder 15 percent was allocated to the PUSTFA and 85 percent to the Site Cleanup Subaccount. In 2022-23 and onwards, the allocation remained at 15 percent to the PUSTFA and 85 percent to SCA.

For 2026-27, SWRCB intends to revise the 3 mills allocation by allocating 100 percent to SCS in response to changing funding demands. SDA claims have enough available funding to reimburse eligible claims. PUSTFA continues to receive sufficient revenue from RUST loan borrower repayments. Due to the revenue received from these loan repayments and the surplus of cash available, the PUSTFA is projected to have a sustainable cash flow to fund loans and grants for the RUST program, even with the need to respond to the closure of all single-walled tanks by December 31, 2025.

RWQCBs are now regulating per- and polyfluoroalkyl substances (PFAS) sites, which will likely increase the number of projects. Projects will also increase from nitrate contamination by large-scale farming and dairy operations, the approximately 8,500 dry cleaners in the state, and other industrial sites that have released contaminants into the soil and groundwater.

Over the first five years of the SCAP grants averaged approximately \$750,000 per agreement. Over the past five years, SCAP grants have averaged approximately \$1.8 million. Many SCAP projects are moving into the remediation phase, which costs more than the investigation phase, so the average amount per agreement will be increasing.

SCAP has funded a total of 139 grants and contracts across 98 projects valued at approximately \$176 million since 2015; and is anticipated to fund an additional \$33.9 million in grants, contracts, and amendments while managing the ongoing caseload for 2025-26.

Staff Recommendation. Hold open.