DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

APR - 1 2005

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 3480-001-0001, Support, Department of Conservation

It is requested that Item 3480-001-0001 be amended to establish five positions needed to meet workload required by the federal Surface Mining and Reclamation Act (SMARA). These positions will be funded within the proposed budget for the Department of Conservation (DOC). Therefore, only position authority, not funding, is being requested.

The Office of Mine Reclamation (OMR) within the DOC is responsible for monitoring the activities of the 133 local lead agencies that implement SMARA in cities and counties around the state. The OMR reviews mine inspection reports and advises local lead agencies regarding the adequacy of the reclamation plans that each operating mine is required to prepare. Three of the proposed positions would be allocated to this function in order to ensure that effective reclamation plans, with adequate financial assurances, are put in place for current mining activities. Two of the five positions requested in this Finance Letter will be used by the OMR in its efforts to identify and mitigate abandoned mine hazards.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Robert Schladale, Principal Program Budget Analyst, at 324-0043.

TOM CAMPBELL
Director
By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER
Chief Deputy Director

Attachment

cc: On following page

APR - 1 2005

cc: Honorable Carole Migden, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Sheila Kuehl, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Fran Pavley, Chair, Assembly Budget Subcommittee No. 3
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Honorable Mike Chrisman, Secretary, Resources Agency
Mr. Don Wallace, Assistant Secretary, Resources Agency
Ms. Debbie Sareeram, Interim Director, Department of Conservation
Mr. Tom Gibbs, Assistant Director, Administration, Department of Conservation
Mr. Eric Jarvis, Budget Officer, Department of Conservation

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Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Items 3600-001-0001, 3600-001-6010, 3600-001-6029, and 3600 001-6031, Support, Fish and Game

Yuba and Feather Rivers Flood Control Measures

It is requested that Item 3600-001-6010 be increased by $11,555,000 to provide for environmental enhancement and mitigation measures that will be incorporated in the Yuba and Feather Rivers Flood Control Project.

The Yuba and Feather Rivers have flooded in the past after major storms. After a flood in 1997, the Department of Water Resources (DWR), the Department of Fish and Game (DFG), and Yuba County Water Agency began collaborating on projects to minimize future flooding from these rivers. These projects will help protect the homes of 25,000 residents at high risk for flooding from these rivers.

The proposed DFG funding will be used for projects such as erosion control, endangered species habitat fencing, and measures to ensure fish are not sucked into dredging pumps. Funds will also be spent on construction phase consultation and monitoring, levee design, hydraulic evaluations, and levee construction. Environmental mitigation and enhancement will be undertaken as well.

A 3 percent administration cost/charge is included in the proposal to satisfy support costs associated with the project. The support costs are statutorily permitted by Proposition 13.

Proposition 50 Appropriation Correction

It is requested that Item 3600-001-6031 be decreased by $2,381,000. The DFG and DWR work cooperatively to implement various projects under the CALFED Bay-Delta Program's Integrated Storage Investigations, Environmental Water Account, Ecosystem Restoration and Science programs. The programs' objectives are to improve water supplies, protect fish and their habitats, and implement ecosystem restoration actions consistent with agricultural and flood control purposes.

APR - 1 2005

The DFG proposes to reduce its Proposition 50 funding by $2,146,000 to reflect the fact that DWR, rather than DFG, will take the lead on certain CALFED activities previously expected to be carried out by DFG. An equivalent amount was added to the DWR budget for this purpose in the 2005-06 Governor's Budget but a corresponding reduction was not made in the DFG budget. The DFG also proposes to further reduce its Proposition 50 funding by $235,000 to reflect a reduced level of participation in the CALFED Science Program. Taken together, a net reduction of $2,381,000 in DFG's Proposition 50 support appropriation is requested.

Proposition 40 Appropriation Correction

It is requested that Item 3600-001-0001 be decreased by $1,035,000. During preparation of the 2005-06 Governor's Budget, $1,035,000 of Proposition 40 funding was inadvertently retained in DFG's baseline. This proposal would eliminate this unnecessary appropriation.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Robert Schladale, Principal Program Budget Analyst, at 324-0043.

TOM CAMPBELL
Director
By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER
Chief Deputy Director

Attachment

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Attention: Mr. Geoff Long, Chief Consultant
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Honorable Fran Pavley, Chair, Assembly Budget Subcommittee No. 3
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Honorable Mike Chrisman, Secretary, Resources Agency
Mr. Don Wallace, Assistant Secretary, Resources Agency
Mr. Ryan Brodderick, Director, Department of Fish and Game
Ms. Renee Renwick, Deputy Director, Department of Fish and Game

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Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Item 3640-302-6029 and Addition of Items 3640-490 and 3640-495, Capital Outlay, Wildlife Conservation Board

Proposition 40—Appropriation to the San Joaquin River Conservancy

It is requested that Item 3640-302-6029 be increased by $1.0 million Proposition 40 to the Wildlife Conservation Board (WCB) which serves as the San Joaquin River Conservancy's (Conservancy) acquisition agent.

The Conservancy has developed a strategic plan, which has been approved by the Governor and incorporated into the San Joaquin River Parkway Master Plan. This request will fund two elements of the plan—public access/recreation and environmental restoration (Attachment 1).

Proposition 40—Reappropriation to the San Joaquin River Conservancy

It is requested that Item 3640-490 be added to reappropriate $2.5 million Proposition 40 to the WCB for Conservancy projects. The request would also reauthorize $2.5 million in reimbursement authority for the Conservancy.

The Budget Act of 2002 appropriated $2.5 million to the WCB to fund various project activities for the Conservancy. These projects included land acquisition, improvements in public access and recreation, wildlife habitat enhancement, and riparian restoration. The projects have proven more complex and challenging than anticipated. In particular, land acquisition efforts have involved multiple parties, environmental liabilities, gravel mining operations and reclamation, and resolution of state sovereign lands and other land-related issues. This reappropriation will allow the Conservancy to complete these projects and acquisitions (Attachment 1).

Reversion of Oversubscribed Bond Funds: Proposition 40 and Proposition 50

It is requested that Item 3640-495 be added to the Budget Bill to revert Proposition 40 and Proposition 50 bond funds. Specifically, the WCB proposes to revert $19,164,000 in Proposition 40 funding and $24,965,000 in Proposition 50 funding.

These funds were appropriated by Chapter 3, Statutes of 2003, First Extraordinary Session, in order to free up equal amounts of General Fund that had previously been appropriated for WCB projects. The General Fund was then reverted to reduce the deficit. However, the proposition funds had already been continuously appropriated to the WCB. Thus, the statutory appropriation of Chapter 3 oversubscribed these bond funds (Attachment 2).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Robert Schladale, Principal Program Budget Analyst, at 324-0043.

TOM CAMPBELL
Director
By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER
Chief Deputy Director

Attachment

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Attention: Ms. Anne Maitland, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Sheila Kuehl, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Fran Pavley, Chair, Assembly Budget Subcommittee No. 3
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Honorable Mike Chrisman, Secretary, Resources Agency
Mr. Don Wallace, Assistant Secretary, Resources Agency
Mr. Al Wright, Executive Director, Wildlife Conservation Board
Ms. Roxanne Woodward, Budget and Fiscal Officer, Wildlife Conservation Board

Attachment 1
APR - 1 2005

Proposition 40—Reappropriation to the San Joaquin River Conservancy

3640-490—Reappropriation, Wildlife Conservation Board. The balance of the appropriation provided in the following citation is reappropriated for the purposes provided for in that appropriation, and shall be available for encumbrance or expenditure until June 30, 2008:

6029—Payable from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund

(1) Item 3640-302-6029, Budget Act of 2002 (Ch. 379, Stats. 2002)

(1) 80.10.603.000 -San Joaquin River Conservancy—Project and acquisition.

Attachment 2

APR - 1 2005

Reversion of Oversubscribed Bond Funds: Proposition 40 and Proposition 50

3640-495—Reversion, Wildlife Conservation Board. As of June 30, 2005, the unencumbered balance of the appropriations made in the following citations shall revert to the funds from which the appropriations were made:

6029-California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund

(1) Item 3640-302-6029, Ch. 3, Stats. of 2003, First Extraordinary Session.

(1.5) 80.10.500-Wetlands Restoration and Acquisition

6031-Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002

(1) Item 3640-301-6031, Ch. 3, Stats. of 2003, First Extraordinary Session.

(1) 80.10.800-Cargill Property-Project and Acquisition

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APR - 1 2005

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Addition of Budget Bill Items 3760-490 and 3760-495, Capital Outlay, State Coastal Conservancy

Proposition 40 Reappropriation

It is requested that Item 3760-490 be added to reappropriate $10.0 million in Proposition 40 funding for the State Coastal Conservancy (Conservancy). The request would also reauthorize $5.0 million in reimbursement authority for the Conservancy. The Conservancy advises that, while it has been able to encumber $150.0 million of its $160.0 million in Proposition 40 appropriations, some priority projects have taken longer than anticipated to complete. The reappropriation will allow the Conservancy to continue projects consistent with funding earmarked for the Conservancy in Proposition 40 (Attachment 1).

Proposition 12 Reversion

It is requested that Item 3760-495 be added to revert $17,525,000 in Proposition 12 funding as appropriated by the Budget Act of 2000 and the Budget Act of 2001.

The Conservancy was appropriated $141.0 million of Proposition 12 funding in the Budget Act of 2000, and $56.2 million in the Budget Act of 2001. The Conservancy indicates that, because of the amount of new funds it received during a very short period, a portion of the monies remained unexpended at the end of the encumbrance period. Reverting these funds is necessary to make them available to fund appropriations included in the 2005 Budget Bill (Attachment 1).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Robert Schladale, Principal Program Budget Analyst, at 324-0043.

TOM CAMPBELL
Director
By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER
Chief Deputy Director

Attachment

cc: Honorable Carole Migden, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Sheila Kuehl, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Fran Pavley, Chair, Assembly Budget Subcommittee No. 3
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Honorable Mike Chrisman, Secretary, Resources Agency
Mr. Don Wallace, Assistant Secretary, Resources Agency
Mr. Sam Schuchat, Executive Director, State Coastal Conservancy
Mr. Neal Fishman, Deputy Director of Policy, State Coastal Conservancy

APR - 1 2005

Proposition 40 – Reappropriation to the State Coastal Conservancy

3760-490—Reappropriation, State Coastal Conservancy. The balances specified below of the appropriations provided in the following citations are reappropriated for the purposes specified and shall be available for encumbrance or expenditure until June 30, 2008:

6029—California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Fund

(1) Item 3760-301-6029, Budget Act of 2002 (Ch. 379, Stats. 2002)

Proposition 12 – Reversion

3760-495—Reversion, State Coastal Conservancy. As of June 30, 2005, the balances specified below of the appropriations provided in the following citations shall revert to the fund balance in the fund from which the appropriations were made:

0005—Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund

(1) Item 3760-301-0005, Budget Act of 2000 (Chapter 52, Statutes of 2000), 80.93.015--Coastal Resource Development: $3,117,000
(2) Item 3760-301-0005, Budget Act of 2001 (Chapter 106, statutes of 2001), 80.01.027—Upper Newport Bay Restoration and Protection Program: $7,404,000
(3) Item 3760-301-0005, Budget Act of 2001 (Chapter 106, Statutes of 2001), 80.93.025—Coastal Resource Enhancement: $2,582,000
(4) Item 3760-302-0005, Budget Act of 2000 (Chapter 52, Statutes of 2000), 80.97.030—Conservancy Programs (2)(S): $35,000
(5) Item 3760-302-0005, Budget Act of 2000 (Chapter 52, Statutes of 2000), 80.97.030—Conservancy Programs (2)(Z): $4,387,000

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APR - 1 2005

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 3790-001-0001 and Addition of Item 3790-495, Reversion, Support, Department of Parks and Recreation

Empire Mine Pollution Mitigation Study

It is requested that Item 3790-001-0001 be increased by $500,000 to provide for a pollution mitigation study of the Empire Mine State Historic Park. The study would include a human health risk assessment, storm water pollution prevention plan, and an implementation strategy to mitigate identified contaminants.

Potential pollution problems at the Empire Mine have only recently gained attention. The site includes large piles of mine tailings which may hold asbestos and other toxic materials. These contaminants may exist in public spaces including the visitor center, as well as employee housing. The proposed work is necessary to ensure the health and safety of Empire Mine visitors and employees.

Proposition 40—Reversion

It is requested that Item 3790-495 be added to revert unencumbered Proposition 40 funding, not to exceed $6,236,000.

In order to rebuild facilities and repair damage to state parks caused by the San Simeon earthquake and Southern California fires of 2003, the Department of Parks and Recreation received $6,791,000 Proposition 40 in the Budget Act of 2004. The Department of Parks and Recreation subsequently determined that the majority of these repairs will occur in 2005-06 rather than in the current year. Consequently, $6,236,000 was reflected in the 2005-06 proposed Governor's Budget for this purpose. However, because the 2004 appropriation will not revert until June 30, 2007, a reversion item is needed to ensure the availability of these funds in 2005-06 (Attachment 1).

The effect of my requested action is reflected on the attachment.

APR - 1 2005

If you have any questions or need additional information regarding this matter, please call Robert Schladale, Principal Program Budget Analyst, at 324-0043.

TOM CAMPBELL
Director
By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER
Chief Deputy Director

Attachment

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Attention: Ms. Anne Maitland, Staff Director
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Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Sheila Kuehl, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Fran Pavley, Chair, Assembly Budget Subcommittee No. 3
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Honorable Mike Chrisman, Secretary, Resources Agency
Mr. Don Wallace, Assistant Secretary, Resources Agency
Ms. Ruth Coleman, Director, Department of Parks and Recreation
Ms. Rebecca Brown, Budget Officer, Department of Parks and Recreation

Attachment 1

APR - 1 2005

Reversion of Disaster Relief Funding

3790-495—Reversion, Department of Parks and Recreation. As of June 30, 2005, the sum of $6,236,000 from the appropriation provided in the following citation shall revert to the balance in the fund from which the appropriation was made.

6029-California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund

(1) Item 3790-001-6029, Budget Act of 2004 (Ch. 208, Stats. 2004).

DEPARTMENT OF FINANCE
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ARNOLD SCHWARZENEGGER, GOVERNOR
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APR - 1 2005

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Addition of Budget Bill Item 3845-301-0140 and Reimbursements, Capital Outlay, San Diego River Conservancy

It is requested that Item 3845-301-0140 be added to provide the San Diego River Conservancy (Conservancy) with $500,000 in reimbursement authority. As a newly created entity, the Conservancy currently has no capital outlay budget. However, the Conservancy has submitted several applications for grant funding and believes it will succeed in obtaining at least $500,000. The requested reimbursement authority is necessary to allow the Conservancy to spend the grants that are received.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Robert Schladale, Principal Program Budget Analyst, at 324-0043.

TOM CAMPBELL
Director
By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER
Chief Deputy Director

Attachment

cc: On following page

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Honorable Rick Keene, Vice Chair, Assembly Budget Committee
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Honorable Fran Pavley, Chair, Assembly Budget Subcommittee No. 3
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Honorable Mike Chrisman, Secretary, Resources Agency
Mr. Don Wallace, Assistant Secretary, Resources Agency
Ms. Deborah Jayne, Executive Director, San Diego River Conservancy
Ms. Regina Serrano, Chief of Administration, State Coastal Conservancy

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Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to and Addition of Various Budget Bill Items, Support, Local Assistance, and Capital Outlay, Department of Water Resources

Paterno Settlement: First Union Real Estate Equity Settlement

It is requested that Item 3860-001-0001 be increased by $11.0 million to fund a subset of the Paterno settlement. Under Paterno v. State of California, the state was found to be liable for 1986 flood damage to the communities of Linda and Olivehurst in Yuba County. In January 2005, the Governor's Budget proposed to pay the estimated $464.0 million cost of the Paterno Settlement with a judgment bond. Since that time, however, the issue has become clearer. The Administration has, or is in the process of entering into, separate settlement agreements with flood victims. Specifically, the final and pending settlements are with:

- First Union Real Estate Equity ($11.0 million) for damage to the Peach Tree Mall facility.
- Arkwright-Boston Manufacturers Mutual Insurance Co. ($25.0 million) for damage to tenants of the Peach Tree Mall.
- Livaich et al ($428.0 million) for damage to all others residents and businesses.

The First Union settlement has been finalized and the Administration proposes to pay this settlement from the General Fund. Various payment options will continue to be evaluated as the remaining cases unfold.

Yuba Feather Flood Protection Program

It is requested that Item 3860-101-6010 be increased by $14.0 million. This request will provide additional Proposition 13 funding to the Yuba Feather Flood Protection Program for flood control projects along the Yuba-Feather river system. The Department of Water Resources (DWR) reports that local agencies are accelerating design and construction schedules, which could result in early completion of flood projects and thereby reduce flood risk to communities along the Yuba-Feather river system. The requested $14.0 million is in addition to the $20,909,000 already proposed in the Governor's Budget.

San Joaquin River Restoration Project

It is requested that Item 3860-002-6027 be added in the amount of $1,771,000 and that Item 3860-001-0001 be amended to reflect this change. It is also requested that Item 3860-496 be added to revert $9,160,000 from Item 3860-101-6027, Budget Act of 2000. The DWR awarded the Friant Water Users Authority (Friant) $15.7 million Proposition 13 to develop a restoration plan for the San Joaquin River, of which approximately $6.5 million has been spent. However, due to an unresolved lawsuit, the DWR is concerned that Friant will be unable to complete the plan. Therefore, the Department proposes to complete the restoration plan itself (Attachments A and B).

CALFED Water Quality Program—Franks Tract Project

It is requested that Item 3860-001-6031 be increased by $2.7 million and that Item 3860-001-0001 be amended to reflect this change. It is also requested that funding appropriated by Water Code Section 12937(b) and 12938 be increased by $309,000. The request will fund consultant service contracts for feasibility and environmental studies necessary to develop Franks Tract, a flooded Delta island. Three limited-term positions will provide state oversight of these contracts. The Franks Tract Project is an ecosystem restoration project under the CALFED Water Quality Program that will modify remnant levees and construct tidal gates to inhibit saltwater trapping, restore tidal marsh habitat, improve recreational opportunities, and improve the quality of water diverted to the State Water Project, Central Valley Project, and Delta water users.

Federal Funds—Flood Management

It is requested that Item 3860-001-0890 be increased by $800,000 and that Item 3860-001-0001 be amended to reflect this change. This request will provide additional federal fund expenditure authority for two flood management programs. Specifically, the request will provide $600,000 for the Map Modernization Management Support Program, which will improve the state's identification of flood hazards by way of floodplain mapping. The request will also provide $200,000 to fund new activities in the state's coordinating office for the National Flood Insurance Program. The new activities will include training workshops and technical assistance regarding flood insurance for local officials and state agencies.

Reversion—Proposition 50 Funds

It is requested that Item 3860-495 be added to revert $3.0 million from Item 3860-001-6031, Budget Act of 2002. The Budget Act of 2002 appropriated $20.6 million Proposition 50 for various CALFED Bay-Delta Program activities, which included $3.0 million to support a small grant program for local watershed coordinators. However, program responsibility was transferred to the California Bay-Delta Authority and the DWR did not expend the $3.0 million. This request will revert the funds (Attachment C).

APR - 1 2005

Extension of Liquidation Period

It is requested that Item 3860-492 be added to extend the liquidation period for the following appropriations:

- Item 3860-301-0001, Budget Act of 1999
- Item 3860-301-0001, Budget Act of 2000
- Item 3860-101-0543, Budget Act of 2000
- Item 3860-101-0790, Budget Act of 2002
- Item 3860-001-6031, Budget Act of 2002

A number of projects funded from the General Fund, Proposition 50, Proposition 204, and Proposition 82 will not be completed until after the liquidation period has expired. These projects have been delayed for a variety of reasons, such as delays in obtaining environmental permits. This request will provide additional time to complete the projects (Attachment D).

Reappropriation of Proposition 50 Funds

It is requested that Item 3860-491 be added to reappropriate $1,330,000 Proposition 50 from Item 3860-001-6031, Budget Act of 2004. Proposition 50 provides funding for various water and ecosystem projects. This request will reappropriate $830,000 for the Watershed Program to continue to provide technical assistance for watershed assessment, planning and management, and oversight of watershed grants. In addition, $500,000 is requested to complete hydraulic models for the Calaveras River Instream Structure and Fish Passage Study. The reappropriation is necessary because of unexpected delays in starting project activities (Attachment E).

Capital Outlay Reappropriations—Flood Control Projects

It is requested that Item 3860-490 be added to reappropriate funding for the following projects:

• Cache Creek Settling Basin Project	$448,000 (General Fund)
• 1997 Flood Damage Repair Project	$957,000 (General Fund)
	$384,000 (Reimbursements)
• Mid-Valley Area Levee Reconstruction Project	$746,000 (General Fund)
	$833,000 (Reimbursements)
• Upper Sacramento Area Levee Reconstruction Project	$211,000 (General Fund)
	$399,000 (Reimbursements)
• Tule River, Success Reservoir Enlargement Project	$1,203,000 (General Fund)
	$651,000 (Reimbursements)

These projects are under construction, but have been delayed for a variety of reasons, such as design changes, environmental constraints and mitigation, and delays in obtaining landowner easements. Consequently, the projects will not be completed until after their liquidation period has expired (Attachment F).

APR - 1 2005

CALFED Storage Program—Technical Correction

It is requested that Item 3860-001-6031 be decreased by $18,996,000 and that Item 3860-001-0001 be amended to reflect this change. One-time Proposition 50 funding in support of the CALFED Storage Program was not removed during preparation of the 2005-06 Governor's Budget. This request will eliminate this funding to ensure that Proposition 50 will not be oversubscribed.

Pro Rata Assessment—Technical Correction

It is requested that Item 3860-001-3100 be decreased by $15,037,000 and that Item 3860-001-0001 be amended to reflect this change. The Electric Power Fund was not given credit for a Pro Rata adjustment from a previous year resulting in an overcharge of $15,037,000 for 2005-06. This error was discovered after the release of the Governor's Budget. This request will ensure that the Electric Power Fund will not be overcharged the Pro Rata assessment.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Robert Schladale, Principal Program Budget Analyst, at 916-324-0043.

TOM CAMPBELL
Director
By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER
Chief Deputy Director

Attachment

Cc: On following page

APR - 1 2005

cc: Honorable Carole Migden, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Sheila Kuehl, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Fran Pavley, Chair, Assembly Budget Subcommittee No. 3
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Honorable Mike Chrisman, Secretary, Resources Agency
Mr. Don Wallace, Assistant Secretary, Resources Agency
Mr. Lester Snow, Director, Department of Water Resources
Mr. P. Joseph Grindstaff, Chief Deputy Director, Department of Water Resources
Ms. Kathie Kishaba, Budget Officer, Department of Water Resources

APR - 1 2005

Attachment A

3860-496—Reversion, Department of Water Resources. Upon termination of the grant contract entered into under Water Code Section 79205.8 by the Department with the Friant Water Users Authority, dated October 12, 2000, the balance specified below, of the appropriation provided in the following citation, shall revert to the balance in the fund from which the appropriation was made:

6027—Interim Water Supply and Water Quality Infrastructure and Management Subaccount

(1) Up to $9,160,000 from Item 3860-101-6027, Budget Act of 2000 (Ch. 52, Stats. 2000) as reappropriated by Item 3860-491, Budget Act of 2003 (Ch. 157, Stats. 2003)

APR - 1 2005

Attachment B

Add the following provisions to Item 3860-002-6027:

Provisions:
1. Funds appropriated in this item shall only become available to the extent that funds are reverted to the Interim Water Supply and Water Quality Infrastructure and Management Subaccount by enactment of Item 3860-496 of this act.

2. Funds appropriated in this item shall be used for restoration of the San Joaquin River, including completion of studies commenced under the grant contract entered into under Water Code Section 79205.8 by the Department with the Friant Water Users Authority, dated October 12, 2000.

APR - 1 2005

Attachment C

3860-495—Reversion, Department of Water Resources. As of June 30, 2005, the sum of $3,000,000 from the appropriation provided in the following citation shall revert to the Water Security, Clean Drinking Water, Coastal and Beach Protection Fund:

6031-Water Security, Clean Drinking Water, Coastal and Beach Protection Fund

(1) 3860-001-6031, Budget Act of 2002 (Ch. 379, Stats. 2002). $3,000,000.

APR - 1 2005

Attachment D

3860-492—Extension of liquidation period, Department of Water Resources. Notwithstanding any other provision of law, funds appropriated in the following citations shall be available for liquidation until June 30, 2007:

0001-General Fund

(1) Item 3860-301-0001, Budget Act of 1999 (Ch. 50, Stats. 1999), as reappropriated by Item 3860-492, Budget Act of 2004 (Ch. 208, Stats. 2004)

(4) 30.95.205-Sutter County Bridge Replacement

(2) Item 3860-301-0001, Budget Act of 2000 (Ch. 52, Stats. 2000)

(1) 30.95.010-Sacramento River Bank Protection Project
(2) 30.95.030-Merced County Streams

0543-Local Projects Subaccount

(1) Item 3860-101-0543, Budget Act of 2000 (Ch. 52, Stats. 2000)

0790-1988 Water Conservation Fund

(1) Item 3860-101-0790, Budget Act of 2002 (Ch. 379, Stats. 2002)

6031-Water Security, Clean Drinking Water, Coastal and Beach Protection Fund

(1) Item 3860-001-6031, Budget Act of 2002 (Ch. 379, Stats. 2002)

APR - 1 2005

Attachment E

Item 3860-491—Reappropriation, Department of Water Resources. The balance of the appropriation provided in the following citation is reappropriated for the purposes provided for in that appropriation and shall be available for encumbrance or expenditure until June 30, 2007:

6031—Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002

(1) Up to $1,330,000 from Item 3860-001-6031, Budget Act of 2004 (Ch. 208, Stats. 2004) for purposes of the CALFED Watershed and Ecosystem Restoration programs

APR - 1 2005

Attachment F

Item 3860-490—Reappropriation, Department of Water Resources. The balance of the appropriations provided in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in those appropriations:

0001—General Fund

(1) Section 1 of Chapter 5 of the Statutes of 1997, First Extraordinary Session, as reappropriated by Item 3860-490, Budget Act of 2000 (Ch. 52, Stats. 2000) and Budget Act of 2001 (Ch. 106, Stats 2001), as reappropriated by Item 3860-492, Budget Act of 2002 (Ch. 379, Stats. 2002)
    (e) 30.95.085-Cache Creek Settling Basin
    (g) 30.95.155-Mid-Valley Area Levee

(2) Item 3860-301-0001, Budget Act of 1998 (Ch. 324, Stats. 1998), as reappropriated by Item 3860-490, Budget Act of 2001 (Ch. 106, Stats. 2001), as reappropriated by Item 3860-492, Budget Act of 2002 (Ch. 379, Stats. 2002)
    (1.1) 30.95.111-1997 Flood Damage Repair Projects

(3) Item 3860-301-0001, Budget Act of 1997 (Ch. 282, Stats. 1997), as reappropriated by Item 3860-490, Budget Act of 2000 (Ch. 52, Stats. 2000) and Budget Act of 2001 (Ch. 106, Stats. 2001), as reappropriated by Item 3860-492, Budget Act of 2002 (Ch. 379, Stats. 2002)
    (5) 30.95.220-Upper Sacramento Area Levee Construction Project

(4) Item 3860-301-0001, Budget Act of 2002 (Ch. 379, Stats. 2002)
    (4) 30.95.297-Success Reservoir Enlargement Project

DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

APR - 1 2005

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Addition of Budget Bill Item 3870-490, Support, California Bay-Delta Authority

It is requested that Item 3870-490 be added to reappropriate $54.7 million Proposition 50 for the Battle Creek Watershed and for projects to assist farmers in integrating agricultural and ecosystem restoration activities (see Attachment A). The projects are part of the comprehensive CALFED Bay-Delta Program.

The Battle Creek Watershed restoration is a significant effort aimed at restoring the endangered winter-run Chinook salmon. Previously, $25.0 million was spent on this effort in 1999, and additional work costing $44.7 million is planned. However, the complexity of these plans has delayed the encumbrance of the Proposition 50 funds. Consequently, it is requested that $44.7 million be reappropriated for two years, until June 30, 2007. Similar issues have delayed the encumbrance of Proposition 50 funds for integrated agriculture and ecosystem restoration activities. A total of $10.0 million in these projects is affected, and it is also requested that these funds be reappropriated for an additional two years.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Robert Schladale, Principal Program Budget Analyst, at 324-0043.

TOM CAMPBELL
Director
By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Carole Migden, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Sheila Kuehl, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Fran Pavley, Chair, Assembly Budget Subcommittee No. 3
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Honorable Mike Chrisman, Secretary, Resources Agency
Mr. Don Wallace, Assistant Secretary, Resources Agency
Mr. Patrick Wright, Executive Director, California Bay-Delta Authority
Ms. Wendy Halverson-Martin, Chief Deputy Director, California Bay-Delta Authority
Ms. Kate Hansel, Assistant Director, Policy and Finance, California Bay-Delta Authority
Mr. Ned Confer, Budget Officer, California Bay-Delta Authority

APR - 1 2005

Attachment A

Item 3870-490—Reappropriation, California Bay-Delta Authority. The balance of the appropriation provided in the following citation is reappropriated for purposes provided for in that appropriation and shall be available for encumbrance and expenditure until June 30, 2007:

6031-Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002

(1) Up to $54,700,000 from Item 3860-001-6031, Budget Act of 2003 (Ch. 157, Stats. 2003) for the Battle Creek Restoration Project and for integrated agriculture and ecosystem restoration activities.