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

Fiscal Year	Business Unit Number	Department
2026-2027	3860	Water Resources

Hyperion Budget Request Name	Relevant Program or Subprogram
3860-022-BCP-2026-GB	3230 – Continuing Formulation of the California Water Plan

Budget Request Title
Delta Levees Program Mitigation

Budget Request Summary
The Department of Water Resources' (DWR) Division of Multibenefit Initiatives (DMI) requests $14 million General Fund to support the compensatory mitigation needs of the Delta Levees Program, which includes the Delta Levees Special Flood Control Projects and Delta Levee Maintenance Subventions Programs in the Sacramento-San Joaquin Delta. Mitigation is a requirement for implementing levee safety projects in the Delta and an ineligible use of proposition funding.

Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed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 Click or tap here to enter text.	Date Click or tap to enter a date.

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

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

Approval Date: Click or tap to enter a date. **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
Steve Rothert	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

Levees in the Sacramento-San Joaquin Delta protect hundreds of thousands of acres of farmland, Legacy Communities, major highways, and other critical infrastructure, as well as water quality and critical habitat. DMI's Delta Resiliency Branch implements the Delta Levees Special Flood Control Projects and Delta Levee Maintenance Subventions Programs (Programs), which are critical to maintaining flood protection in the Sacramento-San Joaquin Delta. These programs administer and manage projects to reduce flood risk for communities, farms and businesses, highways and other infrastructure, improve the Delta ecosystem, and help ensure a reliable water supply for California consistent with existing law.

Rehabilitation of levees often results in impacts to habitat types that are assessed by the California Department of Fish and Wildlife (CDFW). Existing law specifies that the program's projects must result in a "no net loss of habitat," which requires mitigation when impacts occur. This requires DWR to work with local public agencies, public beneficiaries, and CDFW to develop projects necessary to accomplish flood protection in the Delta, while achieving no net habitat loss. Projects shall protect fish and wildlife habitat determined to be necessary by CDFW. These projects may include, or be a combination of, the improvement, rehabilitation, or modification of existing levees and the conveyance of interests in land to limit or to modify land management practices which have a negative impact on flood control facilities. To carry out these statutory mandates, DWR works closely with local Reclamation Districts and CDFW to develop and implement projects.

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

Due to the lack of credits available from mitigation banks and the lengthy process of developing advanced mitigation, the Delta Levees program is currently running a deficit of approximately 17 acres and requires immediate development of mitigation to bring the program into good standing. Any additional delays will jeopardize the program's ability to maintain the Delta levee system and further increase this deficit. Historically, the average impact for the Program is 12 acres per year from 2009 to 2023 and this average is expected to continue.

Furthermore, CDFW now requires compensatory mitigation for the Program to be implemented in multiple locations throughout the Delta and not occur all in one location, since the impacts occur throughout the Delta and affect the regional biological diversity and integrity of the Delta. For this reason, multiple options for compensatory mitigation are necessary to fully mitigate the loss of habitat and have a net benefit for aquatic species in the Delta.

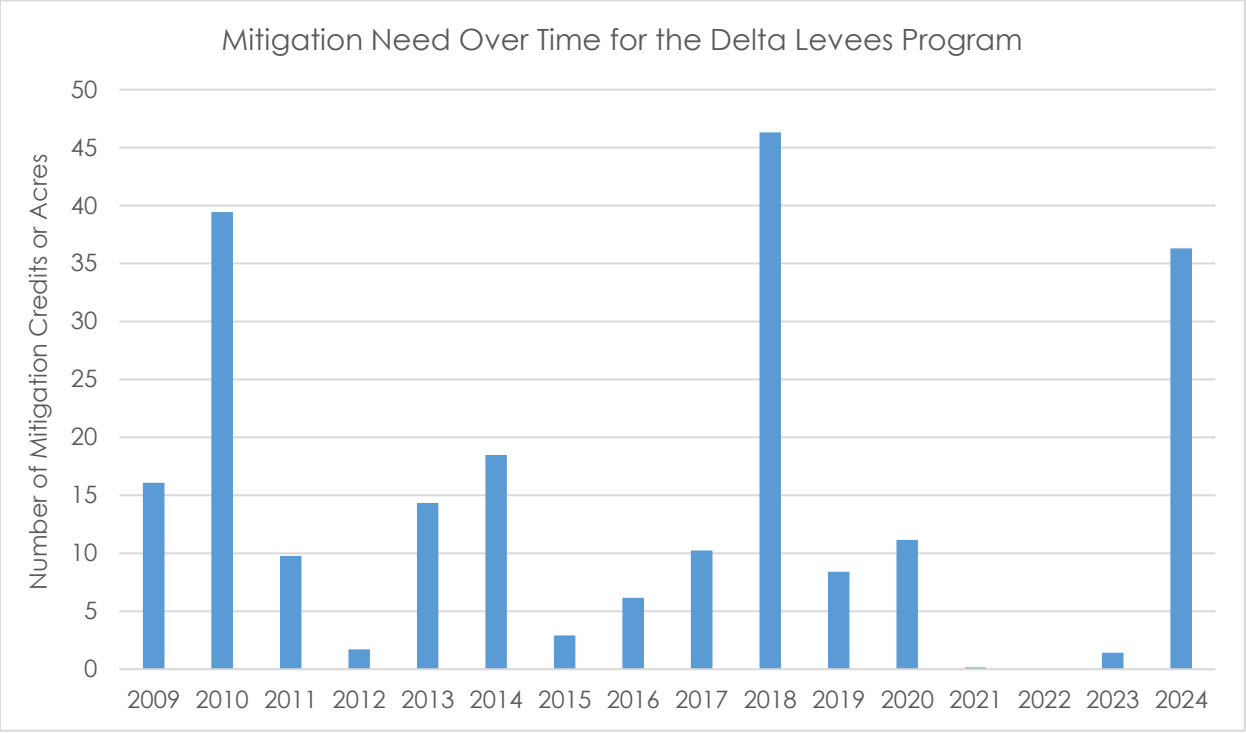
Resource History
(Dollars in thousands)

Program Budget	**PY-1**	**PY**	**CY**
Authorized Expenditures	2,000		
Actual Expenditures	400	800	800

Workload History

Workload Measure	PY – 6 (2018)	PY – 5 (2019)	PY – 4 (2020)	PY – 3 (2021)	PY-2 (2022)	PY-1 (2023)	PY (2024)	CY (2025)
Mitigation Credits Available at the Bulk Credit	36.53	21.95	14.65	4.27	4.12	4.12	2.69	0.24
Mitigation credits used from the Bulk Credit Program	14.58	7.3	10.38	0.15	0	1.43	2.45	0.24
Purchase of Credits outside the Bulk Credit Program	0	0	0.78	0	0	0	0	0
Mitigation Sites	31.73	1.11	0	0	0	0	35.72	0
Total Mitigation	**46.31**	**8.41**	**11.16**	**0.15**	**0**	**1.43**	**36.3**	

Workload Measure	PY – 15 (2009)	PY – 14 (2010)	PY – 13 (2011)	PY – 12 (2012)	PY – 11 (2013)	PY – 10 (2014)	PY – 9 (2015)	PY – 8 (2016)	PY – 7 (2017)
Mitigation Credits Available at the Bulk Credit	0	0	0	0	85	70.66	55.47	52.58	46.78
Mitigation credits used from the Bulk Credit Program	0	0	0	0	14.34	15.19	2.89	5.8	10.25
Purchase of Credits outside the Bulk Credit Program	14.51	4.43	9.77	1.71	0	3.3	0.03	0.36	0
Mitigation Sites	1.57	35	0	0	0	0	0	0	0
Total Mitigation	**16.08**	**39.43**	**9.77**	**1.71**	**14.34**	**18.49**	**2.92**	**6.16**	**10.25**



Note the table above only shows riparian forest and scrub shrub habitats. Although Fresh Emergent Marsh is part of the Program tracking, the impacts and mitigation needs are relatively small for this habitat type. Also, the current year 2025 is not complete and more mitigation credit will be transferred before the end of the year.

B. Justification

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

The graph and tables above show the mitigation needs since 2009. Mitigation needs fluctuate each year and in order to keep up with demand, the program needs to develop its own advanced mitigation projects to create a cost-effective larger supply of credits. Without the ability to secure mitigation credits, Delta Reclamation Districts will be in violation of water code requirements, thereby losing eligibility to receive state funds to maintain their levees and continue to incur costs associated with retentions being withheld.

The purchase of credits from an established mitigation bank alleviates the need for a local Reclamation District to record a permanent conservation easement, establish an endowment, and manage a site in perpetuity. In the past, the program participated in a Bulk Credit Purchase at the privately owned Consumnes Floodplain Mitigation Bank, which satisfied the requirements for high-quality mitigation habitat and used DWR's buying power to purchase existing mitigation credits to support the Program's mitigation needs. However, all credits available through the Bulk Credit Program have been used and the Program has no more mitigation credits available to offset habitat impacts for levee maintenance and improvement projects.

It is more cost effective to provide mitigation programmatically rather than to have each Reclamation District provide mitigation individually for each project. The requested funds are intended to achieve the following options for compensatory mitigation: (1) develop waterside riparian habitat to use for advanced mitigation projects identified by the Working Group as potential opportunities (over $10 million), (2) develop a Regional Conservation Investment Strategy (RCIS) to allow opportunities for advanced mitigation throughout the Delta ($1.4 million), and (3) use the remaining funds to purchase mitigation credits through a Bulk Credit Program when they come online within the next two years.

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

DWR is planning to develop an RCIS within the Delta to aid in developing additional advanced mitigation opportunities. An RCIS will make it easier for the Special Projects program to incorporate advanced waterside habitat as mitigation into their project development. These actions allow the program to strategically plan and develop compensatory mitigation to comply with state and federal regulations with efficiency in the long-term resulting in a net-cost savings for the program. Although DWR is pursuing a grant to supplement funds for the development of the RCIS, a combination of staff time and contract work will be used to complete this task.

Lastly, mitigation credits must be immediately purchased when they become available in the Delta, often selling out through agreements before Bank construction is even completed. As a highly sought after commodity that is in short supply, the acquisition of credits to fill in the gaps of service area and habitat type while other mitigation options are being developed is key to protect hundreds of thousands of acres of farmland, several heritage towns and other

communities, major highways and other critical infrastructure, as well as water quality and critical habitat in the heart of California's water supply system.

C. Departmentwide and Statewide Considerations

Providing advanced mitigation for the program allows for an equitable distribution of mitigation across all the Reclamation Districts at a lower cost to allow all the islands equal opportunity to maintain their levees. These projects and Programs are consistent with California Water Resiliency Portfolio, DWR Strategic Plan and other Delta policies and initiatives.

Delta levees serve a critical water supply function of statewide benefit by protecting infrastructure and water quality necessary to transfer fresh water to Central and Southern California. Delta levees protect prime farmland, infrastructure, and people and are geographically located such that they are subject to the direct impacts from both sea-level rise and increased flood flows from tributary watersheds affected by climate change. Funds to manage Delta levees are of critical statewide importance, especially during a drought when a reliable water supply is already at risk. Furthermore, mitigating the impacts from levee work to habitat and species will increase resiliency for species and habitat to anticipated climate changes.

The proposal to fund the Program is consistent with:

- California Water Code
- California Sacramento-San Joaquin Delta Reform Act of 2009 co-equal goals of water supply reliability and ecosystem enhancement for the Delta
- California Water Resilience Portfolio, Action 10, Action 18, and Action 25
- DWR Strategic Plan, Goal 15 and Goal 11
- Priorities established within the Pillars of the Natural Resource Agency
- Executive Order N-82-20 Directives 1(e), 2(d), 3(a), 4(b), and 6(a)
- Pathways to the 30x30 Initiative
- Central Valley Flood Protection Board Strategic Plan & Central Valley Flood Protection Plan
- Delta Stewardship Council's Delta Levees Investment Strategy & California Delta Plan
- California Water Plan
- CDFW's Delta Conservation Framework
- Sacramento San-Joaquin Delta Conservancy's Delta Public Lands Strategy

D. Outcomes and Accountability

The expected outcomes are measured by the following:

- New habitat mitigation credits (acres) developed for the Program.
- Habitat mitigation credit transactions to be completed by local agencies for the Program within a fiscal year. This is dependent on price and market availability.
- Planning for the development of an RCIS including consulting with CDFW and drafting an RCIS.

Projected Outcomes

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
New habitat mitigation credits developed (acres) for the program	0	0	0	20	20	20
Bulk Credit Purchase - Habitat mitigation credit transactions to be completed by local agencies	0	0	2	2	0	0

E. Implementation Plan

(1) Within the next two years, the Program will initiate the planning and development of the waterside riparian habitat opportunities identified by the Advanced Waterside Riparian Working Group to use as an advanced mitigation project.

(2) Within the next 5 years, the Program will use funds to purchase a limited number of mitigation credits through a Bulk Credit Program when they come online from mitigation banks that are currently in the development that provide the appropriate credit types within the Delta.

(3) The Program will apply for a grant to supplement the planning costs to develop an RCIS for the portion of the Delta that is not already covered by an existing RCIS. Within the first two years, the Program will initiate a contract to assist in developing the RCIS. Within five years, the Program will have a draft RCIS for consideration by CDFW.

F. Supplemental Information (If Applicable)

N/A

BCP Fiscal Detail Sheet

(Dollars in Thousands)

BCP Title: Delta Levees Program Mitigation

BR Name: 3860-022-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
539X - Other	0	14,000	0	0	0	0
Total Operating Expenses and Equipment	**$0**	**$14,000**	**$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**	**$14,000**	**$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	14,000	0	0	0	0
Total State Operations Expenditures	**$0**	**$14,000**	**$0**	**$0**	**$0**	**$0**
Total All Funds	**$0**	**$14,000**	**$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
3230 - Continuing Formulation of the California Water Plan	0	14,000	0	0	0	0
Total All Programs	**$0**	**$14,000**	**$0**	**$0**	**$0**	**$0**