

DISCUSSION

3860 DEPARTMENT WATER RESOURCES (DWR)..... 9
 Issue 8: Diablo Canyon Loan 9
 Issue 9: Flood Management Proposals 13

3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW) 21
 Issue 10: Golden Eagle Conservation..... 21

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA) 23
 3600 DEPARTMENT OF FISH AND WILDLIFE 23
 3860 DEPARTMENT OF WATER RESOURCES 23
 Issue 11: Salton Sea Management Program 23

3720 COASTAL COMMISSION 37
 Issue 12: Expedite Administration Priority Projects in the Coastal Zone 37

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB) 38
 Issue 13: Establishment and Implementation of Instream Flow Objectives in the Scott River and Shasta River Watersheds 38

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

VOTE-ONLY

3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)

Issue 1: Coastal Wetlands Fund Abolishment (BCP and TBL)

Governor’s Proposal. The Governor’s budget proposes trailer bill language (TBL) to abolish the Coastal Wetlands Fund (3104) and transfer the remaining fund balance to the General Fund. CDFW requests to abolish Fund 3104 as revenue no longer comes into this fund.

The proposed TBL will enable CDFW to abolish Fund 3104 and transfer the remaining fund balance to the General Fund. There has been no expenditure activity in this fund since 2008-09. Even though there has not been any activity, having an active fund requires CDFW to complete financial statements and additional reconciliation due to interest posting. This can take significant staff time and abolishing the fund will allow the CDFW to focus that staff time on other priority funds.

Staff Recommendation. Approve as budgeted.

Issue 2: Long-Term Funding for Vegetation Management and Fire Resiliency Positions

Governor’s Proposal. The Governor’s budget requests \$2 million from the Timber Regulation and Forest Restoration Fund (TRFRF) in 2024-25 and ongoing to support CDFW’s facilitation of and participation in statewide forest health and fire-resiliency initiatives.

In 2019-20, CDFW received \$2 million for five years, and 15 permanent positions, supported by General Fund and TRFRF to implement the new workload requirements mandated by SB 901 (Dodd), Chapter 626, Statutes of 2018. The \$2 million appropriated in 2019-20 will expire June 30, 2024. This proposal is necessary to support the permanent staffing provided by the 2019-20 appropriation, so that the CDFW may continue to support the prevention of wildfires outlined in the state’s Wildfire and Forest Resilience Action Plan, and assist partner agencies in post-fire clean-up and recovery.

Additionally, CDFW requests to move all TRFRF authority scheduled in Program 2605 to Program 2590 to align funding to better support mission level goals.

Background. The Wildfire and Forest Resilience Action Plan was created to accelerate efforts to restore the health and resilience of state forests, grasslands, and natural places; improve the fire safety of communities; and sustain the economic vitality of rural forested areas. Implementing the Action Plan is an ongoing effort that will continue for years.

The Action Plan identifies four broad goals which are subdivided into 99 “Key Actions” that, if implemented, will allow California to increase the pace and scale of forest health projects, strengthen protection of communities, manage forests to achieve the state’s economic and environmental goals, drive innovation, and measure progress. Program staff support about 25 percent of the Key Actions. For example, Program staff help improve regulatory efficiency by collaborating with interagency policy groups to improve data collection, expedite the Department’s Lake or Streambed Alteration Agreements permitting processes, develop guidance documents, and create training for the California Vegetation

Treatment Plan (CalVTP). Additionally, the Program works to improve utility-related wildfire risk through review and collaboration on documents, coordination with partner agencies including OEIS, and consultation on regional utility projects. The Program also collaborates with federal partners to expedite permitting and increase the pace and scale of fuel reduction activities on federal lands. These actions will help the federal government treat 500,000 acres in California and the Task Force considers these treatments necessary to reduce the risk to the state from the threat of catastrophic wildfire.

As a responsible agency, the CDFW issues regulatory authorizations if proposed activities by public or private actors would result in impacts to resources within CDFW's statutory jurisdiction. Regulatory authorizations that CDFW issues include Lake or Streambed Alteration Agreements and Incidental Take Permits. Fish and Game Code Section 1602 requires an entity to notify CDFW prior to commencing any activity that may "substantially divert or obstruct the natural flow of, or substantially change or use any material from the bed, channel, or bank of, any river, stream, or lake..." The Department reviews notifications and determines whether a Lake or Streambed Alteration Agreement is necessary. Fish and Game Code Section 2080.1 requires an incidental take permit for any activity that may result in "take", as defined by State law, of any species protected under California Endangered Species Act.

Staff Recommendation. Approve as budgeted.

Issue 3: Oiled Wildlife Care Network Resources

Governor's Proposal. The Governor's budget requests \$750,000 Oil Spill Prevention and Administration Fund (OSPAF) in 2024-25 and ongoing for the Oiled Wildlife Care Network (OWCN) to address an increase in operational costs and improve response activities for managing oiled wildlife.

Background. The Lempert-Keene-Seastrand Oil Spill Prevention and Response Act established the Office of Spill Prevention and Response program (OSPR) and in turn required OSPR to establish a network of rescue and rehabilitation facilities for oiled wildlife.

The OWCN, in coordination with OSPR, was founded in 1994 and is responsible for providing the best achievable rescue and care for wildlife impacted by oil spills statewide and maintains a state of readiness through: 1) retaining appropriate member organizations in strategic locations within the state; 2) training volunteers and member organizations; 3) equipment staging; 4) research on oiled wildlife rehabilitation methods; 5) maintaining wildlife hazing teams; and 6) attending industry drills and exercises in coordination with OSPR.

The OWCN is comprised of more than 40 member organizations, and includes over 1,300 trained responders, and specialized equipment and facilities throughout the state. The OWCN has responded to more than 75 spills throughout California and cared for more than 10,000 oiled birds, mammals, and reptiles/amphibians.

The Oiled Wildlife Care Network (OWCN)'s current budget of \$2.5 million is not able to support the increased costs of the program. Previous increases in the OWCN budget were directly related to increases in programmatic scope requested by the state. In 2008, the OWCN budget increased from \$1.5 million to \$2 million when proactive recovery was added to the mission. In 2014, the budget increased from \$2 million to \$2.5 million when statewide coverage was added. Over the past 15 years, necessary increases to costs, and expansion of the network partner organizations, have come at the budgetary expense of other elements of the program, including research support, equipment/supply acquisition, and facility maintenance. Without an increase in the base budget, the OWCN is unlikely to be able to support all

programmatic elements within its business plan.

Staff Recommendation. Approve as budgeted.

3720 COASTAL COMMISSION

Issue 4: Essential Accounting, Business Services, and Operational Resources

Governor's Proposal. The Governor's budget requests \$1.133 million in ongoing funding from the Coastal Act Services Fund (CASF) to support operational costs and three previously authorized positions in the Accounting Unit and the Fiscal & Business Services Unit.

Background. The temporary funding provided to the Commission from 2017 through 2023 has been critical to maintaining facilities and operations, including to address increased costs of records management, needs identified in the OSAE Evaluation, and increased complexity of the Commission's budgets and accounting functions. There are adequate funds in the CASF to maintain this funding for ongoing essential operating expenses for facilities and archival/storage costs and to fund the existing three positions on an ongoing basis.

CASF revenue comes from Coastal Commission permit fees, which, pursuant to Commission regulations, increase each year according to inflation. Thus, the Commission expects the fund balance to increase over time and provide sufficient funding to sustain this request on an ongoing basis. It is critical that the Commission have permanent ongoing funding authorized for these operational and staff expenses beginning in 2024-25.

The California Coastal Commission requests \$1,133,000 in ongoing funding from the Coastal Act Services Fund (CASF) to support operational costs and three previously authorized positions in the Accounting Unit and the Fiscal & Business Services Unit.

The 2017 Budget Act authorized two temporary appropriations from the CASF. First, it authorized \$637,000 for two years to cover increased operational costs for facilities and the Department of General Services (DGS) State Records Center (SRC) archival and data storage costs, which have both been increasing for years. In addition, it provided \$122,000 per year, for two years, for an Associate Governmental Program Analyst position for critical business services and accounting functions to address and implement recommendations of the Coastal Commission's 2015-16 non-audit evaluation conducted by the Department of Finance, Office of State Audits and Evaluations (OSAE Evaluation). These 2017 appropriations were temporary due to uncertainty about the CASF fund condition at that time.

Subsequently, the 2019 and 2021 Budget Acts included extensions of these appropriations, and the 2021 Budget Act also authorized one Senior Accounting Officer (Specialist) in the Accounting Unit and one Staff Services Analyst (General) in the Fiscal & Business Services Unit to more fully address the OSAE Evaluation as well as increased workload in these units.

The 2021 reappropriations will expire at the end of the 2023-24 fiscal year, resulting in a loss of critical resources that are necessary to run the Commission's facilities and administrative functions. As a small department, the Commission relies on a small Accounting and Fiscal & Business Services staff to handle multiple duties. As such, the managers over these units are working managers that are responsible for developing and administering the accounting operations and the fiscal & business services operations,

respectively. The Accounting Unit oversees all billing, payments, receipts, monthly reconciliation, fiscal year-end close, grant drawdowns, and all work with the State Controller's office and the State Treasurer's Office. The Fiscal & Business Services Unit oversees budgeting, procurement, contract and grant management, facilities and leases, travel coordination, equipment inventory, and fleet management. The workload in these units is ongoing and requires ongoing funding to sustain the Commission's existing service levels.

Staff Recommendation. Approve as budgeted.

3860 DEPARTMENT WATER RESOURCES (DWR)

Issue 5: Central Valley Flood Protection Board (CVFPB) Encroachment Inspections for Middle Mile Broadband Network

Governor's Proposal. The Governor's budget requests \$1.566 million in reimbursement authority for three years to address increased inspection needs for the California Department of Technology's Middle Mile Broadband Network (MMBN) construction activities, initiated through Executive Order N-73-20.

Due to the MMBN installation project, the number of encroachment inspections needed throughout the Central Valley will double for 2.5 years starting in 2025. CVFPB does not currently have adequate resources to handle this additional workload. Failure to inspect encroachments during construction can lead to deficiencies in the levees and flood control systems for which the state is responsible.

This proposal is intended to aid in adequate construction oversight of the MMBN projects which traverse Adopted Plans of Flood Control within CVFPB's jurisdiction. Any encroachment construction inspection, whether it is permitted normally or as part of the MMBN initiative, is effectively tracked and concluded with a Construction Closeout Report. These reports are available upon request and will be reported to CVFPB, and through public presentations as requested.

Background. Current funding levels do not allow for inspectors to be physically on site for all projects permitted by CVFPB. Instead, they must rely on reporting from the permittees for certain lower risk project sites, which can result in gaps in records and required reporting. The large upcoming increase in construction inspections because of the MMBN, and the increasing number of routine inspections that will be due in the coming years will likely exacerbate this problem. Through a 2008 MOU with DWR, the CVFPB can utilize DWR inspection staff to cover only approximately 30-40 of the approximately 140 total construction inspections per year.

DWR will not be increasing staff to cover the increased number of required inspections, which leaves the CVFPB staff to cover the difference. By not being able to adequately inspect these projects, non-compliant encroachments may not be identified or corrected as needed for both the integrity of flood control system and the compliance to US Army Corps of Engineers (USACE) levee inspections. As a result, more levee systems could fail to provide adequate flood protection and will become ineligible for USACE Public Law (PL) 84-99 rehabilitation program, placing the financial burden of repairs and maintenance of flood damaged sites on the state, and ultimately increasing the state's liability for damages to public and private property in the event of a flood system failure.

Staff Recommendation. Approve as budgeted.

Issue 6: Genetic Monitoring Program Support

Governor’s Proposal. The Governor’s budget requests two permanent positions in the Genetic Monitoring Program (GeM) to be funded (\$200,000 ongoing) by the State Water Project (SWP) funds. DWR’s request to staff the GeM program.

The requested positions are intended to allow DWR to meet its compliance obligations to ensure continued operations of the SWP. Measures to ensure progress towards fulfillment Biological Opinions (BiOps) and Incidental Take Permit (ITP) compliance support include: preparation and implementation of genetic protocols; technical reports and peer-reviewed publications describing accuracy, sensitivity, efficiency, and management implications of the approaches; expedited collection, processing, and downstream analysis of genetic samples; development of innovative genetic approaches that increases the efficiency, accuracy, or sensitivity of genetic results; routine open access genetic data and results reporting to the public; increased engagement and consulting across DWR and with vested communities for the continued development of genetic approaches for the SWP projects.

DWR, along with other agency partners, intend to use this information to support species recovery, conduct adaptive management decision-making, raise community awareness about the status of State and federally listed species, and increase collaborative science opportunities with disadvantaged communities. These positions will participate in a public educational outreach program to locally disadvantaged communities currently underway in the Delta by helping to plan and implement scientific teaching modules for K-12 students that engages students on water education curricula and careers in science. This outreach program supports DWR’s Racial Equity Action Plan (REAP).

Background. The 2019 US Fish and Wildlife Service BiOp, 2019 National Marine Fisheries Service BiOp for Long Term Operations of the SWP and the 2020 CDFW ITP charged DWR with mandates that require genetic approaches for the continued operation of the SWP.

The Division of Integrated Science and Engineering (DISE) is responsible for the implementation of the science and monitoring in the BiOps and ITP conditions. Further, there is growing demand to obtain genetic data faster without compromising accuracy to ensure that water exports are not limited by delays or species identification errors and that scientifically rigorous results are driving management decisions.

In response to these requirements and the increased need for rapid genetic information, DWR has initiated GeM and set up a genetics laboratory; however no new staff have been allocated and only one employee has been redirected to perform newly required work. Other DISE staff cannot be redirected because they are fully committed to existing mandated work and redirection will risk other programs’ delivery. Full implementation of the BiOps and ITP therefore cannot be achieved with existing resources. Staffing the GeM program is intended to enable DWR to fulfill existing SWP mandates as well as use the best available science to answer critically important SWP operation questions timely and accurately. Genetic monitoring positions allow DISE to be innovative, adaptive, and resilient to meet existing commitments and new challenges from climate change.

GeM Program. The GeM lab conducts genetic monitoring and molecular ecological studies using environmental DNA (eDNA). As part of the SWP and Interagency Ecological Program (IEP), GeM research will prioritize the needs identified within the ITP, BiOps, and water rights decisions for the SWP. The lab will use technology and collaborative partnerships to advance management decision-making critical to the state’s water supply operation and planning.

eDNA. eDNA describes the genetic material that an organism sheds or excretes into its environment (e.g., skin cells, hair, mucus, blood, gametes, waste products, pollen, leaves, final spores). Once released, eDNA can be collected and extracted from environmental samples such as soil, sediment, water, snow or air. Once extracted, eDNA can be analyzed by several genetic methods. Depending on the method used, researchers can choose to target a single species (e.g. invasive or endangered), a particular community (e.g., fishes), or multiple communities (e.g., all animals).

Staff Recommendation. Approve as budgeted.

Issue 7: State Water Project (SWP) Regulatory Compliance Positions

Governor’s Proposal. The Governor’s budget requests authority for three full-time positions in the North Central Region Office (NCRO) to replace three temporary positions in NCRO to continue work activities under the Surface Water Quality Monitoring and Analysis program mandated by SWP regulatory compliance.

These positions will be fully supported by SWP funding and will conduct complex real-time surface water quality monitoring and analysis. The data and analysis will provide critical support to SWP operation and decision making.

Continuity and stability of talented and capable permanent staff is needed to respond to meet current and increasing demands for reliable real-time water quality data planning, data collection, analysis, and reporting required by SWP regulatory agencies and our funding partners. The complex water quality work performed by NCRO water quality staff on behalf of SWP partners continues to be essential for real-time and long-term adaptive management of California water resources by SWP operators (DWR), local water agencies, agriculture, and the scientific community at large, to ensure continued SWP operations stability, emergency response, and climate resilience.

Staff Recommendation. Approve as budgeted.

DISCUSSION

3860 DEPARTMENT WATER RESOURCES (DWR)

Issue 8: Diablo Canyon Loan

Governor’s Proposal. The Governor’s Budget includes a transfer of \$400 million from the General Fund to the Diablo Canyon Extension Fund. Under this proposal, Department of Water Resources (DWR) will loan this amount to Pacific Gas & Electric (PG&E) to extend operations of the Diablo Canyon power plant facility.

Background.

SB 846. SB 846 (Dodd, Chapter 239, Statutes of 2022) included intent language that states the following: “It is the intent of the Legislature to make available a one billion four hundred million dollar (\$1,400,000,000) loan from the General Fund to the Department of Water Resources for the purpose of being loaned to the borrower for extending operations of the Diablo Canyon powerplant facility, to dates that shall be no later than November 1, 2029, for Unit 1, and no later than November 1, 2030, for Unit 2. The Legislature intends to transfer an initial six hundred million dollars (\$600,000,000) from the General Fund to the department. It is the intent of the Legislature that the remaining eight hundred million dollars (\$800,000,000) shall require future legislative authorization before the transfer of funds.” This loan is intended to be primarily repaid with federal funds and excess operating revenues in the final year of operations.

SB 846 also included language regarding funding to be available in the following years, including:

- \$5,000,000 General Fund for the California Energy Commission (CEC) and Public Utilities Commission (CPUC) for administrative programmatic workload, upon approval and order of the Director of Finance.
- \$100,000,000 in 2023-24, \$400,000,000 in 2024-25, and \$500,000,000 in 2025-26 to support a Clean Energy Reliability Investment Plan, developed by CEC, in consultation with CPUC and the State Air Resources Board) for programs and projects that accelerate the deployment of clean energy resources, support demand response, assist ratepayers, and increase energy reliability.
- \$10,000,000 in 2023-24 and \$150,000,000 in 2024-25 to support a Land Conservation and Economic Development Plan developed by the Natural Resources Agency, in consultation with Labor and Workforce Development Agency and the Governor’s Office of Business and Economic Development, that supports environmental enhancements and access of Diablo Canyon power plant lands and local economic development in a manner that is consistent with existing decommissioning efforts.

Prior Year Budgets. The 2022 Budget Act included \$600 million for the first installment of the loan to PG&E. The 2023 Budget Act included \$400 million for the second installment of the loan. In addition, the 2023 Budget included \$100 million for the Clean Energy Reliability Investment Plan—specifically, \$33 million for community renewable energy, \$32 million for central procurement function, \$19 million for Demand Side Grid Support Program, \$11 million for permitting and interconnection, \$4 million for transmission studies, and \$1 million for administrative costs. The 2023 Budget Act also included \$10 million for economic development.

2024 Governor's Budget. The Governor proposes to include the final \$400 million for the Diablo Canyon loan in the 2024-25 budget. However, it is important to note that while the Governor's Budget maintains a General Fund loan to PG&E to extend the operations of the Diablo Canyon power plant, the Governor proposes to delay \$150,000,000 to support the Land Conservation and Economic Development Plan as well as \$400,000,000 for the Clean Energy Reliability Investment Plan (CERIP), originally intended for 2024-25. This is primarily due to the condition of the General Fund. As part of Early Action, the Administration and the Legislature agreed to delay \$110,000,000 for the Land Conservation and Economic Development Plan and \$100,000,000 for CERIP from 2024-25.

Status of Implementation. DWR executed a loan agreement with PG&E to facilitate the extension of the DCCP operating period on October 18, 2022. This agreement includes the terms of the loan, such as use of funds, records, disbursements, repayment, as well as forgiveness. DWR then submitted a written expenditure plan to Finance and the Joint Legislative Budget Committee (JLBC) on November 7, 2023. Based on the expenditure plan, DWR states that PG&E fully committed the initial \$350 million authorization in October 2023. (In addition, DWR received \$17.5 million for their administrative costs, with regards to this loan.) Soon after, Finance received a request for the release of additional funding in the amount of \$232.5 million from the DWR for the extension of the Diablo Canyon Power Plant (DCCP). On November 6, 2023, Finance provided a letter to JLBC notifying the approval of this additional \$232.5 million General Fund loan.

On January 17, 2024, the US Department of Energy (DOE) announced the signing of the credit award and payment agreement with PG&E to finalize terms for \$1.1 billion in credit payments via the Civil Nuclear Credit (CNC) Program for the Diablo Canyon Power Plant. The credits are slated to be paid in installments for a four-year period of performance from 2023 through 2026, with the amount of the annual payment to be adjusted based on a number of factors, including actual costs incurred to extend the operation of the Diablo Canyon Power Plant. The first payment of awards is slated for 2025 based on the operation of the Diablo Canyon Power Plant in 2023 and 2024.

On February 5, 2024 Finance provided another letter to JLBC, stating that Finance received a notification of the need for additional funding in the amount of \$400 million from the DWR for the purpose of continuing to support the extension of the DCCP. Finance concurred, and notified JLBC of its impending approval. DWR estimates that as of January 2024, total PG&E estimated loan requirements, including actual expenditures, performance-based disbursements, and commitments, has exceeded the initial \$600 million allocation.

Legislative Concerns. In response to the February 5, 2024 letter, the JLBC sent a [letter](#) to Department on Finance on March 6, 2024. The letter raised several concerns, including:

- **Use of General Fund for Shareholder Benefit.** The terms of the agreement require DWR to provide PG&E with up to \$300 million in “performance-based disbursements.” According to the agreement, the proceeds of the disbursements cannot be treated as shareholder profits, used to pay any dividends or other business activities prohibited by SB 846. However, the agreement may allow PG&E to use funds to invest in rate base, pay fees and penalties, or cover any liability that would otherwise be the obligation of the company's shareholders. The letter asserts that this allows PG&E to use these funds to pay penalties related to wildfires or other civil and criminal law penalties or invest in rate base which could be interchangeable with shareholder benefits.
- **Loan Forgiveness.** In January, the DOE finalized approval of a \$1.1 billion credit award and payment agreement with PG&E -- \$300 million less than the General Fund loan -- that will be

used to repay a portion of the state loan. The loan agreement states that the only source of funds to satisfy any PG&E repayment obligation under this agreement shall be the DOE funds, other federal funds and excess revenues from power sales in 2030. DWR does not know whether the DOE will permit the costs associated with Performance-Based Payments to be reimbursed under the award. The agreement goes on to state, “All other Disbursements and Performance-Based Disbursements received by PG&E under this Agreement shall be forgiven.” The letter asserts that this allows DWR to forgive some portion of the loan. The JLBC noted concern that there are no criteria for determining the amount or appropriateness of the loan forgiveness.

- **Loan Timing.** The letter noted that it is unclear at this time, why PG&E needs the additional funds when the first tranche of funding (\$600 million) was approved in December. Before the final \$800 million is approved, the JLBC requested to have PG&E submit a more detailed spending plan that shows the specific expenditures it must make before the company has access to the DOE funds. This could spread out the loan payments over a longer period of time, freeing up some desperately needed General Fund in 2024-25. The letter noted that this aligns with several budget commitments from SB 846, which have since been proposed to be delayed due to the budget condition. This is to ensure that funds will not be loaned to PG&E indefinitely at the expense of other important state programs.

As such, JLBC requested an additional 15 days to review the original letter, and requested information, including a full accounting of the performance-based disbursements; how DWR and CPUC is enforcing Public Resources Code section 25548.3; a more detailed spending plan of the loan; justification for the current need for the \$400 million loan; DWR’s estimate of the loan amount that will be forgiven; detailed information about the \$1.1 billion credit award and payment agreement between DOE and PG&E; and a specific timeline for the loan repayment. JLBC requested responses within seven days.

On March 13, 2024, the Department of Finance provided a response [letter](#), which provided responses to the requested information. Finance reiterated performance-based disbursements will not be treated as shareholder profits or paid out as dividends, and that additional funds are needed “to align required Nuclear Regulatory Commission inspections, refueling, and other critical work with regular maintenance schedules at the power plant.” PG&E expects expenditures and performance-based disbursements to exceed \$1 billion in the latter half of 2024. Finance could not confirm how much of the General Fund will be repaid and a specific timeline for loan repayment, because (1) they do not know how much of the actual loan will be disbursed to PG&E and (2) how much federal funds and excess operating revenues in the final year of operations will be available. Finance could not provide any detail regarding the federal fund award agreement, as it was not yet publicly available at that time.

On March 20, 2024, the JLBC provided a final response [letter](#), reiterating concerns about the lack of transparency regarding the federal funding, performance-based disbursements, and loan repayment and forgiveness. The letter specifically questions the need for the final General Fund loan of \$400 million—and that any additional appropriation will need to include stringent accountability measures and reporting requirements, specifically JLBC approval of all funding disbursements to PG&E.

Staff Comment. The Legislature faces a very difficult challenge to pass a balanced budget for 2024-25. As such, the Legislature will need to maximize the use of the General Fund, and prioritize funding for the most important programs. The Legislature approved SB 846 with the understanding that the General Fund loan would be repaid, primarily with federal funds. Although PG&E is expected to receive \$1.1 billion from US DOE to continue the operations of Diablo Canyon, it is currently unclear when PG&E will repay DWR, why PG&E requires additional funds at this time, and whether DWR will forgive any part of the loan. DWR has provided very little information regarding the timeline for repayment and loan

forgiveness, calling into question whether this General Fund loan will be repaid in full, and at what time. Given this lack of transparency, the Legislature will want to consider whether this significant use of General Fund—\$400 million—is a priority when it is considering reductions and delays of many other programs.

Staff Recommendation: Hold Open.

Issue 9: Flood Management Proposals

Governor’s Proposals. According to the LAO:

The Governor’s budget proposes \$95.1 million in 2024-25 for flood-related projects and activities. Of the total, \$93.9 million is on a one-time basis from the General Fund, while \$1.2 million is ongoing and supported by the Water Rights Fund.

Governor’s 2024-25 Flood Management Proposals		
General Fund Unless Otherwise Noted (In Millions)		
Activity/Program	Department	Funding
Urban Flood Risk Reduction projects	DWR	\$33.0 ^a
Central Valley Systemwide Flood Risk Reduction projects	DWR	31.3
Repairing Delta levees	DWR	13.5 ^b
Repairing infrastructure in Mendota Wildlife Area	CDFW	13.1 ^b
State cost share for federally supported levee repairs	DWR	3.0 ^b
Staffing to expedite groundwater recharge permits	SWRCB	1.2 ^c
Total		\$95.1

^a Includes \$10 million for state operations costs.
^b Proposed for early action.
^c Ongoing amount from the Water Rights Fund.

DWR = Department of Water Resources; CDFW = California Department of Fish and Wildlife; and SWRCB = State Water Resources Control Board.

Source: LAO

DWR: Urban Flood Risk Reduction Projects (\$33 Million). The Governor’s budget proposes \$33 million from the General Fund in 2024-25 for urban flood risk reduction projects carried out in collaboration with USACE. Of the total, \$23 million is the required state share of cost and \$10 million is for associated state operations costs. The specific projects, all of which are part of the SPFC, are displayed in the top of the figure below.

DWR: Central Valley Systemwide Flood Risk Reduction Multi-Benefit Projects (\$31.3 Million). The Governor’s budget proposes \$31.3 million from the General Fund in 2024-25 through the Central Valley Systemwide Flood Risk Reduction Program for multi-benefit projects that also are part of the SPFC. These particular projects—also displayed in the figure below—are state-funded, although one project likely can also draw down \$10 million in federal funds from the Bureau of Reclamation.

Flood Projects Supported by Proposed 2024-25 Funding				
General Fund Unless Otherwise Noted (In Millions)				
Project	Proposed One-Time Funding	Total Project Cost ^a	Estimated	
			Future State Funding Need ^b	Completion Date
Urban Flood Risk Reduction^c	\$23	\$4,893	\$378	
Folsom Dam Raise	\$1	\$476	—	2028
American River Common Features	1	1,230	\$60	2027
West Sacramento Project	6	1,140	64	2034
Lower Cache Creek Project	1	323	77	2036
Lower San Joaquin Project	12	1,400	163	2038
Marysville Ring Levee Project	1	214	13	2029
Yolo Bypass Comprehensive Study	1	8	1	2040
Lathrop Manteca Feasibility Study	1	8	—	2038
Smith Canal Gate Project ^d	1	94	2	2024
Central Valley Systemwide Flood Risk Reduction	\$31	\$82	—	
Yolo Bypass Fix-in-Place	\$11	\$51	—	2027
Upper Sacramento River Basin Projects (Kopta Slough) ^e	12	22	—	2026
Crows Landing Floodplain Restoration	9	9	—	2027
Totals	\$54	\$4,974	\$378	

^a Includes state, federal, and local shares of cost.
^b Source for any future state funding has not yet been determined.
^c U.S. Army Corps of Engineers (USACE) projects. Funding reflects state's share of cost required by federal government to proceed with projects.
^d Project led by the state, but spending could be eligible for a credit toward the state share of cost on a future USACE project.
^e The Kopta Slough project likely will receive \$10 million in federal funds from the Bureau of Reclamation.

Note: Totals may not add due to rounding.

Source: LAO

Flood Recovery Activities From 2023 Storms (\$29.6 Million Proposed as Early Action). Although the state made several disaster-response emergency allocations across numerous departments throughout 2023 in response to the storms—including a combined \$115 million to DWR, SWRCB, and the California Department of Fish and Wildlife (CDFW)—entities across the state have incurred additional recovery costs. The Governor’s budget proposed \$29.6 million to cover some of these additional costs and requests that the Legislature take early action to provide these funds in the current year. Specifically, the request included:

- **DWR: Repair Delta Levees to Protect State-Owned Land (\$13.5 Million).** Funding would support levee repairs on four Delta islands owned by DWR: Meins Landing (\$1.4 million), Sherman Island (\$715,000), Twitchell Island (\$310,000), and Dutch Slough (\$1.2 million). It also would fund levee rehabilitation on McCormack Williamson Tract (\$7.6 million) and Grizzly Slough (\$1.6 million). Another \$677,000 would support associated state operations costs. DWR bears financial responsibility for these levees as the property owner.
- **DWR: Provide State Share of Cost for Federally Supported Levee Repairs (\$3 Million).** Through its levee rehabilitation program, USACE is helping fund repairs in the Sacramento and San Joaquin River Basins. While the state provided an initial \$10 million towards its share of cost in 2023, it is required to pay an additional \$3 million to draw down full federal support.
- **CDFW: Repair Infrastructure at Mendota Wildlife Area (\$13.1 Million).** CDFW manages the state-owned Mendota Wildlife Area in Fresno County. The 2023 storms caused damage to infrastructure, including to the only bridge spanning the Fresno Slough. The administration

indicates that expenses related to the repair and replacement of infrastructure may ultimately be eligible for FEMA reimbursement.

[The issues proposed as early action were approved last week. These actions are included in Discussion Item 12 for purposes of context of the administration's overall approach to flood control in the Governor's budget.]

SWRCB: Staffing to Expedite Groundwater Recharge Permits (\$1.2 Million Ongoing). The Governor's budget proposes \$1.2 million in ongoing funding from the Water Rights Fund and five new positions at SWRCB to expedite groundwater recharge permits. Four positions would handle permitting, while one position would support administrative hearings related to unresolved protests of water rights permit applications. *[This proposal was heard in this subcommittee on March 14, 2024, with the subcommittee voting to approve as budgeted. This proposal is being included in Discussion Issue 12 for purposes of context of the administration's overall approach to flood control in the Governor's budget.]*

Background. According to the LAO:

Managing Flood Risk in California. California Faces Significant and Increasing Flood Risk. Estimates from a 2013 comprehensive statewide report, California's Flood Future, suggested that 7.3 million people (one-in-five Californians), structures valued at \$575 billion, and crops valued at \$7.5 billion were located in areas that had at least a 1-in-500 probability of flooding in any given year. Flood risks are being magnified by the impacts of climate change, which are leading to the state experiencing more intense storms with significant rainfall. According to a 2022 study by scientists at the University of California, Los Angeles, climate change already has doubled the likelihood of an extreme storm bringing catastrophic flooding in California, and this risk will continue to increase. Moreover, recent data reported in the state's 2022 Central Valley Flood Protection Plan (CVFPP) estimate that more than 1.3 million people and structures valued at more than \$223 billion in the state's Central Valley region are at risk from flooding and that without adequate investments in flood systems, both annual deaths and economic damages could more than double in the Sacramento River Basin and quadruple in the San Joaquin River Basin over the next 50 years. Recent storms in 2023 and early 2024 highlighted the challenges that communities across the state face from extreme flooding.

Many Levees Are at Risk of Failing. Communities across the Central Valley and Sacramento-San Joaquin Delta regions rely on more than 2,000 miles of levees for flood protection. In addition to flood protection, levees located in the Delta region are essential components of the state and federal water systems that convey water from the northern part of the state to Central and Southern California. As such, levee failures could put both public health and safety as well as water supplies at risk. In the Delta, local reclamation districts have identified 500 miles on 75 Delta islands as needing improvement. Moreover, nearly 90 percent of Central Valley levee systems currently fall short of federal performance standards, increasing the risk that they might fail. The Delta Stewardship Council, a state department charged with helping to manage the state's multiple goals in the Delta, recently published a risk-based prioritization of Delta levees in order to guide the state's investments. This Delta Levees Investment Strategy assessed each island and tract located within the Delta based on flood risk (to people, property, and other state interests) and identified 34 out of 142 as having a "very high-priority" rating.

Flood Management in the Central Valley Is a Core State Responsibility. California gave assurances to the federal government that it would oversee and maintain the State Plan of Flood Control (SPFC) along the main stems and certain tributaries of the Sacramento and San Joaquin Rivers, including parts of the Delta. The SPFC includes 1,600 miles of levees, four dams, and seven flood bypasses. DWR is the state's

lead agency in flood-related activities, while the CVFPB (an independent body housed administratively within DWR) has responsibility for overseeing the SPFC on behalf of the state. For most segments of SPFC levees, the state has developed formal agreements with local government entities (primarily local flood, levee, and reclamation districts) to handle regular operations and maintenance responsibilities. A court decision in 2003 found that the state ultimately is financially responsible for the failure of SPFC facilities, even when they have been maintained by local entities. In addition, although only 380 miles of the 1,100 miles of levees in the Delta are part of the SPFC, the state provides some funding to local agencies to support both SPFC and non-SPFC Delta levees in large part because of their important role in the state's water conveyance system.

DWR's Various Flood Management Programs Fall Into Two Main Categories. DWR manages numerous different programs supporting a wide variety of flood projects, depending on the project's geographic location, its main purpose, and what entity bears primary financial responsibility and liability. (Most flood projects are collaborative efforts with local governments, property owners, and/or the federal government.) In general, however, these various programs and projects can be categorized as follows:

- ***Protecting Public Health and Safety, Property, and Assets.*** These flood projects have the protection of people, property, and other infrastructure as their primary purpose. For example, the Urban Flood Risk Reduction Program supports projects that protect urban areas within the SPFC. Often these projects use traditional physical infrastructure such as levees, floodwalls, channels, and weirs.
- ***Reducing Flood Risk and Improving Habitat and Water Supply Through Multi-Benefit Projects.*** Other flood projects provide benefits in addition to flood protection, such as restoration of natural floodplains, ecosystems, and habitats, as well as increasing water supply through groundwater recharge. For example, a flood bypass project might use traditional infrastructure, such as a levee or weir, to redirect water out of a river channel into a large floodplain, thereby both reducing flood risk near the river channel and improving habitat in the floodplain. DWR's Central Valley Systemwide Flood Risk Reduction Program supports multi-benefit projects within the SPFC.

Funding for Flood Management. Local Funding Comprises Majority of Flood Management Spending. Statewide, most activities to protect communities from floods are undertaken and paid for by local agencies. In a 2021 piece, *Paying for California's Water System*, the Public Policy Institute of California (PPIC) estimated that average annual spending on flood protection statewide between 2016 and 2018 totaled \$2.7 billion, with about three-quarters of that generated and spent by local governments. While most local spending is for maintaining and operating flood facilities, the majority of state and federal spending is for capital projects.

State Historically Has Relied on Bond Funds to Support Flood Projects... The PPIC review found that state funding made up about 17 percent of overall flood-related spending in California during the years studied. The state has often supported its flood management programs with general obligation bonds. For example, since 2000, voters have approved five different bonds that included a total of \$5.7 billion for flood-related activities. These bonds are repaid over time, with interest, from the General Fund.

...And Turns to the General Fund, Particularly When Bond Funds Are Not Available. Most of the funding available through currently authorized bonds has already been committed or spent. As shown in the figure below, since 2021-22, the state has primarily used the General Fund to pay for flood management on more of a pay-as-you-go basis rather than through longer-term bond financing. In combination, the 2021-22, 2022-23, and 2023-24 budgets included about \$1 billion from the General

Fund for flood-related activities (some of it provided through local assistance grants), including for traditional capital projects, multi-benefit projects, levee maintenance, and flood-related planning. In addition, over the past year, the state has incurred additional expenditures for emergency flood response and recovery activities as a result of storms. For example, the 2023-24 budget provided \$20 million each for the communities of Planada and Pajaro (which were hit particularly hard by 2023 storms) and \$25 million for flood relief for small farmers and agricultural businesses. Some of this emergency relief funding will be reimbursed by the Federal Emergency Management Agency (FEMA).

Recent State Funding for Flood Management at Department of Water Resources

(In Millions)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Bond funds	\$111	\$99	\$150	\$285	\$118	\$15	\$42
General Fund	2	295	—	50	434	289	300
Totals	\$113	\$394	\$150	\$334	\$552	\$304	\$342

Source: LAO

Federal Government Also Undertakes Priority Projects and Supports Flood Emergency Response and Recovery. PPIC estimated that federal funds made up about nine percent of total flood funding in the years studied. The federal government supports flood projects in California in two main ways.

- *US Army Corps of Engineers (USACE).* USACE authorizes and undertakes capital flood protection projects when authorized by Congress, generally in partnership with state and local agencies, which are responsible for providing the non-federal share of costs for these projects. When the state has entered a Project Partnership Agreement with USACE, it commits to providing the amount of funding requested by USACE for each phase of the specific project. In addition to constructing projects, USACE inspects federally constructed levees for compliance with federal standards, offers planning and assistance during flood events, provides funding to repair flood-damaged levees, and establishes flood storage and release standards for certain reservoirs.
- *FEMA.* FEMA operates the National Flood Insurance Program, which includes developing flood hazard maps that define flood risk, establishing floodplain management standards, and offering federally backed insurance policies. It also provides coordination, assistance, and funding for responding to and recovering from federally declared flood disasters.

Federal Funds Will Help Pay For Damage From 2023 Storms. The administration expects that FEMA will provide reimbursement for some of the costs the state incurred responding to 2023 storms. For example, DWR indicates it has applied for \$9 million in reimbursement from FEMA for flood emergency response work. In addition, USACE allocated \$52 million to DWR for repairs to SPFC facilities that are part of USACE’s levee rehabilitation program.

State Plan Estimates That Up to \$30 Billion Is Needed Over Next 30 Years for Flood Protection in the Central Valley. The most recent update to the CVFPP, adopted in 2022, estimates that over the next 30 years, a total of roughly \$25 billion to \$30 billion will be needed for both ongoing operations and maintenance as well as capital construction and improvements on the SPFC system. (For ongoing operations and maintenance, this amounts to about \$315 million to \$390 million annually.) The plan

estimates these costs would be shared across the state (\$16 billion), federal (\$11 billion), and local (\$3 billion) governments.

LAO Assessment. *Higher Bar for Considering Approval of New Proposals Given General Fund Condition.* The Governor’s new flood-related proposals would commit the state to General Fund expenditures of \$94 million in 2024-25. Importantly, the state currently is experiencing a significant budget problem, where General Fund revenues already are insufficient to fund existing commitments. In this context, every dollar of new spending in the budget year comes at the expense of a previously identified priority and requires finding a commensurate level of solution somewhere within the budget. The Governor “makes room” for proposed new spending on flood projects by making reductions to funds committed for other programs, including many in the climate and natural resources areas. However, the LAO estimates that the administration’s revenue projections are overly optimistic and the budget deficit likely will exceed the level of solutions included in the Governor’s proposal, requiring the Legislature and Governor to identify additional actions to balance the budget. Given the serious budget challenges this year, the LAO suggests the Legislature apply a high bar to its review of new spending proposals and be very selective in approving any of them.

Early Action Repairs Meet That Higher Bar. In the LAO’s view, the Governor’s early action requests meets this high threshold for justifying new spending for three key reasons. First, the state is financially responsible for repairing damage on state-owned land—in the Delta and in the Mendota Wildlife Area—and is liable for levee failure. In addition, the repair to Delta levees provides flood protection to state-owned land and infrastructure. The costs associated with repairs at Mendota Wildlife Area may eventually be reimbursable by FEMA. Second, the state must provide its share of costs to draw down federal levee rehabilitation program support. An additional \$3 million is needed for this purpose. Neglecting to provide this funding likely ultimately would result in even higher costs for the state—either to undertake the repairs on its own without federal support or to pay for the damage and recovery costs that might occur if the repairs are not made. Third, approving funding early will allow the repairs to be finished in the spring and summer, ahead of the next rainy season. Waiting to consider these proposals in the regular budget process could delay construction until spring of 2025, increasing risks during the fall and winter.

Urban Flood Risk Reduction Projects Also Meet That Higher Bar. In the LAO’s view, the urban flood risk reduction projects (including the state operations activities required to support them) also meet this high threshold for justifying new spending for the reasons described below.

- ***Part of State’s Core Responsibilities in Central Valley.*** The funding would support projects that are part of the SPFC, which the state has the responsibility—and associated liability—to maintain.
- ***Provide Critical Public Health and Safety Benefits.*** These projects provide flood protection to people, properties, and infrastructure in urban areas, defined as areas with more than 10,000 residents. Given the significant population and assets located in these regions, the fiscal and safety risks of failing to adequately protect against flood damage and levee failures are considerable.
- ***Leverage Significant Federal Funding.*** Because these projects are conducted in collaboration with USACE, they help to draw down significant federal funding—USACE covers up to 65 percent of a project’s cost. If the state fails to provide its cost share this year, USACE would halt the projects due to nonperformance and redirect funding to projects in other states. The

administration indicates that, were this to occur, reinstating the projects with USACE would be difficult to impossible.

- *Not Acting Now Would Lead to Higher Costs and Complications Later.* USACE supports high-priority projects for which flood protection benefits outweigh associated costs. (Under federal law, confirming a positive cost-benefit evaluation is a prerequisite for USACE to undertake any flood protection project.) That is, USACE has estimated that the economic toll to recover from flooding in these areas would be more costly than paying for these flood protection projects now. Because of its special responsibility for SPFC facilities in the Central Valley, the state could be liable for resulting repair and recovery costs should the levees fail.
- *Pausing Projects Already Underway Would Be Highly Disruptive.* Nearly all of the proposed funding supports projects that already are underway. Stopping midstream would be disruptive; almost certainly would increase overall project costs; and, given USACE requirements, likely would compromise the ability to finish the projects.

Several Compelling Reasons for Proceeding With Central Valley Systemwide Projects... Although the three projects in the Central Valley systemwide request are located in more rural areas and the direct flood risk to people and property therefore is lower as compared to the urban projects, the LAO also find some compelling reasons for proceeding with these projects.

- *Support Disadvantaged Areas That May Not Otherwise Be Protected.* The three projects are located in economically disadvantaged areas that likely do not have sufficient local revenues (such as from property assessments) to be able to pursue this work without state assistance.
- *All Three Projects Are in Their Final Stages; Pausing Would Cause Disruption and Increase Costs.* The state already has provided funding for the initial stages of these projects and completing them expeditiously therefore would maximize previous state investments. Additionally, one of the projects—Kopta Slough—likely will leverage \$10 million in federal funding that the state could have to forgo if it fails to proceed with the project.
- *Reduce Flooding Risk in the Delta.* The Yolo Bypass Fix-in-Place project includes two levee improvement projects located in the Delta. One of the locations has been assigned a risk-based assessment of “very high priority” (the highest level) by the Delta Stewardship Council, with the other rated as “high priority” (the council’s middle ranking).
- *Provide Notable Ecosystem and Habitat Benefits.* Each project is designed to provide both flood protection as well as ecosystem and habitat benefits. For example, the Kopta Slough project would restore a river channel and remove rock revetment, ultimately leading to restoration of 170 acres of salmon rearing habitat on the Sacramento River. Similarly, the Crow’s Landing project would restore a floodplain and provide 270 acres of salmon habitat in the San Joaquin River basin. These types of projects are key components of the state’s strategy to meet its public trust responsibilities of protecting fish and wildlife—which is particularly important given the serious risk of extinction that California’s native salmon populations currently face.

...However, the General Fund Condition Complicates This Decision. Despite these potential benefits, the Legislature will need to weigh the trade-offs associated with adding new spending for these Central Valley systemwide projects against its other budget commitments. If the Legislature believes these projects are a top priority and chooses to fund them, it likely will need to make additional reductions to other planned expenditures given the worsening budget picture.

Funding State’s Responsibility for Flood Management Activities Will Be a Recurring Issue. Given the state’s responsibility for maintaining levees in the Central Valley and the rising flood risks resulting from climate change, the state will continue to face notable recurring costs associated with flood management—and, likely, recovery—in the years to come. As such, the Legislature will need to grapple with how to make room for these types of regular expenditures within its annual budgets. In years when the General Fund is not in a position to support these costs on a pay-as-you-go basis, the Legislature could consider returning to the historical practice of relying on general obligation bond financing. Although such bonds must be repaid (with interest) from the General Fund—increasing the overall cost of completing the project—in the near term, the annual cost of debt service is lower than paying up front for the projects. Another consideration is the timing of when the funds would be available to support projects. Even if the Legislature were to pursue a bond containing flood funding, it would have to wait for a statewide election, the proposal would have to be approved by voters, and the resulting funds would not be available until after the election. (As such, bond funds could not be available at the beginning of the 2024-25 fiscal year to implement the Governor’s proposals.)

LAO Recommendations. Approve \$33 Million for Urban Flood Risk Reduction Projects and Associated State Operations. The LAO recommends the Legislature approve the proposed funding for these nine projects. This funding would support important activities that help protect public health and safety by lowering risks to flood-prone urban areas. These projects are part of the SPFC, making them a core state responsibility. In addition, funding the projects would allow the state to leverage significant federal funding and avoid incurring additional costs and complications.

Weigh Central Valley Systemwide Projects Against Other General Fund Priorities. While the LAO finds that these three projects also have merit and provide both flood protection and habitat benefits, given the General Fund condition, the LAO recommends the Legislature weigh these benefits against its other budget priorities. If the Legislature chooses to provide \$31.3 million for these projects in 2024-25, it likely will need to identify commensurate reductions in other areas to accommodate the spending.

Develop Longer-Term Approach for Funding Recurring Flood Management Activities. Given the state’s role in flood management, the significant public safety and economic risks associated with floods, and the state’s liability for Central Valley flood facilities that are part of the SPFC, the LAO recommends the Legislature develop a longer-term approach for how to fund recurring flood-related state costs. For example, the Legislature could build some General Fund for these activities into its multiyear plans and baseline budgets. Alternatively—or additionally—the Legislature could consider asking voters to approve a general obligation bond that might support several years of flood projects. While the former approach would have lower costs over time (as there would be no added interest charges), the availability of General Fund resources likely will be subject to revenue fluctuations and such expenditure plans could create budget pressures in certain years. In contrast, the latter approach would cost more overall, would not provide ongoing funding on a long-term basis, would be subject to voter approval, and would not make funding available immediately—however it would provide a source of funding over a shorter-term period that is less affected by downturns in state revenues and has less impact on the near-term General Fund condition.

Staff Recommendation. Hold open.

3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)

Issue 10: Golden Eagle Conservation

Governor's Proposal. The Governor's budget requests one-time funding of \$2.4 million from the Fish and Game Preservation Fund - Habitat Restoration and Enhancement Dedicated Account in 2024-25 with an extended encumbrance period through June 30, 2026, and an extended liquidation period through June 30, 2031, to support golden eagle conservation. CDFW seeks to implement priority projects to promote golden eagle conservation and fill in key data gaps. CDFW received \$2.4 million of settlement funds due to the take of golden eagles from wind turbine strikes but requires authority to spend the funds.

The proposed resources would allow CDFW to assess and understand the golden eagle populations and develop effective management strategies, partner with key stakeholders and researchers to fill in key data gaps, conduct studies and surveys, evaluate the effectiveness of management practices and deterrents, develop models to assess spatial and temporal collision risk, collect and analyze telemetry data on movement and habitat use, and evaluate ecosystem impacts, and/or acquire habitat.

Background. Wind energy, like all energy sources, has impacts to wildlife. Foraging golden eagles are particularly vulnerable to injury and direct mortality from wind turbine strikes. For example, 82 golden eagle fatalities were documented at just three facilities in the Altamont Pass Wind Resource Area between 2011 and 2017. In April 2022, ESI Energy, LLC (ESI) entered into a plea agreement with the United States District Court, District of Wyoming for violations of the Migratory Bird Treaty Act associated with the unpermitted take of bald and golden eagles. As part of that agreement, ESI was required to pay restitution totaling \$6.2 million to the relevant state agencies in which any of the 123 eagle fatalities/injuries occurred on a proportionate basis. The greatest take occurred at five facilities in California with the loss of 92 golden eagles. The final settlement amount for California was \$2.4 million after the application of a credit for a prior civil agreement with California's Attorney General's Office, four Audubon Chapters (Golden Gate, Ohlone, Mount Diablo, Santa Clara Valley, and Marin), and Californians for Renewable Energy. These funds must be used to benefit golden eagle conservation in California. Golden eagles are designated as a fully protected species per Fish and Game Code Section 3511. Currently, the Department does not have the necessary authority to spend these funds. Under the terms of the final settlement, the funds CDFW received are to benefit golden eagles in California to offset the impacts from wind energy generation, particularly in the Altamont Wind Resource Area.

A recent US Geological Survey study at the Altamont Pass Wind Resource Area indicates that the local golden eagle population is sustained by immigration from other western populations and that there is a greater interconnectedness between populations across North American than previously understood. Changes in golden eagle populations can also have ecosystem-wide impacts. Therefore, a better understanding of how the local population is impacted by wind generation and how that can affect golden eagles across their range is needed to develop effective management strategies. These funds would be used to partner with key stakeholders and researchers to promote golden eagle conservation by filling key data gaps. This could include projects to conduct studies and surveys, evaluate the effectiveness of management practices and deterrents, develop models to assess spatial and temporal collision risk, collect and analyze telemetry data on movement and habitat use, evaluate ecosystem impacts, and/or acquire habitat.

Additionally, SB 147 (Ashby), Chapter 59, Statutes of 2023, authorizes the take of fully protected species for certain infrastructure projects by permit if specified conditions are met.

CDFW may issue golden eagle Incidental Take Permits for renewable energy wind projects. In issuing these permits the department is required to assess impacts, provide conditions to fully mitigate those impacts, condition and approve an adaptive management program, and include conservation measures pursuant to the Natural Communities Conservation Act conservation standard. This proposal is intended to support the needed research to better understand how the local golden eagle population is impacted by wind generation and how that affects golden eagles across their range in order to develop effective management and conservation measures.

Staff Recommendation. Approve as budgeted.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3600 DEPARTMENT OF FISH AND WILDLIFE
3860 DEPARTMENT OF WATER RESOURCES

Issue 11: Salton Sea Management Program

Governor’s Proposal. According to the LAO:

The Governor’s budget proposes \$65.2 million from the General Fund in 2024-25, \$3.3 million from the General Fund in 2025-26, and \$3.3 million from the Salton Sea Lithium Fund in 2026-27 and ongoing for Salton Sea restoration projects and SSMP staffing. The LAO describes the individual components of the proposal below.

Proposes \$60 Million on a One-Time Basis to Initiate Six Projects. As shown in the figure below, the Governor proposes \$60 million one time from the General Fund to begin work on six projects, including the SCH Expansion project. Depending on the project, activities conducted in 2024-25 would include planning, design, and/or permitting. For one small project, funding would support design and construction. The administration currently estimates the total combined cost for these projects at between \$376 million and \$453 million. Once completed, these projects would provide up to 8,165 acres of wetlands, dust suppression, vegetation enhancement, and aquatic habitat.

Governor Proposes \$60 Million in 2024-25 to Initiate Six Salton Sea Projects
 (Dollars in Millions)

Project	Purpose	Stage	Proposed Funding	Estimated		
				Total Cost	Completion Date	Acres at Completion
Wister Bird Unit Marsh Bird Habitat	Wetland restoration project	Site preparation and construction	\$0.5	\$0.5-\$0.6	2026	160
IID Clubhouse Enhancement	Dust suppression, vegetation enhancement	Design and permitting	7.0	7.0-8.4	2026	210
SCH Vegetation Enhancement	Wetland restoration, dust suppression, vegetation enhancement	Planning and permitting	11.5	11.5-13.4	2027	535
San Felipe Fan	Dust suppression, vegetation enhancement	Design	30.0	27.0-35.0	2027	660
North Lake	Aquatic habitat restoration	Planning	3.0	80.0-96.0	2027	1,600
SCH Expansion	Aquatic habitat restoration	Design	8.0	250.0-300.0 ^a	2028	Up to 5,000
Totals			\$60.0	\$376.0-\$453.0		Up to 8,165

^a The Salton Sea Management Program received \$70 million from the federal Bureau of Reclamation in 2023 and has the potential to receive an additional \$175 million contingent on Colorado River conservation agreements.
 IID = Imperial Irrigation District and SCH = Species Conservation Habitat project.

Source: LAO

Requests New Ongoing Funding and Positions at DWR, CDFW, and CNRA. The Governor’s budget

also requests 18 new positions phased in over two years (nine beginning in 2024-25 and another nine in 2025-26) along with \$1.6 million from the General Fund in 2024-25, \$3.3 million from the General Fund in 2025-26, and \$3.3 million from the Salton Sea Lithium Fund in 2026-27 and ongoing. (The proposal assumes lithium development will begin generating tax revenue sufficient to support these positions in the out-years.) These positions would be responsible for a variety of activities, including maintenance and operations of completed projects (including upkeep of both infrastructure and habitat), data collection, real estate support, environmental science, and management and administrative functions. The breakdown of funding, positions, and purposes across DWR, CDFW, and CNRA are shown in the figure below.

Governor Proposes Ongoing Funding and Positions for Salton Sea Management Program
(Dollars in Thousands)^a

	2024-25		2025-26 and Ongoing		Purpose
	Funding	Positions	Funding	Positions	
DWR	\$719	5	\$1,395	9	Four positions for infrastructure-related maintenance and operations of completed projects. Four positions for data collection, administrative, and real estate support.
CDFW	718 ^b	3	1,715 ^c	8	Four positions for habitat-related maintenance and operations of completed projects. Four positions for environmental science, legal, management, and administrative functions.
CNRA	185	1	185	1	One position for outreach/engagement and grants preparation.
Totals	\$1,622	9	\$3,295	18	

^a Governor proposes to fund positions with General Fund in 2024-25 and 2025-26 and with the Salton Sea Lithium Fund in 2026-27 and thereafter.
^b Includes \$18,000 one time for equipment.
^c Includes \$40,000 one time for equipment and information technology.
 DWR = Department of Water Resources; CDFW = California Department of Fish and Wildlife; and CNRA = California Natural Resources Agency.

Source: LAO

Proposes \$3.6 Million One Time for State Cost Share of USACE Study and for Technical Contract. The Governor proposes to provide \$3 million from the General Fund in 2024-25 for the state’s current required payment to support the USACE Imperial Streams Salton Sea and Tributaries Feasibility Study pursuant to an agreement the state made with the federal government regarding this work. In addition, the budget proposes \$600,000 on a one-time basis from the General Fund to contract with a company to provide technical support for project planning, environmental and regulatory compliance, and initial project design.

Background. According to the LAO:

Overview of the Salton Sea. History of the Salton Sea. The Salton Sea, located in Riverside and Imperial Counties, is California’s largest inland lake. It is a terminal lake with no outlet to the ocean. Over the past several thousand years, the Sea has intermittently both filled and dried up in this location. The modern Sea was created in 1905 when a nearby irrigation canal carrying Colorado River water breached and water overflowed into the lakebed for nearly two years. In the subsequent years, agricultural runoff from farms in the Imperial Valley fed the Sea and prevented it from fully drying up. However, over the past several decades, changes in agricultural water use practices by nearby farmers have gradually diminished inflow into the Sea, causing it to slowly shrink. Between the 1940s and 1960s, the Sea was a popular destination for tourism, fishing (the Sea was stocked with sport fish), and water sports. However, due to episodes of flooding, fish die-offs, and some of the other trends described in this

report, tourism over recent decades has largely faded away. Many landowners lay claim to the Sea and its surrounding areas, including the Torres Martinez Desert Cahuilla Indians, who have deep roots in the area. Other landowners include the state, Riverside County, Imperial Irrigation District (IID), Coachella Valley Water District (CVWD), the federal Bureau of Land Management, the federal Bureau of Reclamation (Reclamation), and private landowners.

Sea Is Extremely Saline. While the modern Sea started off as a relatively fresh water body in 1905, it is now more than twice as salty as the Pacific Ocean. This is partially due to the high salinity of the agricultural runoff water that has been the Sea’s primary source of replenishment for the past century. Additionally, because the Sea has no outlet to the ocean, water that enters the Sea can only depart through evaporation, leaving salts behind. The Sea therefore has and will continue to become increasingly saline over time.

Sea Provides Important Bird Habitat. Despite being a relatively new water body in geologic terms, the Sea has become an important habitat area for a large number of birds. As wetland habitat has been lost to development throughout California and northern Mexico, many bird species have come to rely on the Sea for food, rest, and nesting—particularly during their annual migrations. More than 270 species of birds use the Sea on a regular basis, including many that state and/or federal law have identified as being threatened or endangered. The Salton Sea National Wildlife Refuge—now named for Sonny Bono—was established in 1930 for waterfowl and other migratory birds. Hundreds of thousands of birds use the Sea as a stopover point on their migrations each year.

Changes Affecting the Salton Sea. Several changes in recent times have affected the size of the Sea, the quality of the water and habitat, the region around the Sea, and the way that the Sea is managed.

2003 Colorado River Agreement Reduced Salton Sea Inflow. In 2003, the state, the federal government, native tribes, and a number of water districts in the region entered into a series of agreements to address longstanding issues regarding use of Colorado River water. These agreements are known collectively as the Quantification Settlement Agreement (QSA). The QSA included an agreement to transfer up to 300,000 acre-feet of water annually (ramping up over time) from IID—which uses Colorado River water for agricultural irrigation—to three other Southern California water districts (the San Diego County Water Authority [SCDWA], CVWD, and the Metropolitan Water District) for residential uses. (An acre foot is the amount of water that would cover an acre of land at a depth of one foot.) By reducing the amount of water available for agricultural uses in the Imperial Valley, these transfers have had the effect of decreasing the amount of water that runs off fields into the Sea. However, reductions in inflow thus far have been less than what was initially estimated. Specifically, annual inflow to the Sea declined from about 1.2 million acre-feet in 2003 to about 1 million acre-feet in 2022 (whereas previous projections had expected it to drop to between 700,000 and 800,000 acre-feet by that time). Nevertheless, reductions are expected to progress and evaporation consistently outpaces inflows, meaning the Sea will continue to contract.

2002 SWRCB Order Delayed Impacts of Water Transfers Until 2017. Anticipating the potential effects of the QSA, SWRCB ordered delays in the pace of water flow reductions. Specifically, the board issued a water rights order in 2002 requiring that for 15 years, IID had to continue to provide inflow water to the Sea at levels sufficient to maintain the salinity levels that would have existed absent the transfer. This was intended to provide the state time to develop a long-term plan to address the effects of the QSA transfers. That requirement to provide mitigation flows expired at the end of 2017.

Shrinking Salton Sea Has Significant Negative Impacts on Public Health, Wildlife, and Local Economy. The shrinking Salton Sea is exposing dry lakebed, referred to as “playa.” The playa is covered in dust containing toxic elements like selenium and arsenic resulting from the agricultural runoff that has fed the Sea. When this dust becomes airborne due to the area’s high winds and arid climate, it increases the amount of fine particulate in the air, which in turn can increase the risk of asthma,

bronchitis, and other lung diseases for the surrounding residents and workers. The air quality around the Sea is already poor, due to pollution from agricultural activities and the nearby city of Mexicali, Mexico, and the region consistently fails to meet federal air quality standards designed to protect public health. A 2019 study led by researchers at the University of Southern California found that about 22 percent of children in the area suffer from asthma, which is nearly three times the nationwide incidence. The shrinking Sea also impairs wildlife habitats. Specifically, as the Sea evaporates and salinity and other toxic elements become more concentrated, conditions become increasingly inhospitable for the fish upon which migratory birds depend as a source of food. Moreover, a retreating Sea will dry out the established vegetation and wetlands that exist along the edges of the Sea, degrading that habitat for birds as well as the fish—including the endangered desert pupfish—and insects that they eat. In addition, the changing Salton Sea has and will continue to have significant impacts for local residents (beyond the serious public health impacts). These include repeated and sometimes significant fish die-offs and distasteful sulfurous odors when temperatures are high due to the algae and nutrients in the Sea. These conditions have contributed to a decline in recreation and tourism over the past several decades, which has correspondingly depressed home values and limited job opportunities and economic development. The unemployment rate for the region is significantly higher than the statewide average. As the Sea shrinks, former lakeside houses and boat docks become stranded far from the water, further depressing their desirability, recreational utility, and resale value.

Water Board Stipulated Order Requires Implementation of 10-Year Management Plan. Despite 15 years to plan between the QSA in 2003 and the end of the temporary inflow to the Sea in December 2017, the state did not implement any major management projects at the Salton Sea during that time. In 2007, CNRA released a study of eight potential approaches to restoring the Sea and recommended a “preferred alternative” to the Legislature with a corresponding cost of \$9 billion. Funding constraints—including those associated with the severe recession that followed—rendered this plan infeasible. In 2014, frustration with the slow pace of management activities led IID to petition SWRCB to amend its original QSA-related water rights permit and require the state to begin implementing a management plan. This led to the corresponding SWRCB action in 2017 described in the next paragraph. The state adopted—and began funding—a plan for making significant progress on management activities in 2017. Specifically, the state established SSMP—led by CNRA in collaboration with the DWR and CDFW—and published a Phase I: 10-Year Plan to guide state projects at the Sea and address potential public health and environmental effects over the subsequent decade.

In response to the 2014 petition from IID, SWRCB approved a stipulated water rights order in November 2017 that revised the conditions of the permit approval that SWRCB granted for the QSA. Specifically, the order requires the state to meet annual acreage goals included in the Phase 1: 10-Year Plan. These annual goals specify the number of acres on which the state must construct habitat restoration and dust suppression projects. The order also requires that for each year, at least half of the project acres that the state constructs must provide habitat benefits for fish and wildlife; that is, no more than half of annual construction can be solely focused on dust suppression. Every year, SWRCB holds a public meeting by March 31 to hear a progress report on the previous year, including updates on completed projects and the amount of acreage completed, as well as plans for the coming year and funding availability. The order specifies that if the state fails to meet the specified acreage goals in a given year, it must “catch up” the following year and report to SWRCB on how it will address the deficiency. In addition to the SWRCB order, implementation of the Phase 1: 10-Year Plan is supported by an agreement with the federal government. Specifically, CNRA entered into a memorandum of understanding (MOU) with the federal Department of the Interior affirming that the state has the lead role in Salton Sea management efforts, and expressing mutual intent to try to support achievement of the goals in the Phase 1: 10-Year Plan (such as by expediting permitting processes).

Management of the Salton Sea. Management of the Sea involves many actors at all levels of government, Native American tribes, and nongovernmental organizations. Below, the LAO describes the various players and focus in on the state and federal roles.

Many Agencies Have a Role to Play at the Salton Sea. Numerous agencies at all levels of government are involved in responding to conditions at the Salton Sea. The principal agencies and their major roles are described in the figure below. As shown, both state and local agencies are implementing activities to address the impacts of changing conditions at the Sea. Many of the local agency responsibilities result from mitigation and environmental permitting requirements associated with the QSA.

Agencies With Major Responsibilities at the Salton Sea	
Entity	Role
Local	
Imperial Irrigation District (IID)	As a party to QSA, transfers up to 300,000 acre-feet per year of its water to SDCWA, CVWD, and Metropolitan Water District (MWD). Helps fund the mitigation projects required by the QSA permits and implements those projects for the QSA JPA. One of the largest landowners in the region. Delivers Colorado River water to irrigate farmland in the Imperial Valley near the Sea.
Coachella Valley Water District (CVWD)	As a party to QSA, receives up to 100,000 acre-feet of additional water per year from IID. Helps fund the mitigation projects required by the QSA permits and serves as legal counsel for the QSA JPA. Delivers water for irrigation and domestic uses in the Coachella Valley near the Sea.
San Diego County Water Authority (SDCWA)	As a party to QSA, receives up to 200,000 acre-feet of additional water per year from IID. Helps fund the mitigation projects required by the QSA permits and handles administration and finance for the QSA JPA.
QSA JPA	JPA including IID, SDCWA, CVWD, MWD, and the state Department of Fish and Wildlife. Administers funding for implementing the mitigation activities required by QSA permits.
Salton Sea Authority	JPA including IID, CVWD, the Torres Martinez Desert Cahuilla Indians, and Imperial and Riverside counties. Partners with other entities to develop projects to restore the Sea.
State	
Natural Resources Agency	Serves as lead agency overseeing and guiding state's Salton Sea activities. Coordinates and negotiates with other local, state, and federal agencies.
Department of Water Resources	Implements most of the state's restoration projects at the Sea, including engineering and design, contracting, construction, and operations and maintenance.
State Water Resources Control Board	Responsible for protecting water quality and water rights, including by: issuing permit for QSA water transfers, imposing certain permit conditions (such as provision of mitigation water for 15 years), and requiring that the state construct specified amounts of management projects at the Sea each year.
Department of Fish and Wildlife	Helps design Salton Sea habitat projects, will develop and implement wildlife monitoring program for constructed habitat. Issues regulatory permits for projects at the Sea as required by state law. Administers Salton Sea Restoration Fund.
Tribal	
Torres Martinez Desert Cahuilla Indians	Largest private landowner of property around the Sea, including roughly half of the land under the Sea. Partners with other agencies on restoration projects, including pilot wetland project on tribal land at north end of Sea.
Federal	
Bureau of Reclamation	Owns significant amount of land under and around the Sea.

QSA = Quantification Settlement Agreement and JPA = Joint Powers Authority.

Source: LAO

State Bears Primary Financial Responsibility and Plays Leadership Role. As required by the QSA, IID, CVWD, and SDCWA were responsible for contributing some funding to begin to mitigate the effects of the water transfers, and the state has committed to implementing and funding the additional activities necessary to address public health and wildlife impacts. These commitments were codified

through several pieces of legislation implementing the QSA, including SB 654 (Machado), Chapter 613, Statutes of 2003, which specified environmental mitigation spending requirements for the QSA agencies. The legislation also stated that “any future actions to restore the Salton Sea will be the sole responsibility of the State of California.” Finally, the SWRCB stipulated order from 2017 and subsequent MOU with the US Department of the Interior further solidify the state’s lead role in mitigating deleterious impacts of a shrinking Sea. These state responsibilities are focused on responding to public health and wildlife-related impacts. The state carries out this role through the SSMP. (While statute requires the state to consider local economic impacts, it does not assign fiscal responsibility to the state to address any such effects that may result from a shrinking Salton Sea. Addressing such concerns would fall under the jurisdiction of local governments and community organizations.)

Reclamation and U.S. Army Corps of Engineers (USACE) Involved at the Federal Level. At the federal level, the US Department of the Interior—primarily through Reclamation—and USACE play key roles in supporting efforts at the Sea.

- ***Reclamation Providing Funding and Other Support to SSMP.*** Reclamation owns about 81,000 acres at the Sea (the Bureau of Land Management owns an additional 12,000 acres). Consequently, SSMP regularly collaborates with Reclamation on projects occurring on its land (including securing land access agreements). In addition, Reclamation has provided some funding for projects at the Sea.
- ***USACE Conducting National Environmental Protection Act Review.*** USACE is the lead agency for the required National Environmental Protection Act environmental assessment process for the Phase 1: 10-Year Plan. USACE released the draft environmental assessment in June 2022. In addition, USACE works with SSMP to secure necessary federal permits for projects.
- ***USACE Also Conducting Feasibility Study of Potential Long-Term Restoration Activities.*** USACE is leading a long-term feasibility study, the Imperial Streams Salton Sea and Tributaries Feasibility Study, to explore potential long-term ecosystem restoration, flood management, or other land- and water-resource projects. DWR, the Salton Sea Authority, and USACE are sharing the costs of the study. Expected to take three years, the study could lead to future federal financial support from USACE depending on its findings and the viability of potential projects.

SSMP Progress to Date. As required by the SWRCB order, SSMP currently is undertaking projects to reduce exposed lakebed, create and enhance habitat and vegetation, and suppress dust. Although these often are discussed as “restoration” projects, they will not restore the Sea to its original conditions. Instead, these projects seek to decrease the potential harmful effects of the water transfers. (As discussed later, the QSA also requires the local water agencies to fund and carry out mitigation projects.) The order also required SSMP to develop a long-range plan for the Sea following Phase 1.

SSMP Behind in Meeting Acreage Targets. As shown in the figure below, to date, SSMP has about 7,600 acres of projects completed or under construction (completed acreage totals less than 2,500). One effort nearing completion is Species Conservation Habitat (SCH), an approximately 4,100-acre project located at the southern end of the Sea that reduces exposed playa and creates habitat and is the state’s first large-scale project in the region. Three smaller dust suppression projects nearing completion include approximately 1,700 acres. These efforts seed and plant native vegetation and use grass bales to protect the vegetation from wind-blown dust and soil erosion. Three additional projects totaling 1,022 acres are under construction or about to start construction—a pilot project to create fish habitat, a project to preserve and enhance wetlands, and a project to restore several stranded channels. In addition, SSMP has completed about 755 acres of interim dust suppression projects. Although SWRCB’s stipulated order requires the state to meet annual acreage targets, SSMP has missed these targets during the first five

years of the Phase 1: 10-Year Plan, as shown in the figure. By the end of 2023, the order required SSMP to have completed a cumulative 11,500 acres, but thus far the state has completed fewer than 2,500 acres.

Year	Required Number of Acres Annually ^a	Acres Actually Completed or Under Construction
2018	500	—
2019	1,300	—
2020	1,700	755
2021	3,500	1,000-2,000
2022	1,750	290
2023	2,750	5,400
2024	2,700	—
2025	3,400	—
2026	4,000	—
2027	4,000	—
2028	4,200	—
Totals	29,800	-7,600

^a Acreage targets in the Salton Sea Management Program's Phase 1: 10-Year Plan were formalized in the State Water Resources Control Board's 2017 Stipulated Order. The Salton Sea Management Program must construct a cumulative 29,800 acres of projects by December 31, 2028.

Source: LAO

SSMP Is Planning Projects to Cover an Additional 8,165 Acres as Part of Phase 1. SSMP is in the final stages of planning, design, and permitting for handful of additional projects (totaling about 8,165 acres) intended to be completed over the 2026 to 2028 time frame. Taken altogether, completed, in-progress, and planned projects total about 15,700 acres, which only gets the state about halfway to the 2028 required target of 29,800 acres. SSMP has not yet formally identified additional projects that it might undertake to achieve the intended objective.

SSMP Released Draft Long-Range Plan in 2022. As required by the SWRCB stipulated order, SSMP developed and released for public comment a long-range plan in December 2022. This plan explores various restoration concepts that could be implemented after 2028 (at completion of the Phase 1: 10-Year Plan), including some that assume importation of water and some that do not.

Funding for Salton Sea Management Program. Approximately \$590 Million Has Been Authorized for State Management Activities. As shown in the figure below, a total of nearly \$590 million has been authorized for SSMP projects and activities. Most of this funding—\$347 million—has come from statewide voter-approved general obligation bonds, while another \$101 million has been provided from the General Fund. (Recent state budgets had planned to provide a total of \$220 million in General Fund support from 2021-22 through 2023-24, which was then partially scaled back in response the 2023-24 budget problem. Specifically, in the 2023 May Revision the Governor proposed reducing planned funding for the Salton Sea by \$169 million to help solve the budget deficit. The Legislature modified the Governor’s proposal and the final budget resulted in a \$119 million reduction to original plans.) SSMP also receives some funding from local water agencies through the Salton Sea Restoration Fund. Lastly, the state has received federal funding from Reclamation—including, most notably, \$70 million in December 2023 from the Inflation Reduction Act specifically to expand the SCH project (the new project is called the SCH Expansion). This federal funding is part of an agreement among Reclamation, the state, IID, and CVWD. The state’s receipt of funding was contingent on the two local water districts making voluntary reductions in their use of Colorado River water (additional funding may be provided through

2026, contingent on additional voluntary reductions). Reclamation also provided \$2 million directly to the Torres Martinez Desert Cahuilla Indians to support its work on Salton Sea activities.

Funding for the Salton Sea Management Program			
As of September 20, 2023 (In Millions)			
Source	Authorized	Unspent	Use
State	\$448.0	\$2.1	
Proposition 12 (2000)	\$4.8 ^a	—	Species Conservation Habitat (SCH) project construction.
Proposition 50 (2002)	32.9 ^a	\$0.1	Environmental Impact Report and related studies and planning activities; SCH project construction.
Proposition 84 (2006)	44.2 ^a	2.0	SCH project planning and design, support for projects (Red Hill Bay, Seawater Marine Habitat Pilot, and Torres-Martinez Wetlands), and staffing and planning activities.
Proposition 1 (2014)	80.0 ^a	—	Staffing and project design and SCH project construction.
Proposition 68 (2018)	185.0 ^a	—	SCH project construction, habitat and dust suppression projects, North Lake Demonstration Project, and staffing.
Revive the Salton Sea Fund (tax check-off box from 2017-2019)	0.2	—	Restoration projects and/or maintenance and public awareness and education programs.
General Fund	101.0	—	SCH project construction, vegetation enhancement projects, project design, and staffing.
Federal	\$71.8	—	
Bureau of Reclamation	\$1.8	—	State planning activities and implementation of dust suppression projects.
Bureau of Reclamation	70.0	—	Construction and project management of initial SCH Expansion project.
Local	\$68.5	—	
Salton Sea Restoration Fund	\$68.5	— ^b	CDFW staffing, wildlife surveys, monitoring, CEQA review, and permit issuance.
Totals	\$588.2^c	\$2.1	

^a Authorized bond funds do not include state debt service costs for interest.
^b \$68.5 million is the total amount that IID, CVWD, and SDCWA will provide by 2047 (through annual payments of approximately \$1.58 million).
^c Does not include annual General Fund allocations of \$425,000 and annual reimbursements from DWR of \$316,000 to support positions at CNRA and CDFW.
 CDFW = California Department of Fish and Wildlife; CEQA = California Environmental Quality Act; IID = Imperial Irrigation District; CVWD = Coachella Valley Water District; SDCWA = San Diego County Water Authority; DWR = Department of Water Resources; and CNRA = California Natural Resources Agency.

Source: LAO

Nearly All Existing SSMP Funds Have Been Spent or Committed. The administration indicates that nearly all authorized funding for SSMP displayed in the figure has been spent or committed. This means that new, additional funding will be required for SSMP to conduct maintenance activities on recently completed projects and to pursue planning, design, and construction of additional projects.

New Lithium Extraction Tax Expected to Provide Revenues for SSMP. A new source of funding that is expected to become available to support SSMP projects in the coming years results from a recently approved tax on lithium extraction. The Salton Sea region is rich in geothermal resources and currently is home to a number of facilities that produce and sell geothermal energy. Businesses that own or plan to build such facilities have been developing methods to extract lithium from the brine. SB 125 (Committee on Budget and Fiscal Review), Chapter 63, Statutes of 2022, levied a new state excise tax on this lithium extraction as of January 2023. The tax rate ranges from \$400 to \$800 per metric ton of lithium carbonate equivalent that a producer extracts, adjusted annually for inflation. A total of 80 percent of the revenue from this tax will go to the counties where lithium extraction occurs, while the other 20 percent will go to the new Salton Sea Lithium Fund to support restoration projects and grants for community engagement, public amenity, capital improvement, or community-benefit projects in the

area. However, no lithium extraction activities have yet begun in the region, and as such, no tax revenue has yet been generated to support the SSMP or local communities.

Reclamation Committed to Provide \$175 Million More in Federal Funding if Local Agencies Meet Water Reduction Conditions. In addition to the \$70 million Reclamation has already provided to support SSMP projects, the state is eligible to receive an additional \$175 million more through 2026. However, the remaining funds are contingent on additional voluntary reductions of Colorado River water use by IID and CVWD. Funding must be used to support the SCH Expansion project, which will restore up to 5,000 acres of playa upon completion.

USACE Study Could Lead to Future Federal Funding if It Identifies Long-Term Restoration Options. The goal of the feasibility study being led by USACE is to identify projects for long-term ecosystem restoration at the Salton Sea. The draft feasibility report is expected in June of 2024 and will be finalized in 2025. Should viable projects for long-term ecosystem improvements be identified in the study and subsequently approved by USACE (and funded by Congress), the state could receive up to 65 percent of associated project costs from the federal government.

Local Agencies Also Have Contributed Funding for Non-State Salton Sea Projects Pursuant to QSA Requirements. In addition to the SSMP projects supported by the funds displayed in the figure above, local entities also have funded and managed certain projects at the Sea. Specifically, the QSA required the local water agencies that were involved in that agreement—IID, CVWD, and SDCWA—to provide funding up to a cap of \$133 million (in 2003 dollars) and carry out a variety of mitigation projects and activities. These agencies, along with CDFW, formed the QSA Joint Powers Authority (JPA) to help organize these efforts. Because the QSA JPA agencies have made their expenditures over a period of many years, the total funding obligation has been adjusted for inflation and accrued interest. By June 30, 2024, the JPA estimates it will have received cumulative contributions of \$262 million from its members and made cumulative expenditures of \$193 million. In addition to these local projects, the QSA required the JPA to provide \$30 million (in 2003 dollars) as seed money for state-led restoration projects. As this funding is collected, it is deposited into the Salton Sea Restoration Fund, which is administered by CDFW. Adjusted for inflation, this equates to \$68.5 million in total. This funding is included in the figure above. The state collects annual payments from the JPA of about \$1.6 million to meet this obligation and will continue to do so through 2047.

Future Costs and Funding Sources Remain Uncertain. The state still lacks clarity about how projects will unfold at the Salton Sea in the coming years—and how they will be supported. SSMP plans to continue evaluating potential projects and environmental conditions at the Sea, particularly as certain milestones are reached—such as completion of the first large-scale project (the SCH project), the USACE National Environmental Protection Act final environmental assessment, the USACE feasibility study, and the Phase 1: 10-Year Plan. The state still has a long way to go on the Phase 1: 10-Year Plan. While SSMP remains undecided about which additional projects the state will pursue to reach the 2028 acreage targets and what activities will follow this first phase, significant uncertainty also exists about how to fund such projects. Moreover, how SSMP will support ongoing operations and maintenance of projects after their initial construction is completed is unclear. Also uncertain is the amount of revenue that will be generated by the lithium extraction tax and when those revenues will be available for SSMP projects. Apart from anticipated lithium tax revenues, no ongoing state funding is dedicated for SSMP projects or maintenance and operations.

LAO Assessment. Below, the LAO discusses the Governor’s Salton Sea proposals in the context of the worsening budget situation and offer some questions for the Legislature to consider as it weighs decisions to balance the budget.

General Fund Condition Requires Tough Choices and a Higher Bar for Approving New Spending. The Governor’s Salton Sea proposals would commit the state to General Fund expenditures of \$65.2 million in 2024-25 and \$3.3 million in 2025-26. Importantly, the current deficit means that General Fund revenues already are insufficient to fund existing baseline commitments. In this context, every dollar of new spending in the budget year comes at the expense of a previously identified priority and requires finding a commensurate level of solution somewhere within the budget. The Governor “makes room” for proposed new spending on Salton Sea projects and staffing by making reductions to funds committed for other programs, including many in the climate and natural resources areas. However, the LAO estimates that the administration’s revenue projections are overly optimistic and the budget deficit likely will exceed the level of solutions included in the Governor’s proposal, requiring the Legislature and Governor to identify additional actions to balance the budget. Given the serious budget challenges this year, the LAO suggests the Legislature apply a high bar to its review of new spending proposals, be very selective in approving any of them, and recognize that they will require finding additional General Fund solutions from existing commitments.

Maintaining Progress Toward Acreage Goals Represents State Responsibility and Is Important to Avoid Serious Public Health and Environmental Risks... Mitigating the deleterious public health impacts of toxic dust and the environmental implications of deteriorating bird habitat at the Salton Sea remain important—and required—state responsibilities. The SWRCB stipulated order requires at least 29,800 acres of projects be completed by the end of 2028, just under five years from now. While the state does not have primary financial responsibility for mitigating the impact of a declining Sea on the local economy, it also has an interest in supporting the well-being of residents and businesses in the region.

...Yet Administration Has Sent Mixed Messages on Funding Urgency. The Governor’s May 2023 proposal to reduce \$169 million from previously committed and planned General Fund for Salton Sea projects signaled to the Legislature that funding was not urgently needed to accomplish state goals in the region. (As noted earlier, the Legislature modified this proposal in the final budget action to include a smaller yet still significant reduction of \$119 million.) Now—as the state budget condition has gotten even worse—the administration proposes to partially reverse this action by providing \$65 million in new resources. These mixed messages from the administration make it difficult for the Legislature to gauge the true urgency of providing funding this year. The administration has not provided a compelling explanation for the turnaround between its contention that the SSMP could accommodate such a significant reduction in funding last year and now, less than a year later, its argument that a new augmentation is critical.

Proposal Raises Several Key Questions for Legislative Consideration. The proposed request for \$60 million to initiate six Salton Sea projects raises a number of questions the Legislature might wish to consider as it weighs this request against its other budget priorities.

- ***Is SSMP on Track to Meet Annual Acreage Targets, Even if It Receives Requested Funding?*** The program and associated projects were very slow to get started—the QSA was signed in 2003 and the first projects were completed about 20 years later. Since the SWRCB stipulated order was issued in 2017, SSMP has missed required annual acreage targets in each of the first five years. Although the program has some momentum currently—nearing completion on its first large-scale project and with numerous projects underway or in planning—what will happen after these existing projects are complete still is unclear. In previous years, the program had plenty of funding yet still made slow progress—that is, money-on-hand does not appear to have been the key barrier or enabler to project success. For example, finalizing land access agreements with the various landowners around the Sea can be challenging. The administration seemingly resolved—at least temporarily—some of the difficult issues that create significant project delays (land access issues, permitting with a variety of federal and state entities, and uncertainties about the

changing environment)—to make recent progress on the SCH project and several smaller projects. However, has the administration been able to resolve or make headway on those issues more generally for upcoming and future projects? What assurances does the Legislature have that if it gives precedence to providing this funding for the SSMP over other state priorities, the program can spend the requested funds promptly and complete the specified activities?

- *Is the Full \$60 Million Truly Needed This Year?* Although the requested \$60 million would be spread across six projects and support various planning, design, permitting—and in one case construction—activities, why this specific amount of funding is required this year is unclear. What specifically does the program plan to accomplish in 2024-25 and is the full \$60 million needed immediately? What are the potential trade-offs and implications of providing a lesser amount?
- *What Is the Longer-Term Plan for Completing the Proposed Projects?* The proposed funding would support the initial stages of five projects as well as design and construction of one small project. Yet the administration has not provided information regarding how subsequent phases of these six projects would be funded. Given the expected General Fund condition over the next several years, the Legislature will want to consider the wisdom of providing funding in 2024-25 to begin projects that the state might be unable to continue supporting to completion. The Governor’s proposal represents a larger multiyear commitment that might be fiscally unfeasible to sustain in the future without taking other measures, such as reducing funding for core ongoing programs to free up General Fund or asking voters to approve a bond measure. As such, the Governor’s approach runs the risk of spending funds to start projects, but having to stop the work before they are complete without achieving the actual objectives.

State Cost Share on Feasibility Study Could Help Secure Future Federal Funding. In 2022, the state entered into a cost-sharing agreement with the federal government for the USACE feasibility study and \$3 million is needed for the current required state payment (the total state cost share is \$8 million; the state already paid \$1.5 million and will be required to pay another \$3.5 million in the future). Depending on what the study finds, it could lead to federal project support in the future. Spending a relatively modest amount of state funding for the chance to undertake long-term restoration with federal support seems a compelling justification for this proposed expenditure, despite the General Fund condition.

Supporting Maintenance and Operations of Completed Projects Would Preserve State’s Investments and Objectives... The Governor proposes a total of 18 new positions for the state’s work at the Salton Sea. Of these, eight new positions—four at DWR and four at CDFW—would be to maintain and operate (1) the SCH project as it reaches completion and (2) three vegetation enhancement projects that are nearing completion. (Five positions would be authorized starting in 2024-25 and an additional three beginning in 2025-26.) These positions have an associated General Fund cost of about \$700,000 in 2024-25 growing to about \$1.2 million in 2025-26 and ongoing. (The proposal plans to shift support for these positions to the Salton Sea Lithium Fund beginning in 2026-27.) The state has already expended significant time and resources to plan, design, and construct these projects. As such, a strong rationale exists for providing a modest amount of ongoing funding to preserve the value of those investments and ensure that the projects achieve their intended goals. Ongoing maintenance and operations activities would include upkeep of the infrastructure associated with these projects (for example, utility equipment such as backhoes, trucks, and dozers; radial gates; weirs; levees; pipelines; and aqueducts) as well preservation of habitats (for example, invasive species control, cleaning drainages, maintaining equipment, and conducting surveys).

...But Urgent Need for Other Positions Less Clear. The remaining ten positions proposed by the Governor would no doubt be helpful in supporting state activities at the Salton Sea. For example,

proposed new staff would provide legal support, including on land access agreements; conduct outreach and engagement activities in local communities; provide environmental science expertise, including data collection and species surveys; provide administrative support; and manage budgets. However, in the context of the General Fund condition and resulting trade-offs, the LAO is not certain whether these positions are absolutely vital to begin conducting these activities immediately. The Legislature could consider waiting to fund these positions until other revenue sources—such as lithium tax revenues—become available.

Delaying Some Activities Could Provide Opportunity to Use Other Funding Sources. A couple of other funding sources could become available to support some of the Governor’s proposed activities in the next few years. As such, the Legislature may want to consider waiting to see if such funds materialize in lieu of providing General Fund for these activities now. First, part of the current request—\$8 million—is for the SCH Expansion project. The administration indicates this funding is intended to serve as a bridge until additional federal funds are received. However, the administration already received \$70 million in December 2023 from Reclamation for this project and anticipates an additional \$175 million in federal funds may be forthcoming. Moreover, Reclamation does not require a state cost share to draw down these federal funds. Consequently, the Legislature could consider waiting for additional federal funding for the SCH Expansion project activities rather than providing General Fund now. Second, lithium tax revenues provide another possible source of funding for Salton Sea projects. The administration estimates the lithium tax could generate about \$9 million for SSMP in 2026-27 and up to \$35 million by 2028-29. The Legislature could defer supporting some of the proposed funding for positions and projects until lithium revenues become available. While such steps could help the General Fund now, a clear trade-off of waiting to see if other funding sources materialize is delaying project initiation. Postponing progress on the proposed projects could in turn lead to delays in meeting SWRCB’s acreage targets and, more importantly, in mitigating the negative impacts of a shrinking Sea.

Meeting the State’s Ongoing Responsibilities at the Salton Sea Will Require Longer-Term Funding Commitment. The Governor’s 2024-25 proposals represent just one set of projects needed for the state to meet its 2028 restoration target at the Salton Sea. Given the significant public health and environmental risks at the Sea, as well as the state’s legal responsibilities, the Legislature will need to grapple with how to fund these particular projects, additional (and as-yet undetermined) activities to meet Phase 1: 10-Year Plan acreage goals, and future projects in subsequent phases as the Sea continues to shrink. If the state cannot afford to support these costs on a pay-as-you-go basis with General Fund, it could consider using general obligation bond financing (which is also paid for with General Fund, but over a longer period). While that comes with the cost of debt service (including additional costs for paying interest on the debt), the annual cost is lower than paying up front. Another consideration is the timing of when the funds would be available to support projects. Even if the Legislature were to pursue a bond containing funding for Salton Sea projects, it would have to wait for a statewide election, the proposal would have to be approved by voters, and the resulting funds would not be available until after the election. (As such, bond funds could not be available at the beginning of the 2024-25 fiscal year to implement the Governor’s proposals.) In addition, all projects will require ongoing maintenance activities to preserve their intended functions once construction is complete. While bond funds can be helpful to support capital construction, they are not an ongoing solution for maintenance and operations costs. Lithium tax revenues may provide a source of funding upon which the state can depend in the future—however, the degree to which those will materialize (and when) still is uncertain. The Legislature also could consider the use of other special funds, such as, for example, the Greenhouse Gas Reduction Fund (GGRF), for Salton Sea projects. (While these projects would not directly reduce greenhouse gas emissions, they would reduce air pollution in the region and provide benefits to a largely socioeconomically disadvantaged population, which could make GGRF an appropriate fund source to consider. The trade-off of this approach would be less GGRF available for other activities.)

LAO Recommendations. *Approve Request That Could Lead to Federal Funding.* The LAO recommends that the Legislature approve \$3 million for the state’s share of cost for the USACE feasibility study, as the state already committed to providing these funds and this relatively modest state investment could yield potentially significant future federal funds to help meet the state’s goals.

Approve Positions for Maintenance and Operations of Completed Projects. The LAO recommends the Legislature approve funding and positions to support the ongoing maintenance and operations of projects the state has nearly completed at the Salton Sea, including the large-scale SCH project. This staffing would protect the state’s previous investments in these projects and help ensure the projects achieve intended goals. Specifically, the LAO recommends approving (1) approximately \$700,000 and five ongoing positions (four at DWR and one at CDFW) beginning in 2024-25 and (2) a total of \$1.2 million and three additional positions (at CDFW) beginning in 2025-26 and on an ongoing basis. Once the Salton Sea Lithium Fund contains sufficient resources to support these costs in the coming years, the Legislature can shift them off of General Fund support.

Weigh Trade-Offs of Funding the Governor’s Other Proposals—Perhaps at a Partial Level—Against Other Budget Priorities. The LAO finds that the proposed SSMP projects have merit and remain important for addressing public health and environmental risks at the Salton Sea. Similarly, the other ten positions the Governor requests could help pursue the state’s goals in the region. However, providing the full amount of General Fund the Governor proposes in 2024-25 would mean having to find additional budget solutions. Given the worsening budget condition, this could mean cutting into core ongoing programs. As such, the LAO recommends the Legislature carefully consider how these activities rank alongside its other General Fund priorities. If supporting Salton Sea projects and staffing are important 2024-25 priorities for the Legislature even in constrained budget conditions, it has a couple of options for how it could proceed if it wanted to modify the Governor’s proposal.

First, it could consider providing a lower amount of funding to support fewer projects and/or fewer staff. This could allow the state to continue to make some progress on its goals at the Sea albeit at a slower pace. The Legislature could use one or more criteria to guide its decisions about which projects to support. For example: Which projects would be the most straightforward to complete (such as because they lack complex land access issues or would require fewer permitting hurdles)? Which would mitigate the public health impacts of toxic dust most effectively? Which would result in the most restoration acres completed? Which might leverage federal support? Which staff activities are most essential to conduct in the near term?

Second, the Legislature could consider providing the full amount requested, but to support fewer projects all the way through completion. This would address the concern that funding constraints might stall progress on the subsequent activities needed to finish the projects. For example, rather than funding the initial stages of all six projects, the Legislature could instead provide \$60 million to support the full project implementation costs for four of the six projects: San Felipe Fan (\$35 million), SCH Vegetation Enhancement (\$13.4 million), IID Clubhouse Expansion (\$8.4 million), and Wister Bird Unit Marsh Bird Habitat Project (\$600,000).

Exercise Caution in Initiating Projects Without Plan for Next Steps. The Governor’s proposed approach of starting six projects without having identified a funding plan for their completion raises concerns. To avoid that outcome, the LAO recommends the Legislature either ask the administration to come back in May with a funding plan to complete the six projects or consider one of several options itself in light of these out-year uncertainties. For example, it could consider scaling down the proposal and only funding a select number of projects but supporting them through their completion, as described above. As an alternative, it could plan for a bond or build General Fund into its multiyear spending plan (as discussed next). Another option would be waiting until SSMP has more certainty about potential

future federal funds and lithium tax revenues before initiating new projects. Whatever level of projects the Legislature chooses to support, the LAO suggests it only do so if a plan is in place for how to fund these projects through completion to avoid stranded assets and wasted expenditures.

Consider How to Fund the State’s Longer-Term Commitment at the Salton Sea. Salton Sea management is a state responsibility and, left unmitigated, conditions at the Sea pose serious health and environmental risks. However, addressing this commitment far exceeds a one-time \$60 million appropriation. The LAO recommends the Legislature consider some combination of the following approaches for crafting a longer-term funding plan at the Sea:

- *Bond Financing.* The Legislature could ask voters to approve a general obligation bond containing funding to complete all Phase 1 projects.
- *Lithium Tax Revenues.* Once more is known about the new lithium extraction industry in the region, the Legislature could develop a multiyear plan to support certain projects and/or activities based on the amount of revenues expected to be available each year.
- *General Fund.* The Legislature could identify a certain amount of annual funding to dedicate to meeting its obligations at the Sea and build it into its baseline multiyear budget plans. This could include support for both operations and maintenance as well as modest annual allotments to make progress on capital projects.
- *Special Funds.* The Legislature could explore dedicating a certain amount from GGRF or other appropriate special funds for Salton Sea projects and activities.

Staff Recommendation. Hold open.

3720 COASTAL COMMISSION

Issue 12: Expedite Administration Priority Projects in the Coastal Zone

Governor’s Proposal. The Governor’s budget requests three new permanent positions to expedite state-funded priority projects, including ecological restoration, wildfire resilience and nature-based climate adaptation, in the coastal zone. The positions will be funded through interagency agreements (IA) with the Department of Parks and Recreation, State Coastal Conservancy, and the Department of Forestry and Fire Protection that are leading or funding the implementation of such projects.

This proposal is intended to support additional staff capacity to expedite coastal permits for state-funded priority projects concerning ecological restoration, wildfire resilience and nature-based climate adaptation projects. Priority projects reduce impacts (e.g. coastal floods, coastal erosion, wildfires, and cost of emergency response to such events) and the related costs by enhancing flood-mitigating ecosystems, protecting shorelines from erosion, increasing wildfire resilience, and reducing fuel loads.

The Coastal Commission has a backlog of items for technical review and must adhere to statutory and regulatory deadlines. Additional staff would expedite permitting and participate in the types of planning and coordination work needed to design and implement projects and utilize funding efficiently. Supporting prioritization of these types of projects, and particularly getting them through the environmental review and permitting stages in a timely and efficient manner, is also intended to better position state and local partners to then apply for “shovel ready” federal funding opportunities.

Background. The number of state-funded ecological restoration, wildfire resilience and nature-based climate adaptation projects will increase substantially in the coming years to preserve biodiversity and adapt to climate change and sea level rise, as reflected in the associated increased spending at the state and federal levels. Since 2021, the state has invested billions of dollars to support these projects, while Congress has also made unprecedented investments in coastal resilience with passage of the Bipartisan Infrastructure Law and Inflation Reduction Act.

The Coastal Commission conducts environmental review and authorizes coastal permits for development in the coastal zone, as required by the Coastal Act. Unlike other regulatory agencies however, the Coastal Commission is not authorized to charge permit fees to public agencies to cover the cost of environmental review and permit processing which has led to a bottleneck in the processing of permits and may delay the implementation of priority projects in the coastal zone.

Staff Recommendation. Approve as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 13: Establishment and Implementation of Instream Flow Objectives in the Scott River and Shasta River Watersheds**

Governor’s Proposal. The Governor’s budget requests \$711,000 in ongoing funding from the Water Rights Fund for two permanent positions to support establishing and implementing long-term instream flow objectives in the Scott River and Shasta River Watersheds.

Background. SWRCB has primary authority over water quality under both the Porter-Cologne Water Quality Act and the federal Clean Water Act. This includes the authority to adopt water quality objectives, including flow objectives, and programs of implementation to achieve those objectives. SWRCB may implement flow objectives by specifying minimum bypass flows in conditions of a water right or by establishing minimum instream flows and curtailing water rights in order of priority. SWRCB can also implement flows through its Clean Water Act water quality certifications associated with Federal Energy Regulatory Commission hydroelectric projects.

Instream flow needs are currently assessed and implemented in two main ways: (1) as part of processing individual water rights applications or (2) through case-by-case enforcement against unauthorized diversion. These approaches do not provide the broader flows needed for fisheries protection because degraded flow and habitat conditions may occur without any individual unauthorized diversion of water. A broader approach to establish and implement flows in the Scott River and Shasta River is intended to make better use of resources than the current water right-specific permitting and enforcement actions used to address inadequate habitat and flow.

This proposal is intended to complement SWRCB’s core permitting and enforcement activities and move beyond drought emergency response (that provided immediate and interim fish protection) to long-term protections for the critical fish species in the Scott River and Shasta River watersheds.

Staff Recommendation. Approve as budgeted.