

October 13, 2017

Staff Report

Consider Modification to the Sacramento and San Joaquin Drainage District Assessment Statutes

1.0 ITEM

The major theme of the 2017 Central Valley Flood Protection Plan Update (2017 CVFPP Update) was developing adequate funding and financing to support the long and near-term goals of the 2017 CVFPP Update. This theme is shown in the findings of the 2017 CVFPP Update, which identified an approximate \$100 million shortfall in current annual funding for operation, maintenance, repair, and rehabilitation as part of approximately \$17 to \$21 billion that will be needed over the next 30 years to implement the 2017 CVFPP Update. The 2017 CVFPP Update states that existing funding mechanisms for the State Plan of Flood Control (SPFC) are inadequate to support needed investments. The current funding mechanisms are shared between three levels of government – State, federal, and local. State funding is provided primarily from the general fund with general obligation bonds providing the bulk of the State share of capital investments for the past 10+ years. Federal funding is provided through U.S. Army Corps of Engineers (USACE), Federal Emergency Management Agency, and federal ecosystem programs. Local funding is developed through benefit assessments and special taxes. The 2017 CVFPP Update recommends that all funding partners contribute significantly more than they have in the past.

The 2017 CVFPP Update also identifies potential new funding sources that may be developed and utilized to secure consistent funding for ongoing and capital investments. These new funding sources include reutilizing the Sacramento and San Joaquin Drainage District (SSJDD), establishing river basin assessments (a small portion of which would be allocated to flood control), and augmenting or replacing the National Flood Insurance Program with a State-led program. In particular, reutilizing the SSJDD could be accomplished by updating its existing statutes to allow the Central Valley Flood Protection Board (Board) to assess properties benefiting from the SPFC, resulting in sustainable funding that could be used for operation and maintenance and local cost share of capital improvement projects.

In accordance with Board Resolution 2017-10, Staff will undertake a comprehensive review of the existing SSJDD assessment statutes (Water Code Part 4, Chapter 5, Articles 1-6, Sections 8750, et seq.), make recommendations regarding necessary changes to accomplish the goals of the 2017 CVFPP Update, and seek support from

the Administration to modify any existing statutes or add statutes, as needed. The process would address the following policy items:

1. Looking at the flood system through the modern State Systemwide Investment Approach (SSIA) lens as opposed to the original project by project approach of the SSJDD which assessed individual areas for specific projects.
2. Examine the existing boundaries of the SSJDD, which were drawn before the modern infrastructure was in place, to determine whether it should be adjusted.
3. Examine the process for determining assessments.

2.0 HISTORY OF THE SACRAMENTO AND SAN JOAQUIN DRAINAGE DISTRICT ASSESSMENT AUTHORITY

In 1912, the State Legislature created the State Reclamation Board for the purpose of exercising jurisdiction over levee construction within the Sacramento and San Joaquin Valleys and to ensure levee construction remained consistent with the USACE Jackson Plan. The State Legislature created the SSJDD to fund construction of the Sacramento Flood Control Project (which was later incorporated into the SPFC), including the Sacramento River bypass system. Beginning in the 1920's and continuing to the 1930's, the Reclamation Board issued bonds and levied assessments for construction of Project features that could not be funded locally. Unfortunately, during this time the United States, along with most of the world, suffered through the Great Depression and the assessments had limited success. Since that time, the Board has not utilized its SSJDD assessment authority.

3.0 ACTION ITEMS

Reutilizing the SSJDD

The original purpose of the SSJDD assessment statutes was to fund the construction of local Project features in the early 20th century. Staff in conjunction with DWR will review the existing Statutes and make recommendations regarding utilizing the SSJDD assessment authority to address the consistent shortfall in funding for critical efforts such as operation, maintenance, repair, and rehabilitation of existing facilities as identified in the 2017 CVFPP Update.

Existing Boundaries of the SSJDD

The boundary of the SSJDD was developed in the early 20th century to cover areas affected by river overflow. Since then, the flood system has added several multipurpose reservoirs and evolved from primarily protecting agricultural lands to providing flood risk reduction and other water management benefits for a continually growing population, economy, and critical habitats throughout the Central Valley.

Staff will be reviewing the boundaries of the SSJDD to ensure that the definition accurately covers and properly recognizes those areas benefitted by the existing SPFC.

Determining the Assessment Process

The current process for levying assessments for flood control through the SSJDD is contained in Chapter 5 of the Water Code beginning with Section 8750. Staff will examine the Water Code and evaluate which, if any, of the existing statutes setting forth the process to levy assessments through the SSJDD should be revised.

4.0 FUTURE ACTION AND REPORTS TO THE BOARD

Assuming adequate funding is identified to support this effort, staff, with assistance from DWR and industry experts, will examine the existing SSJDD statutes, request support from the current Administration and the legislature to initiate any necessary statutory changes, and seek stakeholder input to determine a process to reutilize the SSJDD in order to meet current investment needs as identified in the 2017 CVFPP Update. Regular reports on progress of this effort will be made through the Committees to the Board for the foreseeable future.