

**DEPARTMENT OF FINANCE BILL ANALYSIS**

**AMENDMENT DATE:** 06/25/2012  
**POSITION:** Neutral, note concerns  
**SPONSOR:** Central Valley Flood Control Association

**BILL NUMBER:** SB 200  
**AUTHOR:** Wolk, Lois

**BILL SUMMARY: Delta Levee Maintenance**

The Department of Water Resources' (DWR) Delta Levees Subvention Program (Subvention Program) provides up to 75 percent state cost-share for Delta levee maintenance work that exceeds \$1,000 per mile. Under current law, the statute declaring legislative intent to provide a 75 percent state cost-share for levee maintenance projects will expire on July 1, 2013 and be replaced by language that reduces the state cost-share to 50 percent. This bill would extend the sunset date for the 75 percent cost-share until July 1, 2018.

**FISCAL SUMMARY**

The Legislature included statutory language establishing the intent to provide a 50 percent state match for levee projects in 1973. In 1988, the Legislature appropriated \$12 million annually through 1998-99 for the Delta Flood Protection Fund and increased the maximum state share to 75 percent. Since that time multiple legislative actions, in conjunction with the availability of voter-approved bond funding, have extended the sunset date to July 1, 2013. This bill would extend the date to July 1, 2018, which would coincide with the projected availability of current bond funds. We note that extending the sunset date will result in greater state expenditures per project than would be the case under current law, resulting in fewer state-matched projects overall. However, DWR indicates many local governments find it difficult to meet the current 25 percent match, so it is unclear that a sufficient number of local partners would be available at a 50 percent match level.

Chapter 718, Statutes of 2010 (SB 855) allocated \$170 million of Proposition 1E and \$32 million of Proposition 84 funding for projects intended to reduce the risk of levee failure in the Sacramento-San Joaquin Delta. The 2012-13 Budget includes \$12.8 million of these funds for the Subvention Program, based on the volume of project proposals from local agencies and DWR's reimbursement eligibility guidelines. Since 2007-08, the state's share of program costs has averaged \$12.2 million annually, an amount that represents 71.6 percent of the shared costs.

**COMMENTS**

The Department of Finance is neutral on this bill because it will continue to fund necessary levee maintenance activities without increasing the overall cost to the state. However, we note a concern that the bill would result in the state paying a higher share for Delta levee projects than it would under current law, leaving less Proposition 1E and Proposition 84 funding for other flood control projects.

This bill would not affect the total amount budgeted for Delta levee subventions, but would delay the implementation of an increased local share by seven years. The effect of the delay is unclear. While earlier implementation of the increased local share could allow state funds to be provided to a greater number of repair and maintenance activities, DWR indicates that the increased share could make the program less viable because many of the local entities applying for the subventions find it difficult to meet even the 25 percent match. However, it is possible for local reclamation districts to raise assessments to provide more funds for levee maintenance and repair.

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Analyst/Principal Steve Wells	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

Wolk, Lois

06/25/2012

SB 200

**COMMENTS** (continued)

Given the finite nature of bond funds, it would be in the State's interest to maintain the 50 percent cost-share beginning July 1, 2014, as required under current law. Funds that would otherwise be allocated to the Subvention Program under the increased cost-share provided in this bill would be available for other priorities, including the Special Projects Program, projects increasing the levels of flood prevention for urban areas, and repairing or reconstructing levees or other facilities that are a part of the State Plan of Flood Control.

Resources for Propositions 1E and 84 are finite, and can be used for multiple purposes. Specifically, SB 855 specifies the \$202 million appropriation may be used to reduce the risk of levee failure in the Delta through both the Subvention Program and the Delta Levees Special Flood Control Projects (Special Projects Program). The Subvention Program is directed more at projects of local interest with an emphasis on Delta levee maintenance. The Special Projects Program provides funding that is directed primarily by the DWR and used for projects of statewide interest, focusing on improvements to specific sites. In the past, these specific sites have included various western islands that prevent saltwater intrusion which could compromise the state's water supply system.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code	
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2012-2013	FC	2013-2014	FC	2014-2015
3860/Water Res	LA	No		-----	No/Minor Fiscal Impact	-----		6051
3860/Water Res	LA	No		-----	No/Minor Fiscal Impact	-----		6052
<u>Fund Code</u>	<u>Title</u>							
6051	SafeDrinkWtr,WtrQual/Sup,FldCtrl,RvrCstl							
6052	DisasterPreparedness/FloodPreventionBond							