BILL ANALYSIS

SENATE COMMITTEE ON APPROPRIATIONS
Senator Ricardo Lara, Chair
2015 - 2016 Regular Session

SB 554 (Wolk) - Delta levee maintenance

Version: January 4, 2016	Policy Vote: N.R.&W. 9 - 0
Urgency: No	Mandate: No
Hearing Date: January 19, 2016	Consultant: Marie Liu

This bill meets the criteria for referral to the Suspense File.

Bill
Summary: SB 554 would make permanent the state's 75% maximum cost share for Delta levee maintenance costs in excess of $1,000 per mile.

Fiscal
Impact: Annual cost pressures in the millions of dollars (General Fund) to fund local projects to improve and maintain levees

Background: The Delta Levees Maintenance Subventions Program provides state funding to local agencies for the rehabilitation and maintenance of levees in the Sacramento-San Joaquin Delta. In 1996, the Legislature established the reimbursement rate to be temporarily up to 75% of any costs incurred in excess of $1,000 per mile depending on the agency's ability to pay. This rate was to be reduced to 50% on July 1, 2006. Legislative intent language also suggested a $2 million annual limit on reimbursements to each agency beginning on July 1, 2006. However, the Legislature subsequently extended this date several times so that the higher reimbursement rates are currently authorized until July 1, 2018.

The sunset extensions have been made under various justifications, including that such levee improvements are important measures to protect the state's drinking water supply and other infrastructure.

Proposed Law: This bill would permanently delete the sunset date and would instead set the upper limit on the state's cost share at 75%. This bill would also delete the legislative intent language regarding the 50% reimbursement rate and the $2 million annual limit.

Staff Comments: Funding history. The funding for the Delta Levee Maintenance and Subventions Program has come from multiple sources through the year, including the General Fund. Since 1997, the funding from the program has come from voter-approved general obligation bonds (Prop 50, Prop 84, and Prop 1E), which are repaid by the General Fund. Over the past ten years, annual program funding has ranged between $5.7 and $16.3 million. Reimbursements to a single agency have rarely exceeded $2 million annually.

Remaining funding. According to DWR, there is $85 million from Proposition 84 and $70 million from Proposition 1E available for Delta levees. Historically 40% of these funds have been spent for the Subventions Program with the remaining amount going towards special projects. Based on historical spending, these bonds monies will be able to support the Subventions Program for another 5 to 10 years.

Staff notes that Proposition 1 provided $295 million to reduce the risk of levee failure and flood in the Delta, of which local assistance through the subventions program is an eligible use.

What has been the state cost share of delta levee projects historically? According to DWR, the state has been paying approximately 75% of eligible project costs. Ineligible project costs include items such as salaries, non-patrol road roadway repairs, and the first $1,000 per mile costs. When all costs are considered, the state pays an average of 70% of the costs with the local districts paying the remainder.

Existing law requires that Department of Water Resources (DWR) assess the local agency's ability to pay for the levee maintenance or improvement when determining the reimbursement rate. In its initial assessment of program participants in 1997-98, DWR found that all local districts qualified for full 75% reimbursement given their agricultural economic base. In 2007, the Subventions Program did another full review of local agencies' ability to pay. In a letter to the Central Valley Flood Protection Board dated October 28, 2013, DWR states, "The [2007] study verified that agricultural islands continue to qualify for full 75-percent State reimbursement. The study also revealed that non-agricultural islands may have the ability to pay a higher share; however, with the downturn in the economy in 2008, it was determined that the non-agricultural islands should not conduct a comprehensive ability to pay study at the time.

The economic downturn and continuing economic slump through today have reinforced the wisdom of that decision."

The letter further states that DWR reviews annual applications for significant changes of land use or economic conditions and while the 2013-14 applications revealed no significant changes, a closer look into the ability to pay may be warranted as the economy continues to improve and local districts gain greater financial stability.

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