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# SENATE COMMITTEE ON NATURAL RESOURCES AND WATER

Senator Josh Becker, Chair

2025 - 2026 Regular

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**Bill No:** SB 872 **Hearing Date:** April 7, 2026  
**Author:** McNerney  
**Version:** March 26, 2026 Amended  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Genevieve Wong

**Subject:** Delta Levees and Canal Subsidence Fund

## SUMMARY

This bill would establish the Delta Levees and Canal Subsidence Fund and, upon appropriation, would require the Secretary of the California Natural Resources Agency to allocate from the fund, through the 2046-47 fiscal year, \$150,000,000 annually to the Department of Water Resources for supporting capital improvements to restore the original design water conveyance capacity for state water conveyance systems impacted by land subsidence and \$150,000,000 annually to the Sacramento-San Joaquin Delta Conservancy for projects in the Sacramento-San Joaquin Delta to improve existing levees.

## BACKGROUND AND EXISTING LAW

**Sacramento-San Joaquin Delta.** The Sacramento-San Joaquin Delta (Delta) is formed by the confluence of the Sacramento and San Joaquin rivers and covers about 1,150 square miles in Sacramento, San Joaquin, Contra Costa, Solano, and Yolo counties. The Delta comprises about 70 islands that have been created from what was historically tidal marshland through the construction of over 1,100 miles of levees. About three-fourths of the water flowing into the Delta comes from the Sacramento River. In addition, the Suisun Marsh, the San Francisco Bay, and the Pacific Ocean affect the Delta through the tides and the flow of saltwater.

Although the Delta is geographically located in one part of the state, it affects the rest of the state in four important ways. The Delta is (1) a biologically diverse ecosystem, (2) essential to the State Water Project (SWP), (3) a place with economic and cultural value to the state, and (4) an important infrastructure corridor. The Delta is the largest estuary on the west coast and contains a variety of habitat types for over 700 species of fish and wildlife. In addition, many of the state's native fish species migrate through the Delta. As a result, the Delta is important for maintaining biodiversity in California and the United States, and essential to the state's water system.

**The State Water Project.** Water supply in California does not naturally occur where demand is highest. Much of the state's precipitation occurs in the northern and eastern parts of the state, while much of the demand occurs in the south and on the western coast because of the locations of population centers and agricultural lands. As a result, two large water projects—the SWP and the federal Central Valley Project (CVP) — were built to store and transport water throughout the state. These projects store water in dams upstream of the Delta and use rivers to transport it to the Delta. The water then moves through the Delta's waterways to pumps in the southern part of the Delta, where

the SWP and the CVP then pump, or “export,” that water to the Central Valley, Southern California, and parts of the San Francisco Bay Area.

The SWP extends more than 705 miles. Of the contracted water supply, 70 percent goes to urban users and 30 percent to agricultural users. The project makes deliveries to two-thirds of California's population.

**Delta levees.** The Delta levees are essential for the protection from flooding of human life, property (e.g. buildings, equipment, and crops, among others), water quality, and wildlife habitat. While the Delta levees are mostly private, the State relies upon them to maintain the Delta in its current state as a water conveyance system for the SWP and the federal CVP.

The Delta levee maintenance subvention program, administered by DWR, was created by SB 541 in 1973 (Way, Chapter 717, Statutes of 1973). According to DWR's website, the program “provides funding on a cost-share basis to local levee maintaining agencies for rehabilitation and maintenance of levees in the Delta. The program ... fund[s] levee work with the purpose of preserving the Delta's invaluable resources including highly productive agriculture, recreational assets, fisheries, and wildlife.”

**Subsidence issues.** Subsidence is the sinking of land surface due to changes in the soil or sediment in the ground. Subsidence occurs for a variety of reasons such as groundwater pumping, oil extraction, and geologic processes. Subsidence is a growing issue in California that impacts our water infrastructure and the communities who rely on it.

According to a DWR fact sheet, subsidence impacts across the state can be grouped into three broad categories: (1) infrastructure, (2) flood control, and (3) groundwater wells. Infrastructure impacts include damage to roads, pipelines, bridges, and water canals. Examples of impacted infrastructure include the SWP and local irrigation projects. Flood control system impacts include the lowering of levees and loss of channel capacity to move water during storm events. These impacts are occurring primarily in the San Joaquin River and Tulare Lake hydrologic regions. Subsidence can worsen the risk of flooding over time, damage groundwater well casings, and render some wells unusable.

As discussed above, large-scale canals deliver water to vast areas of the Central Valley and Southern California. Projects like the SWP deliver millions of acre-feet of water to urban and agricultural users to grow crops and use in their homes and businesses through a system of gravity canals, pumps, and control structures. When the land sinks along these canals, they lose their ability to move water and the canal structures are put at risk.

In recent decades, groundwater pumping near canals in the San Joaquin Valley has caused the land to sink and reduced the effectiveness of the canals to deliver water. In response, DWR established the California Aqueduct Subsidence Program. This program monitors subsidence and has released a series of reports documenting subsidence impacts and potential future impacts. According to the findings from the most recent supplemental report published in March 2019, subsidence is an ongoing

significant problem and, together with climate change, will diminish the SWP's future water deliveries.

**Sacramento-San Joaquin Delta Conservancy (Conservancy).** According to the Conservancy's website, it is "a primary state agency in the implementation of ecosystem restoration in the Delta. [It] support[s] efforts that advance environmental protection and the economic well-being of Delta residents. The Conservancy collaborates and cooperates with local communities and other parties to preserve, protect, and restore the natural resources, economy, and agriculture in the Sacramento-San Joaquin Delta and Suisun Marsh." The Conservancy's primary program areas are: (1) ecological restoration and climate adaptation, (2) Delta working lands, (3) community programs, and (4) education and enrichment.

***Existing law:***

- 1) Authorizes state financial assistance for the following types of flood programs and projects, among others:
  - a) Construction, operation, and maintenance for facilities of the State Plan of Flood Control. Facilities of the State Plan of Flood Control include levees, weirs, channels, and other features of the federally and state-authorized flood control facilities located in the Sacramento River and San Joaquin River drainage basin.
  - b) Delta levee maintenance pursuant to the Delta Levee Subvention Program (Water Code §12986).
  - c) Delta levee improvements pursuant to the Delta Special Flood Control Projects Program (Wat. C. §12311 et seq.).

**PROPOSED LAW**

This bill would:

- 1) Create the Delta Levees and Canal Subsidence Fund (Fund) and makes moneys deposited into the fund available to the Secretary of the California Natural Resources Agency (Secretary) for specific purposes.
  - a) Make moneys in the Fund available upon appropriation, except that nonstate funds are continuously appropriated without regard to fiscal year.
  - b) Authorize the Secretary to seek out, and authorize the Fund to accept, state moneys or any bond funds for these purposes.
  - c) Authorize the Fund to accept moneys from nonstate sources, including, but not limited to, federal and private moneys for these purposes.
  - d) Authorize the Secretary to establish accounts within the Fund.

- 2) Requires the Secretary to allocate moneys in the Fund as follows:
  - a) \$150,000,000 annually through the 2046-47 fiscal year, subject to funding availability, to DWR for the purpose of supporting capital improvements to restore the original design water conveyance capacity for state water conveyance systems impacted operationally by land subsidence.
  - b) \$150,000,000 annually through the 2046-47 fiscal year, subject to funding availability, to the Conservancy for projects in the Sacramento-San Joaquin Delta to improve existing levees, including multibenefit levee projects that protect, enhance, or restore habitat, and improve water quality.
- 3) Require DWR to prioritize projects based on the volume of water capacity they can restore to the state water system and provide priority to projects where the surrounding groundwater basin is implementing best management practices aligned with the goals of the Sustainable Groundwater Management Act to manage land subsidence, as determined by DWR.
  - a) Authorize DWR to adopt guidelines to implement these provisions and provide that the Administrative Procedure Act does not apply to the adoption of guidelines by DWR. DWR would be required to provide an opportunity for public comment and at least one public workshop.
- 4) Require the Conservancy to prioritize projects that improve the sustainability of local or state water supplies, and projects that improve instream, riparian, flood plain, and wetland habitat.
- 5) Authorize DWR and the Conservancy to adopt guidelines to implement these provisions that would not be subject to the Administrative Procedure Act. Requires DWR and the Conservancy to provide an opportunity for public comment and at least one public workshop before adopting or revising the guidelines or other standards.
- 6) Make findings and declarations relating to subsidence and its impact on the State Water Project and relating to the need for levee maintenance to protect the Delta and its residences, businesses, agricultural lands, tribal cultural sites, and infrastructure.

### **ARGUMENTS IN SUPPORT**

According to the author, "The Sacramento-San Joaquin River Delta and the State Water Project (SWP) together make up California's primary water source, providing freshwater supplies to 27 million people, businesses, and farms in the Central Valley, the Bay Area, and Southern California. But the Delta's levees and the SWP's water canals are in desperate need of repair. Many of the Delta's aging levees are at risk of collapse, threatening the region with catastrophic flooding. And the SWP's canals are being seriously impacted by sinking land, imperiling up to 80% of the system's water supplies. SB 872 protects CA's main water system by directing \$300 million annually to essential levee repairs in the Delta and shoring up SWP's canals impacted by subsidence to prevent interruptions in essential water deliveries. Historically, CA's longstanding water wars have pitted North against South, the environment versus agriculture. SB 872

provides a pragmatic and peaceful solution by bringing traditional adversaries together to support projects that will benefit the entire state.”

## ARGUMENTS IN OPPOSITION

None Received

## COMMENTS

***This bill is double referred.*** This bill has been referred to both the Senate Environmental Quality Committee and this Committee for hearing. This Committee is the second committee of referral. This bill was heard in the Senate Environmental Quality Committee on March 18, 2026, and passed out with a vote of 5 - 0. Elements of this bill under the jurisdiction of the Senate Environmental Quality Committee are included here for completeness and context only.

***“Beneficiaries pay” principle.*** Traditionally water projects, such as the SWP, have been funded consistent with the beneficiaries pay principle: the concept that those directly benefiting from a project should fund the project. This principle was first articulated in the CALFED Bay-Delta Program Record of Decision, published August 28, 2000. One aspect of this principle is that those who would pay would weigh their share of the cost of the project to the cost of alternate methods of getting those same benefits.

For a canal project, the beneficiaries would be those agencies that received water via the canal and the benefit would be the additional water gained. In deciding whether to participate in the project, each beneficiary would weigh the net cost of increased capacity and the gain of additional water against getting that additional water through water conservation, recycled water, or some other alternate source.

Among other things, the beneficiaries pay principle helps ensure that the project is properly sized and helps lead to the most economically efficient outcome. This efficient outcome is undermined if there is funding from some other source besides the beneficiaries; e.g., a subsidy of some sort.

Additionally, beneficiaries pay principle ensures people do not have to contribute to a project that does not directly benefit them.

However, there is some precedent of the Legislature allocating money to address subsidence issues along the SWP. Last year, the Legislature appropriated \$2 million from the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Fund (Proposition 4, Prop. 4) for subsidence repair projects related to existing conveyance projects (SB 105 (Wiener), Chapter 104, Statutes of 2025).

Whether a particular project is consistent with this principle is dependent on the specifics of the project itself. As the bill moves through the legislative process, the author may wish to consider whether a project funded by the Fund could potentially violate the beneficiaries pay principle and consider ways to ensure that projects funded by the Fund do not provide a non-public benefit and violate this principle.

***Adopting guidelines.*** SB 872 gives DWR and the Conservancy authority to adopt guidelines to implement their authority to fund SWP subsidence projects and Delta levee improvement projects, respectively. The bill also requires DWR and the

Conservancy, before adopting or revising the guidelines or other standards, to provide an opportunity for public comment and at least one public hearing.

It is not uncommon for the Legislature to require a responsible agency to adopt guidelines when administering funding for certain types of projects. For example, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84, Prop. 84) required each state agency disbursing a competitive grant pursuant to the bond act to develop project solicitation and evaluations guidelines and to conduct at least one public meeting to consider public comments before finalizing guidelines. The state agency was also required to provide outreach to disadvantaged communities, to the extent feasible, to promote access and participation in the meetings (Public Resources Code (PRC) §75100).

Similarly, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1, Prop. 1) requires each state agency that receives an appropriation from the bond funding to administer a grant or loan program to develop and adopt project solicitation and evaluation guidelines. The guidelines are required to include monitoring and reporting requirements and, if the state agency had previously developed and adopted project solicitation and evaluation guidelines that comply with these requirements, the agency is authorized to use those guidelines. Additionally, before finalizing, the state agency is required to conduct three public meetings to consider public comments, to publish the draft solicitation and evaluation guidelines on its website at least 30 days before the public meeting, and to, upon adoption, to transmit copies of the guidelines to the fiscal and appropriate policy committees of the Legislature (Wat. C. §79706).

Finally, the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Proposition 68, Prop. 68) required similar requirements to Prop. 1. However, Prop. 68 additionally required, for statewide competitive grant programs, the state agency to submit the guidelines to the Secretary of CNRA for verification that the guidelines are consistent with applicable statutes and for the purposes of Prop. 68. The Secretary of CNRA is required to post the guidelines on its internet website (PRC §80010).

Guidelines development has evolved over time. Some of the above-described requirements may be appropriate for application in SB 872; some may not. The author may wish to consider if DWR and the Conservancy should also be subject to any of these requirements in implementing the bill.

**Federal actions.** An argument has been raised that this bill should be expanded to also apply to projects along federal conveyances. On March 17, 2026, the Interior Department announced that California would receive \$540 million for HR 1, the spending bill passed by Congress in the Summer 2025. The \$540 million will be split up as follows:

- \$235 million for the Delta-Mendota Canal;
- \$200 million for Fiant-Kern Canal; and
- \$50 million for San Luis Canal.

These moneys are intended to help repair the subsidence issues of these canals.

**Name your source.** SB 872 would allow for moneys from different sources be deposited into one fund. However, each of those sources may have different conditions for the expenditure of those funds.

The committee may wish to consider amending the bill to authorize DWR and the Conservancy to place additional requirements on the projects to meet the conditions of the fund source. *See Amendment 1.*

**Bang for your buck.** To provide legislative oversight and ensure that the Fund is being funded and used as intended, the committee may wish to amend the bill to require a reporting requirement. Including a reporting requirement could also alert the Legislature if the Fund is lacking the appropriate resources to fulfill its purposes. *See Amendment 2.*

**Anticipated amendments.** According to author staff, the author is working with various stakeholders on amendments that would further define state water conveyance systems, which would clarify DWR's ability to expend funds; require the Conservancy to prepare an annual spending plan, subject to public notice and comment; and further clarify types of levee improvement projects eligible for funding. The committee may wish to require the author to continue to work with committee staff as these amendments are being discussed and reserves the right to bring the bill back to committee for further discussion.

#### **Prior, related legislation**

SB 890 (Nielson and Borgeas, 2022) would have established the Water Storage and Conveyance Fund to help expand and restore water conveyance and storage capacity throughout California, specifically projects that support subsidence repair and reservoir storage costs. The bill would have required DWR to expend from the fund specified amounts for grants to restore capacity of the Friant-Kern Canal, Delta-Mendota Canal, San Luis Field Division of the California Aqueduct, and the San Joaquin Division of the California Aqueduct, and funding for the construction of the Sites Reservoir. This bill failed passage in this committee.

SB 1253 (Melendez, Chapter 195, Statutes of 2022) requires the Governor's 5-year infrastructure plan, submitted in conjunction with the Governor's Budget, to set out infrastructure priorities relating to specified flood prevention and maintenance projects.

SB 854 (Budget and Fiscal Review Committee, Chapter 51, Statutes of 2018) made various changes to the Delta Levee Subventions program and deleted the repeal date of the program, making the program operational indefinitely.

AB 732 (Frazier, 2017) would have extended the July 1, 2018, sunset date for the Delta Levee Subventions program by two years, until July 1, 2020. Specifically, AB 732 would have maintained the state's 75% maximum share for Delta levee maintenance costs in excess of \$1,000 per mile until July 1, 2020. This bill was held in the Senate Appropriations Committee on its suspense file.

SB 554 (Wolk, 2016) would have extended the Delta Levee Subventions program by two years, until July 1, 2020. This bill was vetoed by Governor Brown.

**SUGGESTED AMENDMENTS****AMENDMENT 1**

Amend proposed Water Code §12997(c)(1)(B) and (c)(2)(B) as follows:

(c)(1)(C) The department shall prioritize projects based on the volume of water capacity they can restore to the state water system, and shall provide priority to projects where the surrounding groundwater basin is implementing best management practices aligned with the goals of the Sustainable Groundwater Management Act (Part 2.74 (commencing with Section 10720)), of the equivalent as determined by the department, to manage land subsidence, as determined by the department. **For purposes of funds deposited into the Delta Levees and Canal Subsidence Fund, the department may impose additional requirements on projects to meet any conditions of the funding source.**

(c)(2)(B) The conservancy shall prioritize projects that improve the sustainability of local or state water supplies, and projects that improve instream, riparian, flood plain, and wetland habitat. **For purposes of funds deposited into the Delta Levees and Canal Subsidence Fund, the conservancy may impose additional requirements on projects to meet any conditions of the funding source.**

**AMENDMENT 2**

Amend proposed Water Code §12997 to add subdivision (f) as follows:

**(f) No later than January 1, 2032, and by January 1 every five years thereafter, the secretary shall report to the Legislature on its expenditures pursuant to this section and the public benefits received from those expenditures.**

**SUPPORT**

Antelope Valley East Kern Water Agency  
 Association of California Water Agencies (ACWA)  
 Bay Area Council  
 Burbank Water and Power  
 Cal Asian Chamber of Commerce  
 California Alliance for Jobs  
 California Building Industry Association  
 California Central Valley Flood Control Association  
 California Council for Environmental & Economic Balance (CCEEB)  
 California Municipal Utilities Association  
 California State Association of Counties (CSAC)  
 Camrosa Water District  
 Central Coast Water Authority  
 City of Beverly Hills  
 City of Fullerton

City of Glendale Water & Power  
Coachella Valley Water District  
County of Contra Costa  
County of San Joaquin  
County of Solano  
County of Yolo  
Crescenta Valley Water District  
Crestline-lake Arrowhead Water Agency  
Cucamonga Valley Water District  
Defenders of Wildlife  
Delta Counties Coalition  
Desert Water Agency  
Dudley Ridge Water District  
Foothill Municipal Water District  
Fresno County Economic Development Corporation  
Great Valley Farm Water Partnership  
Greater Conejo Valley Chamber of Commerce  
Inland Empire Utilities Agency  
International Union of Operating Engineers, Cal-Nevada Conference  
Irvine Ranch Water District  
Kern County Water Agency  
Las Virgenes Municipal Water District  
Long Beach Area Chamber of Commerce  
Metropolitan Water District of Orange County  
Metropolitan Water District of Southern California  
Mojave Water Agency  
Napa County Flood Control and Water Conservation District  
New California Coalition  
Orange County Business Council  
Palmdale Water District  
Public Water Agencies Group  
Rancho California Water District  
Restore the Delta  
San Bernardino Valley Municipal Water District  
San Gabriel Valley Council of Governments  
San Gabriel Valley Municipal Water District  
San Gabriel Valley Water Association  
San Geronimo PASS Water Agency  
Santa Clara Valley Water District  
Santa Clarita Valley Water Agency  
Secure Water Alliance  
Sierra Club California  
Solano County Water Agency  
Southern California Leadership Council  
Southern California Water Coalition  
State Building & Construction Trades Council of California  
State Water Contractors  
Three Valleys Municipal Water District  
Upper San Gabriel Valley Municipal Water District  
Valley Ag Water Coalition

West Basin Municipal Water District  
Western Municipal Water District  
Zone 7 Water Agency

**OPPOSITION**

None Received

**-- END --**