

DELTA LEVEE SUBVENTIONS PROGRAM

Ability to Pay

Background

This is in response to the Central Valley Flood Protection Board's September 13, 2013 request for information regarding ability to pay requirements in the Delta Levees Subventions Program (Subventions Program).

The Subventions Program has been DWR's most consistent program available to reclamation districts, and other eligible levee maintaining agencies, to minimize the risk of delta levee failure.

In 1996, California Water Code Section 12986 was amended and required applicants to provide information regarding the District's ability to pay for levee maintenance or improvements as part of the Subventions Program application process. As a result, the Subventions Program required all 1997-98 applicants to provide, then current, financial information which was used to determine whether a District should be required to perform a comprehensive ability to pay study. Based on DWR's assessment of the information received, the Districts with their economic base in agriculture were determined to qualify for full 75% reimbursement. In addition, a provision was added to the Subventions Program work agreements that allows for an ability to pay study to be conducted at DWR's discretion.

In 2007, the Subvention's Program re-examined the ability to pay for agricultural and non-agricultural Districts. The study verified that agricultural islands continue to qualify for full 75% State reimbursement. The study also revealed that non-agricultural islands may have the ability to pay a higher share; however, with the down turn in the economy in 2008, it was determined that the non-agricultural islands should not conduct a comprehensive ability to pay study at that time. The economic downturn and continuing economic slump through today have reinforced the wisdom of that decision.

DWR requires Districts to submit an application each year in order to participate in the Subventions Program and reviews those applications for significant changes of land use or economic conditions. The 2013-14 applications were reviewed and no significant changes of land use or economic conditions from previous years were found.

As the economy continues to improve and the Districts gain greater financial stability, a closer look into the ability to pay may be warranted. As the Subventions Program moves forward, it will continue to require financial information as part of the Subvention Program's application process, and staff will continue to diligently review the information to insure a fair and balanced program.