STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 03/25)

Fiscal Year	Business Unit Number	Department
2026-27	3860	Water Resources

Hyperion Budget Request Name	Relevant Program or Subprogram
3860-027-BCP-2026-GB	3245 – Public Safety and Prevention of Damage

Budget Request Title
Urban Flood Risk Reduction

Budget Request Summary
The Department of Water Resources (DWR) requests $12.5 million ($8.7 million General Fund and $3.8 million Proposition 4) to support and manage the United States Army Corps of Engineers (USACE) and Urban Flood Risk Reduction (UFRR) projects during fiscal year 2026-27.

Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed
☐ Trailer Bill Language ☐ Budget Bill Language ☒ N/A	Click or tap here to enter text.

Does this BCP contain information technology (IT) components? ☐ Yes ☒ No *If yes, departmental Chief Information Officer must sign.*	Department CIO	Date
	Click or tap here to enter text.	Click or tap to enter a date.

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

Project No. Click or tap here to enter text.
Approval Date: Click or tap to enter a date.
Project Approval Document: Click or tap here to enter text.
Total Project Cost: Click or tap here to enter text.

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

Prepared By	Date	Reviewed By	Date
Todd Bernardy	1/9/2026	Brian Fuller	1/9/2026
Department Director	**Date**	**Agency Secretary**	**Date**
Cindy Messer	1/9/2026	Amanda Martin for Sec.Crowfoot	1/9/2026

Department of Finance Use Only

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

Principal Program Budget Analyst	Date submitted to the Legislature
Andrew Hull	1/9/2026

A. Problem Statement

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

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

Bond funds can only be used to support state operations that have capital funding through the same bond; projects receiving capital funding through other sources cannot use bond funding for state operations. Of the total 30 active projects in 2026-27, only five will receive Proposition 4 funding in 2026-27. Therefore, Proposition 4 cannot be used to manage the remaining project planning, design, land acquisition, environmental compliance, construction management, construction inspection, and close out activities for projects that have already received their capital outlay state funding in previous years. Close out activities alone include technical review of as-built drawings, inspections of as-built sites, environmental review of mitigation and monitoring activities, review and assessment of long-term mitigation sites and/or mitigation resources, technical review of long-term operations and maintenance documentation, review and transfer of all real estate acquisitions, and review of final invoices and reconciliations of all expenditures.

Without state operations funding, there will be no funding to support the work needed to continue existing projects, putting billions in federal funding at risk. Over the past 5 years, the state has benefited from $90 million to $404 million per year in federal funding to implement federally authorized projects. If the state is not able to meet its obligations, federal funding will be reallocated to other states, and approximately $1.2 billion of previous state investments will be stranded. Further, if projects are discontinued and federal cost-share is reallocated to other states, the projects would be extremely difficult to restart, requiring many years of advocacy and potentially re-justifying project benefits. During the re-justification process, USACE may not find federal interest in the project, which would result in the termination of the project and loss of USACE as a cost-share and implementation partner. This would expose the Central Valley to extensive and prolonged flood risk for 1.1 million people and over $100 billion in assets.

Resource History
(Dollars in thousands)

Program Budget	**PY - 4**	**PY - 3**	**PY - 2**	**PY-1**	**PY**	**CY**
Authorized Expenditures	0	0	0	$8M	$10.3M	$12.5M
Actual Expenditures	$8.1M	$7.3M	$8M	$10.1M	$10.M	$12.5M**
Revenues	NA	NA	N	NA	NA	NA
Authorized Positions	23	25	26	26	26	26
Filled Positions	16	17	22	21	24	24
Vacancies	7	8	4	5	2	2

**Estimated

Workload History

Workload Measure	**PY - 4**	**PY - 3**	**PY - 2**	**PY-1**	**PY**	**CY**
Projects managed	30	30	30	30	30	30
Project agreements Closed	8	16	6	5	5	5
Miles of Levees Constructed	4	5	5	6.5	9.5	10
State Funds Spent	$108	$237M	$126M	$148M	$118M	$TBD
Fed Funds Appropriated	$103M	$175M	$404M	$153M	$112M	$90M

B. Justification

The $12.5 million in state operations is needed to support ongoing, critical USACE/UFRR urban projects which require oversight and project management by state subject matter experts and to ensure state obligations are met. As a result of past significant federal appropriations, including the $1.5 billion in supplemental funding in 2019 and large annual federal appropriations ($90 - $404 million per year since 2019), USACE has accelerated the current authorized work in Central Valley urban areas. USACE spending has increased from an average of $125 million per year to over $500 million per year. To meet the state cost-share obligation of these USACE projects, the volume of non-federal sponsor activities has increased to keep up with project implementation. Increased state activities are related to evaluating and considering flood risk reduction effectiveness, environmental compliance, climate adaptation, equity, increased flood and ecosystem resiliency, the wise use of floodplains, system performance, land acquisition and access rights, construction inspection, and long-term operations and maintenance.

State operations expenditures are independent from capital outlay expenditures because USACE requires state cost-share in advance. As an example, a large cost-share payment for a construction contract does not mean that a large amount of state operations is spent in that same period. DWR is still required to manage remaining project planning, design, land acquisition, environmental compliance, construction management, construction inspection, and close out activities for projects that already received their state funding in previous years. Close out activities alone include technical review of as-built drawings, inspections of as-built sites, environmental review of mitigation and monitoring activities, review, and assessment of long-term mitigation sites and/or mitigation resources, technical review of long-term operations and maintenance documentation, review and transfer of all real estate acquisitions, and review of final invoices and reconciliations of all expenditures. Additionally, large payments for land acquisition or utility relocations do not equate to proportional state operations expenditures. State operations need is estimated and requested annually based on anticipated state operations workloads for the subsequent year to allow for better tracking and to ensure need is met.

The funding is required to ensure that state obligations are met on critical USACE/UFRR urban projects for 2026-27. This will support the existing 26 positions within the Flood Projects Branch, consultant support, and operational expenses. A breakdown of the request is as follows: $6.5 million Flood Project Branch Staff Costs

- Flood Projects Branch staff includes 1.0 Principal Water Resources Engineer (WRE), 3.0 Supervising WRE, 9.0 Senior WRE, 5.0 WRE, 2.0 Senior Environmental Scientists (ES), 4.0 ES, 1.0 Staff Services Manager I, 1.0 Associate Governmental Program Analyst, 1.0 Office Technician, and 1.0 Student Assistant.
- $0.4 million General Expenses (i.e. training, equipment purchases and maintenance, travel, supplies)
- $0.2 million Staff Training
- $5.4 million Contract Costs
- $0.5 million Bender Rosenthal (Real Estate Services)
- $0.2 million Psomas (Land Surveying)
- $0.4 million TRC Engineering (Environmentally focused Construction Management)
- $0.5 million Vali Copper (Construction Inspections)
- $0.1 million Environmental Records Search (Real Estate; Environmental Due Diligence)
- $1.3 million HDR Inc. A&E Contract (project planning, economic analysis, disadvantage community tracking and analysis, engineering design, environmental sustainability and compliance, technical review/performance assurance, state interest valuation)
- $1.8 million DOE Services (Real estate services, land acquisition, technical review, construction management, and construction inspection).
- $0.6 million DWR Office of General Counsel (Legal services)

C. Departmentwide and Statewide Considerations

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

Urban Projects/Studies are generally considered those that protect urbanized areas and the majority of the state's public and private assets. These projects are initiated and led by USACE and contributed to by local and state partners pursuant to federal cost-share requirements. These projects contribute directly toward 200-year flood protection, which is required per SB 5 (Chapter 364, Statutes of 2007), for Central Valley urban communities such as the Sacramento and Stockton regions.

The Governor's Water Resilience Portfolio presents the state's responses to water issues in California. This document outlines the goals, objectives, and strategies to prioritize and define work in the larger context of the political issues surrounding water management in the state. Portfolio Action 25.7 directs the state to "Partner with urban communities to improve existing and identify new flood risk reduction projects to meet or exceed state and federal standards." A variety of documents also support this policy, including the Central Valley Flood Protection Plan (CVFPP) 2022 update, and the DWR Strategic Plan. The funding of these projects directly supports and aligns with Goal 3, Objective 2 of the DWR Strategic Plan, which is to; pursue innovative infrastructure solutions (Goal 3) and align financial strategies with infrastructure needs (Objective 2). The projects outlined above are part of the USACE Urban Projects and UFRR program. These priority projects were part of USACE feasibility studies and recent legislation that mandated CVFPP adopted in 2012 and updated in 2017 and 2022.

Local agencies leverage USACE and UFRR improvements to achieve 200-year level of protection in accordance with the Urban Levee Design Criteria (ULDC) which includes an extra foot of freeboard to provide resilience to climate change. Many of the urban communities include disadvantaged communities and the UFRR program includes incentives to add multi-benefit features that enhance the environmental resiliency of the flood system.

The critical United States Army Corps of Engineers (USACE) projects and Urban Flood Risk Reduction (UFRR) projects for this BCP benefit disadvantaged communities in urban areas of the Central Valley. These projects provide urban areas with 200-year flood protection per Chapter 364, Statutes of 2007 (SB 5).. Since these projects focus on urban areas, all demographic and geographic groups within these areas will benefit from these projects. The department continues to work with USACE on a regular and ongoing basis to align projects and efforts with the state's equity priorities.

The department acknowledges the importance of equity, and these projects contribute to this by providing equal flood risk reduction benefits to all communities (Including disadvantaged communities and areas of cultural resource significance to Tribal communities) within the urban areas protected by the project. The department continues to support local decision making by engaging with local entities on a regular basis to encourage them to support the state's equity priorities and keep their communities aware of the project benefits and status of the projects.

D. Outcomes and Accountability

Projected Outcomes

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
Projects managed	30	30				
Project agreements Closed	5	5**				
Miles of Levees Constructed	10	8.5**				
State Funds Spent	TBD	TBD				
Fed Funds Appropriated	$90M	$TBD				

E. Implementation Plan

This request will support ongoing projects that take decades to complete. As such the key milestones and deliverables are generally contained in the Workload measures in Section D above.

F. Supplemental Information (If Applicable)

N/A

BCP Fiscal Detail Sheet

(Dollars in Thousands)

BCP Title: Urban Flood Risk Reduction

BR Name: 3860-027-BCP-2026-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
5322 - Training	0	200	0	0	0	0
5340 - Consulting and Professional Services - Interdepartmental	0	2,400	0	0	0	0
5340 - Consulting and Professional Services - External	0	3,000	0	0	0	0
54XX - Special Items of Expense	0	3,100	0	0	0	0
Total Operating Expenses and Equipment	**$0**	**$8,700**	**$0**	**$0**	**$0**	**$0**

Total Budget Request

Total Budget Request	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
Total Budget Request	**$0**	**$8,700**	**$0**	**$0**	**$0**	**$0**

Fund Summary

Fund Source

Fund Source	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
State Operations - 0001 - General Fund	0	8,700	0	0	0	0
Total State Operations Expenditures	**$0**	**$8,700**	**$0**	**$0**	**$0**	**$0**
Total All Funds	**$0**	**$8,700**	**$0**	**$0**	**$0**	**$0**

Program Summary

Program Funding

Program Funding	FY26 Current Year	FY26 Budget Year	FY26 BY+1	FY26 BY+2	FY26 BY+3	FY26 BY+4
3245 - Public Safety and Prevention of Damage	0	8,700	0	0	0	0
Total All Programs	**$0**	**$8,700**	**$0**	**$0**	**$0**	**$0**