

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: RN 07 24840
POSITION: Neutral

BILL NUMBER: SB 516
AUTHOR: S. Aanestad

BILL SUMMARY: Shasta-Tehama County Watermaster District

This bill would establish the Shasta-Tehama County Watermaster District (new watermaster district).

FISCAL SUMMARY

This bill would authorize the new watermaster district to perform watermaster activities and specify that no reimbursement is required because the new watermaster district has the authority to levee fees sufficient to pay for the program. In addition, this bill specifies that any costs Shasta and Tehama Counties incur for services provided to the new watermaster district will be included in the new watermaster district's budget.

The Department of Water Resources (DWR) currently provides watermaster services in the proposed new watermaster district. The services provided for the districts within Shasta and Tehama counties are currently supported by user fees, but are also subsidized by the General Fund. The revised Governor's Budget includes \$1.4 million General Fund for the watermaster program. Approximately 7 percent of DWR's reported need for General Fund is attributable to these districts; therefore, this bill may result in some General Fund savings. In addition, the fees DWR collects in this area would decrease, so DWR's reimbursement authority could decrease as well.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the July 2, 2007 version include the following significant amendment which does change our position:

This bill would now specify that costs incurred by Shasta or Tehama county for the new watermaster district will be included in the new watermaster district's budget.

COMMENTS

Finance has a neutral position on this bill because it would not result in additional costs to the state and concerns a policy matter on which we are neutral. Additionally, this bill may result in some General Fund savings because DWR's costs to provide watermaster services within the new watermaster district's boundaries, currently covered by General Fund and fees, would no longer be incurred.

Under SB 775 (Chapter 246, Statutes of 2006), water right holders in a watermaster service area may request the court to appoint another public agency other than DWR to serve as watermaster. This bill would establish the Shasta-Tehama County Watermaster District, which could be appointed instead of DWR to provide watermaster services in five current watermaster service areas: Burney Creek, Hat Creek, North Fork Cottonwood Creek, North Cow Creek, and Digger Creek.

(Continued)

Analyst/Principal (0631) M. Almy	Date	Program Budget Manager Karen Finn	Date
-------------------------------------	------	--------------------------------------	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

S. Aanestad

RN 07 24840

SB 516

COMMENTS (continued)

The Watermaster Services Program (Program) was established in 1924 to ensure that water is allocated by an impartial third party according to legal water rights established by court orders. A number of streams in Northern California, and several groundwater basins in Southern California, have water rights established by court decrees. DWR has been legally responsible for ensuring that the surface water diversions and groundwater pumping comply with court orders.

Prior to 2004, the cost of the Program was funded 50 percent from the General Fund and 50 percent by water right holders. However, Program billing rates had not increased despite increased costs to administer the Program. As a result, many of the water right holders were only paying 25 percent or less of the actual costs of the Program, with DWR absorbing the difference. Chapter 230, Statutes of 2004 (SB 1170) changed the funding for the Program and provided that it should be 100 percent supported from fees on the water right holders that benefit from the services. However, fees have not increased to entirely cover the costs of the Program. DWR reports that although some districts are 100 percent supported by fees, on average DWR only collects fees sufficient to cover 42 percent of its costs of the Program in DWR's Northern District. The districts covered by this bill provide between 33 percent and 100 percent of DWR's costs to perform watermaster services in the districts.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	(Fiscal Impact by Fiscal Year)			Fund Code
				(Dollars in Thousands)			
				2007-2008	2008-2009	2009-2010	
3884/Mandates-Res	SO	No		----- See Fiscal Summary -----			0001
3860/Water Res	SO	No		----- See Fiscal Summary -----			0001
3860/Water Res	SO	No		----- See Fiscal Summary -----			0995
<u>Fund Code</u>	<u>Title</u>						
0001	General Fund						
0995	Reimbursements						