

The 2024-25 Budget: Flood Management Proposals

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SUMMARY

The Governor’s budget proposes \$95.1 million in 2024-25, primarily from the General Fund, for a variety of flood-related projects and activities. This includes (1) \$29.6 million General Fund proposed for early action to repair damage from the 2023 storms, (2) \$33 million General Fund to provide the state cost share for urban flood risk reduction projects conducted in collaboration with the federal government, (3) \$31.3 million General Fund for three Central Valley multi-benefit flood projects, and (4) \$1.2 million ongoing from the Water Rights Fund for the State Water Resources Control Board (SWRCB) to expedite permitting of flood diversions for groundwater recharge.

Because the state is experiencing a serious—and worsening—budget problem, the Legislature will need to apply a high bar to its review of new General Fund spending proposals and be very selective in approving any of them. Based on our review, we find that the Governor’s flood-related proposals for early action meet this high bar. These repairs are a state responsibility and providing funding before the regular June budget time line will allow them to be completed ahead of the next rainy season. We also find that the urban flood risk reduction projects conducted with the federal government meet the high threshold for possible approval. These projects help protect public health and safety and are part of the state’s core responsibility for flood management in the Central Valley. In addition, the state would risk losing significant federal support for these projects if it neglected to provide its cost share. While there are compelling reasons to proceed with the Central Valley multi-benefit projects, we find that the General Fund condition complicates this decision. The Legislature will need to weigh the trade-offs associated with adding new spending for these projects against its other budget commitments. Because the proposal to increase SWRCB staffing to expedite permitting of flood diversions for groundwater recharge should improve efficiencies without affecting the General Fund, we recommend its approval. Lastly, given the state’s responsibility for flood management in the Central Valley and the rising flood risks due to climate change, the state will continue to face notable recurring costs in the years to come. As such, we suggest the Legislature develop a longer-term approach for funding flood management. This could include making room in the annual baseline budget and/or considering asking voters to approve a general obligation bond that might support several years of flood projects.

BACKGROUND

Managing Flood Risk in California

California Faces Significant and Increasing Flood Risk. Estimates from a 2013 comprehensive statewide report, *California’s Flood Future*, suggested that 7.3 million people (one-in-five Californians), structures valued at \$575 billion, and crops valued at \$7.5 billion were located in areas that had at least a 1-in-500 probability of flooding in any given year. Flood risks are being

magnified by the impacts of climate change, which are leading to the state experiencing more intense storms with significant rainfall. According to a [2022 study](#) by scientists at the University of California, Los Angeles, climate change already has doubled the likelihood of an extreme storm bringing catastrophic flooding in California, and this risk will continue to increase. Moreover, recent data reported in the state’s [2022 Central Valley Flood Protection Plan](#) (CVFPP)

estimate that more than 1.3 million people and structures valued at more than \$223 billion in the state's Central Valley region are at risk from flooding and that without adequate investments in flood systems, both annual deaths and economic damages could more than double in the Sacramento River Basin and quadruple in the San Joaquin River Basin over the next 50 years. Recent storms in 2023 and early 2024 highlighted the challenges that communities across the state face from extreme flooding.

Many Levees Are at Risk of Failing.

Communities across the Central Valley and Sacramento-San Joaquin Delta regions rely on more than 2,000 miles of levees for flood protection. In addition to flood protection, levees located in the Delta region are essential components of the state and federal water systems that convey water from the northern part of the state to Central and Southern California. As such, levee failures could put both public health and safety as well as water supplies at risk. In the Delta, local reclamation districts have identified 500 miles on 75 Delta islands as needing improvement. Moreover, nearly 90 percent of Central Valley levee systems currently fall short of federal performance standards, increasing the risk that they might fail. The Delta Stewardship Council, a state department charged with helping to manage the state's multiple goals in the Delta, recently published a risk-based prioritization of Delta levees in order to guide the state's investments. This [Delta Levees Investment Strategy](#) assessed each island and tract located within the Delta based on flood risk (to people, property, and other state interests) and identified 34 out of 142 as having a "very high-priority" rating.

Flood Management in the Central Valley Is a Core State Responsibility. California gave assurances to the federal government that it would oversee and maintain the State Plan of Flood Control (SPFC) along the main stems and certain tributaries of the Sacramento and San Joaquin Rivers, including parts of the Delta. The SPFC includes 1,600 miles of levees, four dams, and seven flood bypasses. The Department of Water Resources (DWR) is the state's lead agency in flood-related activities, while the Central Valley

Flood Protection Board (an independent body housed administratively within DWR) has responsibility for overseeing the SPFC on behalf of the state. For most segments of SPFC levees, the state has developed formal agreements with local government entities (primarily local flood, levee, and reclamation districts) to handle regular operations and maintenance responsibilities. A court decision in 2003 found that the state ultimately is financially responsible for the failure of SPFC facilities, even when they have been maintained by local entities. In addition, although only 380 miles of the 1,100 miles of levees in the Delta are part of the SPFC, the state provides some funding to local agencies to support both SPFC and non-SPFC Delta levees in large part because of their important role in the state's water conveyance system.

DWR's Various Flood Management Programs Fall Into Two Main Categories.

DWR manages numerous different programs supporting a wide variety of flood projects, depending on the project's geographic location, its main purpose, and what entity bears primary financial responsibility and liability. (Most flood projects are collaborative efforts with local governments, property owners, and/or the federal government.) In general, however, these various programs and projects can be categorized as follows:

- ***Protecting Public Health and Safety, Property, and Assets.*** These flood projects have the protection of people, property, and other infrastructure as their primary purpose. For example, the Urban Flood Risk Reduction Program supports projects that protect urban areas within the SPFC. Often these projects use traditional physical infrastructure such as levees, floodwalls, channels, and weirs.
- ***Reducing Flood Risk and Improving Habitat and Water Supply Through Multi-Benefit Projects.*** Other flood projects provide benefits in addition to flood protection, such as restoration of natural floodplains, ecosystems, and habitats, as well as increasing water supply through groundwater recharge. For example, a flood bypass project might use traditional infrastructure, such as a levee or weir, to redirect water out of a river channel into a large floodplain, thereby both

reducing flood risk near the river channel and improving habitat in the floodplain. DWR’s Central Valley Systemwide Flood Risk Reduction Program supports multi-benefit projects within the SPFC.

Funding for Flood Management

Local Funding Comprises Majority of Flood Management Spending. Statewide, most activities to protect communities from floods are undertaken and paid for by local agencies. In a 2021 piece, *Paying for California’s Water System*, the Public Policy Institute of California (PPIC) estimated that average annual spending on flood protection statewide between 2016 and 2018 totaled \$2.7 billion, with about three-quarters of that generated and spent by local governments. While most local spending is for maintaining and operating flood facilities, the majority of state and federal spending (described below) is for capital projects.

State Historically Has Relied on Bond Funds to Support Flood Projects... The PPIC review found that state funding made up about 17 percent of overall flood-related spending in California during the years studied. The state has often supported its flood management programs with general obligation bonds. For example, since 2000, voters have approved five different bonds that included a total of \$5.7 billion for flood-related activities. These bonds are repaid over time, with interest, from the General Fund.

...And Turns to the General Fund, Particularly When Bond Funds Are Not Available. Most of the funding available through currently authorized bonds has already been committed or spent.

As shown in **Figure 1**, since 2021-22, the state has primarily used the General Fund to pay for flood management on more of a pay-as-you-go basis rather than through longer-term bond financing. In combination, the 2021-22, 2022-23, and 2023-24 budgets included about \$1 billion from the General Fund for flood-related activities (some of it provided through local assistance grants), including for traditional capital projects, multi-benefit projects, levee maintenance, and flood-related planning. In addition, over the past year, the state has incurred additional expenditures for emergency flood response and recovery activities as a result of storms. For example, the 2023-24 budget provided \$20 million each for the communities of Planada and Pajaro (which were hit particularly hard by 2023 storms) and \$25 million for flood relief for small farmers and agricultural businesses. Some of this emergency relief funding will be reimbursed by the Federal Emergency Management Agency (FEMA) (discussed below).

Federal Government Also Undertakes Priority Projects and Supports Flood Emergency Response and Recovery. PPIC estimated that federal funds made up about 9 percent of total flood funding in the years studied. The federal government supports flood projects in California in two main ways.

- **U.S. Army Corps of Engineers (USACE).** USACE authorizes and undertakes capital flood protection projects when authorized by Congress, generally in partnership with state and local agencies, which are responsible for providing the non-federal share of costs for these projects. When the state has entered a Project Partnership Agreement

Figure 1

Recent State Funding for Flood Management at Department of Water Resources (In Millions)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Bond funds	\$111	\$99	\$150	\$285	\$118	\$15	\$42
General Fund	2	295	—	50	434	289	300
Totals	\$113	\$394	\$150	\$334	\$552	\$304	\$342

with USACE, it commits to providing the amount of funding requested by USACE for each phase of the specific project. In addition to constructing projects, USACE inspects federally constructed levees for compliance with federal standards, offers planning and assistance during flood events, provides funding to repair flood-damaged levees, and establishes flood storage and release standards for certain reservoirs.

- **FEMA.** FEMA operates the National Flood Insurance Program, which includes developing flood hazard maps that define flood risk, establishing floodplain management standards, and offering federally backed insurance policies. It also provides coordination, assistance, and funding for responding to and recovering from federally declared flood disasters.

Federal Funds Will Help Pay For Damage From 2023 Storms. The administration expects that FEMA will provide reimbursement for some of the costs the state incurred responding to 2023 storms. For example, DWR indicates it has applied for \$9 million in reimbursement from FEMA for flood emergency response work. In addition, USACE allocated \$52 million to DWR for repairs to SPFC facilities that are part of USACE's levee rehabilitation program.

State Plan Estimates That Up to \$30 Billion Is Needed Over Next 30 Years for Flood Protection in the Central Valley. The most recent update to the CVFPP, adopted in 2022, estimates that over the next 30 years, a total of roughly \$25 billion to \$30 billion will be needed for both ongoing operations and maintenance as well as capital construction and improvements on the SPFC system. (For ongoing operations and maintenance, this amounts to about \$315 million to \$390 million annually.) The plan estimates these costs would be shared across the state (\$16 billion), federal (\$11 billion), and local (\$3 billion) governments.

Capturing Flood Waters for Groundwater Recharge

State Increasingly Using Flood Flows in Beneficial Ways. As described earlier, in addition to supporting the historical approach to flood management (physical infrastructure to protect people and property), the state has been increasing its emphasis on multi-benefit projects. Besides providing flood protection and restoring ecosystems and habitats, these projects also have the potential to recharge groundwater supplies. Not only does groundwater recharge increase water storage (and thus supply), it also can aid in addressing and reducing land subsidence.

SWRCB Issues Permits to Capture Flood Waters. When surface waters are intentionally diverted for the purpose of underground storage (and not solely for the purpose of preventing flooding), the diverter needs to apply to SWRCB for a new water right permit or to change an existing water right permit. SWRCB issues both standard diversion permits (which are longer term and less urgent) and temporary permits (which last for 180 days). During the 2023 storms, the Governor, under an emergency authority, issued an executive order that temporarily streamlined authorization for diverting flood flows for groundwater recharge. Specifically, the order suspended normal permit requirements for diverting flood flows under certain circumstances, such as when a local or regional agency has given public notice that flows would otherwise create the risk of flooding downstream. In addition, the diverter could not claim a water right based on the diversion and recharge. As part of the 2023-24 budget package, the Legislature codified these provisions into statute to allow unpermitted diversion during emergency flood events.

GOVERNOR’S PROPOSALS

As shown in **Figure 2**, the Governor’s budget proposes \$95.1 million in 2024-25 for flood-related projects and activities. Of the total, \$93.9 million is on a one-time basis from the General Fund, while \$1.2 million is ongoing and supported by the Water Rights Fund.

Flood Recovery Activities From 2023 Storms (\$29.6 Million Proposed as Early Action).

Although the state made several disaster-response emergency allocations across numerous departments throughout 2023 in response to the storms—including a combined \$115 million to DWR, SWRCB, and the California Department of Fish and Wildlife (CDFW)—entities across the state have incurred additional recovery costs. The Governor’s budget proposes \$29.6 million to cover some of these additional costs and requests that the Legislature take early action to provide these funds in the current year. Specifically, the request includes:

- **Repair Delta Levees to Protect State-Owned Land—DWR (\$13.5 Million).**

Funding would support levee repairs on four Delta islands owned by DWR: Meins Landing (\$1.4 million), Sherman Island (\$715,000), Twitchell Island (\$310,000), and Dutch Slough (\$1.2 million). It also would fund levee rehabilitation on McCormack Williamson Tract (\$7.6 million) and Grizzly Slough (\$1.6 million). Another \$677,000 would support associated state operations costs. DWR bears financial responsibility for these levees as the property owner.

- **Provide State Share of Cost for Federally Supported Levee Repairs—DWR (\$3 Million).**

Through its levee rehabilitation program, USACE is helping fund repairs in the Sacramento and San Joaquin River Basins. While the state provided an initial \$10 million towards its share of cost

in 2023, it is required to pay an additional \$3 million to draw down full federal support.

- **Repair Infrastructure at Mendota Wildlife Area—CDFW (\$13.1 Million).**

CDFW manages the state-owned Mendota Wildlife Area in Fresno County. The 2023 storms caused damage to infrastructure, including to the only bridge spanning the Fresno Slough. The administration indicates that expenses related to the repair and replacement of infrastructure may ultimately be eligible for FEMA reimbursement.

Urban Flood Risk Reduction Projects (\$33 Million).

The Governor’s budget proposes \$33 million from the General Fund in 2024-25 for urban flood risk reduction projects carried out in collaboration with USACE. Of the total, \$23 million is the required state share of cost and \$10 million is for associated state operations costs. The specific projects, all of which are part of the SPFC, are displayed in the top of **Figure 3** on the next page.

Central Valley Systemwide Flood Risk Reduction Multi-Benefit Projects (\$31.3 Million).

The Governor’s budget proposes \$31.3 million from the General Fund in 2024-25 through the Central Valley Systemwide Flood Risk Reduction Program for multi-benefit projects that also are part of the SPFC.

Figure 2

Governor’s 2024-25 Flood Management Proposals

General Fund Unless Otherwise Noted (In Millions)

Activity/Program	Department	Funding
Urban Flood Risk Reduction projects	DWR	\$33.0 ^a
Central Valley Systemwide Flood Risk Reduction projects	DWR	31.3
Repairing Delta levees	DWR	13.5 ^b
Repairing infrastructure in Mendota Wildlife Area	CDFW	13.1 ^b
State cost share for federally supported levee repairs	DWR	3.0 ^b
Staffing to expedite groundwater recharge permits	SWRCB	1.2 ^c
Total		\$95.1

^a Includes \$10 million for state operations costs.

^b Proposed for early action.

^c Ongoing amount from the Water Rights Fund.

DWR = Department of Water Resources; CDFW = California Department of Fish and Wildlife; and SWRCB = State Water Resources Control Board.

Figure 3

Flood Projects Supported by Proposed 2024-25 Funding

General Fund Unless Otherwise Noted (In Millions)

Project	Proposed One-Time Funding	Estimated		Completion Date
		Total Project Cost ^a	Future State Funding Need ^b	
Urban Flood Risk Reduction^c	\$23	\$4,893	\$378	
Folsom Dam Raise	\$1	\$476	—	2028
American River Common Features	1	1,230	\$60	2027
West Sacramento Project	6	1,140	64	2034
Lower Cache Creek Project	1	323	77	2036
Lower San Joaquin Project	12	1,400	163	2038
Marysville Ring Levee Project	1	214	13	2029
Yolo Bypass Comprehensive Study	1	8	1	2040
Lathrop Manteca Feasibility Study	1	8	—	2038
Smith Canal Gate Project ^d	1	94	2	2024
Central Valley Systemwide Flood Risk Reduction	\$31	\$82	—	
Yolo Bypass Fix-in-Place	\$11	\$51	—	2027
Upper Sacramento River Basin Projects (Kopta Slough) ^e	12	22	—	2026
Crows Landing Floodplain Restoration	9	9	—	2027
Totals	\$54	\$4,974	\$378	

^a Includes state, federal, and local shares of cost.
^b Source for any future state funding has not yet been determined.
^c U.S. Army Corps of Engineers (USACE) projects. Funding reflects state's share of cost required by federal government to proceed with projects.
^d Project led by the state, but spending could be eligible for a credit toward the state share of cost on a future USACE project.
^e The Kopta Slough project likely will receive \$10 million in federal funds from the Bureau of Reclamation.

Note: Totals may not add due to rounding.

These particular projects—also displayed in Figure 3—are state-funded, although one project likely can also draw down \$10 million in federal funds from the Bureau of Reclamation.

Staffing to Expedite Groundwater Recharge Permits (\$1.2 Million Ongoing). The Governor’s

budget proposes \$1.2 million in ongoing funding from the Water Rights Fund and five new positions at SWRCB to expedite groundwater recharge permits. Four positions would handle permitting, while one position would support administrative hearings related to unresolved protests of water rights permit applications.

ASSESSMENT

Higher Bar for Considering Approval of New Proposals Given General Fund Condition. The Governor’s new flood-related proposals would commit the state to General Fund expenditures of \$94 million in 2024-25. Importantly, the state currently is experiencing a significant budget problem, where General Fund revenues already are insufficient to fund existing commitments. In this context, every dollar of new spending in the budget year comes at the expense of a

previously identified priority and requires finding a commensurate level of solution somewhere within the budget. The Governor “makes room” for proposed new spending on flood projects by making reductions to funds committed for other programs, including many in the climate and natural resources areas. However, our office estimates that the administration’s revenue projections are overly optimistic and the budget deficit likely will exceed the level of solutions included in the Governor’s

proposal, requiring the Legislature and Governor to identify additional actions to balance the budget. Given the serious budget challenges this year, we suggest the Legislature apply a high bar to its review of new spending proposals and be very selective in approving any of them.

Early Action Repairs Meet That Higher Bar.

In our view, the Governor's early action requests meets this high threshold for justifying new spending for three key reasons. First, the state is financially responsible for repairing damage on state-owned land—in the Delta and in the Mendota Wildlife Area—and is liable for levee failure. In addition, the repair to Delta levees provides flood protection to state-owned land and infrastructure. The costs associated with repairs at Mendota Wildlife Area may eventually be reimbursable by FEMA. Second, the state must provide its share of costs to draw down federal levee rehabilitation program support. An additional \$3 million is needed for this purpose. Neglecting to provide this funding likely ultimately would result in even higher costs for the state—either to undertake the repairs on its own without federal support or to pay for the damage and recovery costs that might occur if the repairs are not made. Third, approving funding early will allow the repairs to be finished in the spring and summer, ahead of the next rainy season. Waiting to consider these proposals in the regular budget process could delay construction until spring of 2025, increasing risks during the fall and winter.

Urban Flood Risk Reduction Projects Also Meet That Higher Bar. In our view, the urban flood risk reduction projects (including the state operations activities required to support them) also meet this high threshold for justifying new spending for the reasons described below.

- ***Part of State's Core Responsibilities in Central Valley.*** The funding would support projects that are part of the SPFC, which the state has the responsibility—and associated liability—to maintain.
- ***Provide Critical Public Health and Safety Benefits.*** These projects provide flood protection to people, properties, and infrastructure in urban areas, defined as areas with more than 10,000 residents. Given the significant population and assets

located in these regions, the fiscal and safety risks of failing to adequately protect against flood damage and levee failures are considerable.

- ***Leverage Significant Federal Funding.*** Because these projects are conducted in collaboration with USACE, they help to draw down significant federal funding—USACE covers up to 65 percent of a project's cost. If the state fails to provide its cost share this year, USACE would halt the projects due to nonperformance and redirect funding to projects in other states. The administration indicates that, were this to occur, reinstating the projects with USACE would be difficult to impossible.
- ***Not Acting Now Would Lead to Higher Costs and Complications Later.*** USACE supports high-priority projects for which flood protection benefits outweigh associated costs. (Under federal law, confirming a positive cost-benefit evaluation is a prerequisite for USACE to undertake any flood protection project.) That is, USACE has estimated that the economic toll to recover from flooding in these areas would be more costly than paying for these flood protection projects now. Because of its special responsibility for SPFC facilities in the Central Valley, the state could be liable for resulting repair and recovery costs should the levees fail.
- ***Pausing Projects Already Underway Would Be Highly Disruptive.*** Nearly all of the proposed funding supports projects that already are underway. Stopping midstream would be disruptive; almost certainly would increase overall project costs; and, given USACE requirements, likely would compromise the ability to finish the projects.

Several Compelling Reasons for Proceeding With Central Valley Systemwide Projects...

Although the three projects in the Central Valley systemwide request are located in more rural areas and the direct flood risk to people and property therefore is lower as compared to the urban projects, we also find some compelling reasons for proceeding with these projects.

- **Support Disadvantaged Areas That May Not Otherwise Be Protected.** The three projects are located in economically disadvantaged areas that likely do not have sufficient local revenues (such as from property assessments) to be able to pursue this work without state assistance.
- **All Three Projects Are in Their Final Stages; Pausing Would Cause Disruption and Increase Costs.** The state already has provided funding for the initial stages of these projects and completing them expeditiously therefore would maximize previous state investments. Additionally, one of the projects—Kopta Slough—likely will leverage \$10 million in federal funding that the state could have to forgo if it fails to proceed with the project.
- **Reduce Flooding Risk in the Delta.** The Yolo Bypass Fix-in-Place project includes two levee improvement projects located in the Delta. One of the locations has been assigned a risk-based assessment of “very high priority” (the highest level) by the Delta Stewardship Council, with the other rated as “high priority” (the council’s middle ranking).
- **Provide Notable Ecosystem and Habitat Benefits.** Each project is designed to provide both flood protection as well as ecosystem and habitat benefits. For example, the Kopta Slough project would restore a river channel and remove rock revetment, ultimately leading to restoration of 170 acres of salmon rearing habitat on the Sacramento River. Similarly, the Crow’s Landing project would restore a floodplain and provide 270 acres of salmon habitat in the San Joaquin River basin. These types of projects are key components of the state’s strategy to meet its public trust responsibilities of protecting fish and wildlife—which is particularly important given the serious risk of extinction that California’s native salmon populations currently face.

...However, the General Fund Condition Complicates This Decision. Despite these potential benefits, the Legislature will need to weigh the trade-offs associated with adding new spending

for these Central Valley systemwide projects against its other budget commitments. If the Legislature believes these projects are a top priority and chooses to fund them, it likely will need to make additional reductions to other planned expenditures given the worsening budget picture.

Funding State’s Responsibility for Flood Management Activities Will Be a Recurring Issue. Given the state’s responsibility for maintaining levees in the Central Valley and the rising flood risks resulting from climate change, the state will continue to face notable recurring costs associated with flood management—and, likely, recovery—in the years to come. As such, the Legislature will need to grapple with how to make room for these types of regular expenditures within its annual budgets. In years when the General Fund is not in a position to support these costs on a pay-as-you-go basis, the Legislature could consider returning to the historical practice of relying on general obligation bond financing. Although such bonds must be repaid (with interest) from the General Fund—increasing the overall cost of completing the project—in the near term, the annual cost of debt service is lower than paying up front for the projects. Another consideration is the timing of when the funds would be available to support projects. Even if the Legislature were to pursue a bond containing flood funding, it would have to wait for a statewide election, the proposal would have to be approved by voters, and the resulting funds would not be available until after the election. (As such, bond funds could not be available at the beginning of the 2024-25 fiscal year to implement the Governor’s proposals.)

SWRCB Groundwater Permitting Unit Would Expedite Floodwater Recharge Projects. We find that the proposal to increase staffing at SWRCB has merit. Adding these positions would speed up the permitting process for groundwater recharge projects, which could both improve flood protection and increase water supplies. Because the cost of these staff would be covered by permit application fees through the Water Rights Fund, approving this proposal would not worsen the General Fund condition.

RECOMMENDATIONS

Approve \$29.6 Million for Early Action Repairs. We recommend the Legislature approve via early action the three proposals for storm recovery and repairs. This funding would support repairs to levees and other infrastructure on state-owned land, for which the state is responsible. The funding also would enable the state to draw down additional support from USACE. Some of the costs might be recoverable through FEMA reimbursements. Approving the funding early would allow the repairs to be made this spring and summer ahead of next fall's rainy season.

Approve \$33 Million for Urban Flood Risk Reduction Projects and Associated State Operations. We recommend the Legislature approve the proposed funding for these nine projects. This funding would support important activities that help protect public health and safety by lowering risks to flood-prone urban areas. These projects are part of the SPFC, making them a core state responsibility. In addition, funding the projects would allow the state to leverage significant federal funding and avoid incurring additional costs and complications.

Weigh Central Valley Systemwide Projects Against Other General Fund Priorities. While we find that these three projects also have merit and provide both flood protection and habitat benefits, given the General Fund condition, we recommend the Legislature weigh these benefits against its other budget priorities. If the Legislature chooses to provide \$31.3 million for these projects in 2024-25, it likely will need to identify commensurate reductions in other areas to accommodate the spending.

Approve Funding and Staffing for Groundwater Recharge Permitting. We recommend the Legislature approve the request to provide \$1.2 million from the Water Rights Fund and five new positions at SWRCB. Approval of this request would have no impact on the General Fund and should result in improved permitting efficiencies at SWRCB, which in turn could lead to increased flood protection as well as groundwater recharge and water supply benefits.

Develop Longer-Term Approach for Funding Recurring Flood Management Activities. Given the state's role in flood management, the significant public safety and economic risks associated with floods, and the state's liability for Central Valley flood facilities that are part of the SPFC, we recommend the Legislature develop a longer-term approach for how to fund recurring flood-related state costs. For example, the Legislature could build some General Fund for these activities into its multiyear plans and baseline budgets. Alternatively—or additionally—the Legislature could consider asking voters to approve a general obligation bond that might support several years of flood projects. While the former approach would have lower costs over time (as there would be no added interest charges), the availability of General Fund resources likely will be subject to revenue fluctuations and such expenditure plans could create budget pressures in certain years. In contrast, the latter approach would cost more overall, would not provide ongoing funding on a long-term basis, would be subject to voter approval, and would not make funding available immediately—however it would provide a source of funding over a shorter-term period that is less affected by downturns in state revenues and has less impact on the near-term General Fund condition.

LAO PUBLICATIONS

This report was prepared by Sonja Petek and reviewed by Rachel Ehlers. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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