

April 9, 2008

2008-09 CALFED Budget Overview

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Budget Subcommittee No. 3 on Resources

Hon. Ira Ruskin, Chair





Governor's Budget Proposal

- The governor's January budget proposes \$242.4 million for the CAL-FED Bay-Delta Program in 2008-09, as shown in the figure below:

CALFED Expenditures—State Funds Only		
<i>(In Millions)</i>		
Expenditures by Program Element	2007-08	2008-09
Bay Delta Conservation Plan	\$15.2	\$3.2
Conveyance	94.9	31.5
Delta Vision	0.4	2.0
Ecosystem restoration	276.7	50.7
Environmental Water Account	75.1	—
Levee system integrity	64.1	65.9
Oversight and coordination	8.4	8.1
Science	21.0	36.6
Storage	—	9.8
Water quality	96.7	12.3
Water supply reliability	2.5	2.3
Water use efficiency	72.3	15.9
Watershed management	12.9	4.1
Totals	\$740.2	\$242.4
Expenditures by Department		
Water Resources	\$388.1	\$168.2
Fish and Game	247.7	32.1
Secretary for Resources	17.2	26.3
Public Health	81.2	6.9
State Water Resources Control Board	1.1	4.0
Conservation	3.3	3.3
Forestry and Fire Protection (CalFire)	1.5	1.5
San Francisco Bay Conservation	0.1	0.1
Totals	\$740.2	\$242.4
Expenditures by Fund Source		
General Fund	\$16.0	\$15.5
Proposition 13	118.8	15.2
Proposition 50	366.2	52.9
Proposition 84	122.1	104.5
Proposition 204	59.1	1.7
State Water Project Funds	55.7	50.2
Other state funds	2.3	2.4
Totals	\$740.2	\$242.4



Governor's Budget Proposal *(Continued)*

- The Governor has proposed additional expenditures for CALFED, including reappropriations of projected balances of prior appropriations to the Department of Water Resources (DWR) totaling about \$100 million, in "April 1" finance letters.



Delta Planning Efforts and CALFED Program Reviews

- CALFED is currently involved in a number of Delta-related planning efforts and has been the subject of recent program reviews and performance assessments:

Summary of Delta Planning Efforts and CALFED Program Reviews

Delta Vision

- Secretary for Resources statutorily required to develop a strategic vision for a “sustainable” Delta, including sustainable ecosystems; land-use patterns; flood management strategies; and transportation, water supply, utility, and recreation uses.
- Blue ribbon task force adopted a vision statement in December 2007, and is developing a strategic plan to implement the vision, to be completed by November 2008.

Delta Risk Management Strategy

- Department of Water Resources statutorily required to evaluate the potential impacts of levee failures in the Delta (from risks such as earthquakes and climate change) and, along with the Department of Fish and Game, evaluate options to mitigate these risks.
- Required report to Governor and Legislature by January 1, 2008, has been delayed and is currently undergoing independent scientific review.

Bay Delta Conservation Plan

- Several CALFED agencies, along with local public water agencies and environmental organizations, signed an agreement in 2006 to participate in a conservation planning process authorized under state law that has both conservation and water supply objectives. The plan is under development.

CALFED End of Stage One Assessment

- Staff of CALFED agencies prepared a report in November 2007 reviewing the program’s performance during “stage one”—the first seven years.

CALFED Program Performance Assessment

- The CALFED Bay-Delta Public Advisory Committee completed a retrospective assessment of CALFED’s progress in achieving its original goals, in August 2007.



Findings and Recommendations of Planning Efforts/Program Reviews

- ☑ Our review of the various work products produced by the Delta planning efforts and CALFED program reviews found a relatively high level of agreement on four key points:
 - Alternatives to the current Delta conveyance system must be evaluated.
 - CALFED's progress has been limited inside the Delta.
 - Past spending has often lacked a sense of priorities.
 - There are recommended "no regrets" actions for the near term.



LAO's Recommended Approach for Evaluating CALFED Proposals

- In evaluating the merits of CALFED budget proposals, we recommend that the Legislature apply the following criteria. Specifically, budget proposals should:
 - Not prejudice or bias the outcome of the various ongoing Delta-related planning efforts, including the Delta Vision, Bay Delta Conservation Plan, and Delta Risk Management Strategy processes.
 - Be focused so as to provide timely scientific information that serves to inform the various Delta-related planning efforts.
 - Tie to clear objectives and established funding priorities for the program area.
 - Reflect the application of the “beneficiary pays” funding principle, as adopted by both the CALFED Record of Decision and the Delta Vision task force.

- We also recommend that the Legislature:
 - Approve grant and contract funding for CALFED on a one-time basis.
 - Adopt supplemental report language requiring the submittal of a “zero-based budget” for CALFED as part of the *2009-10 Governor’s Budget*.
 - Ultimately, enact legislation establishing the Legislature’s Delta policy, including the Legislature’s objectives and funding priorities for CALFED as a key component in implementing this policy.



LAO's Recommendations on Specific CALFED Budget Proposals

- Applying the evaluation criteria discussed on the previous page, we recommend that the Legislature:
- Reject the proposal for \$9.8 million (bond funds) for CALFED surface storage feasibility studies under DWR.
 - Partially reject the proposal for \$25.3 million (bond funds) for CALFED scientific research grants under the Secretary for Resources and DWR. (While we initially recommended full rejection, CALFED has subsequently submitted more details of the budget proposal to support at least partial acceptance of it.)
 - Reject \$18.9 million of the \$21 million (bond funds) proposed under the Department of Fish and Game for CALFED ecosystem restoration projects.