Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 872 (McNerney) – As Amended July 2, 2026

Policy Committee: Water, Parks and Wildlife Vote: 11 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill permits the Department of Water Resources (DWR) to waive the local cost share requirement for the Delta Levee Maintenance Subventions Program (subventions program) under specified circumstances and establishes the Delta Levees and Canal Subsidence Fund (DLCSF) to fund capital projects to restore the design capacity of the State Water Project (SWP) and improve existing levees in the Sacramento-San Joaquin Delta (Delta).

More specifically, this bill, among other things:

1) Requires DWR, as part of the subventions program, to reimburse an eligible local agency 100% of any costs incurred in excess of the amount per mile of project or nonproject levee specified in existing law if the local agency demonstrates economic hardship and the reimbursement is for a project that addresses a threat to life, property, water supply, or habitat.

2) Creates the DLCSF in the State Treasury; makes, upon appropriation, moneys deposited in the DLCSF available to the secretary of the California Natural Resources Agency (CNRA) for expenditure; and authorizes the secretary to seek out, and the DLCSF to accept, state moneys from specified sources as well as moneys from nonstate sources.

3) Requires the secretary of CNRA to allocate moneys in the DLCSF to DWR for the following purposes, as specified:

   a) To support capital improvements to restore the original design water conveyance capacity for state water conveyance systems impacted operationally by land subsidence, as specified; authorizes DWR to adopt guidelines to implement this provision; and exempts the adoption of these guidelines from the Administrative Procedure Act but requires DWR to provide an opportunity for public comment and at least one public workshop before adopting or revising the guidelines or other standards.

   b) For projects consistent with the Delta Special Flood Control Projects program (special projects program), the subventions program, or other projects in the Delta or Suisun Marsh to improve existing levees, as specified; requires DWR to prioritize projects consistent with the Delta Levees Investment Strategy (DLIS); requires the Sacramento-San Joaquin Delta Conservancy (Conservancy) to convene a working group to develop a list of recommended projects for any funding made available pursuant to this provision, as specified, and requires the governing board of the Conservancy to approve the list of projects; requires the Conservancy to publish the list of projects on its website, allow at least 45 days for public comment, and hold at least one community meeting before the list of projects is approved by the board; applies the same requirements related to guideline development as item 3(a), above; requires at least 15% of the funds made available under this provision to be for levee projects within the Delta recommended by the Conservancy that improve flood risk, protect human health and safety, or protect agricultural interests; and requires DWR to administer any grants or funding agreements from the list of projects recommended by the Conservancy.

4) Requires DWR, by May 1, 2027, and every other year thereafter, to provide a report to the budget committees of the Legislature that contains a five-year spending plan detailing the engineering and capital improvements necessary to address state water conveyance systems impacted operationally by land subsidence; and authorizes DWR to charge the state water supply contractors (SWC) for the actual and reasonable cost of developing the spending plan.

5) Requires the secretary of CNRA, by January 1, 2032, and every five years thereafter, to report to the Legislature on its expenditures pursuant to this bill and the public benefits received from those expenditures.

FISCAL EFFECT:

1) Cost pressure on DWR's subventions program of an unknown but potentially significant amount (General Fund, DLCSF, other special fund, or bond funds) to reimburse any local cost share DWR waives pursuant to authority provided by this bill. Under DWR's subventions program, local agencies are responsible for the first $1,000 to $2,500 per levee mile and the subventions program reimburses up to 75% of a local agency's eligible costs. For reference, in fiscal year (FY) 2023-24, 71 local levee maintaining agencies participated in the subventions program, and DWR provided about $14.8 million in reimbursements. Proposition 4 (the climate bond) provides $150 million to the subventions program.

2) Ongoing cost pressure of an unknown but significant amount, likely in the hundreds of millions of dollars annually, to provide funding for the DLCSF (General Fund, special fund such as the Greenhouse Gas Reduction Fund, bond funds, federal funds, or private funds). For context, prior to recent amendments, the bill required CNRA to allocate up to $300 million annually for the DLCSF.

   According to DWR, the subventions and special projects programs have received around $30 million in annual state funding. Since the subventions program began in 1973 followed by the special projects program in 1988, DWR has provided more than $865 million in grants to aid local levee-maintaining agencies through these programs. Proposition 4 (in addition to the $150 million for the subventions program) allocates $150 million for projects in the Delta to improve existing levees to increase flood protection and improve climate resiliency.

3) The Conservancy estimates costs of $420,000 in FY 2027-28 for one full-time position for one year as well as some one-time costs followed by ongoing annual costs of $185,000 for one-half of a permanent position (DLCSF or General Fund). Workload includes convening the working group, establishing and working with an advisory group to develop and publish a recommended list of levee projects for funding, holding community meetings, and conducting stakeholder engagement.

4) Increased staffing costs of an unknown amount to DWR (DLCSF or General Fund). DWR has 10 staff who currently work on the department's Delta levee programs, and the department estimates that each doubling of funding for the programs would increase staff needs by 50%. So, an increase to $60 million annually would require approximately 15 staff and an increase to $120 million would require close to 23 staff.

5) Ongoing annual costs of an unknown amount, ranging from minor and absorbable to the low hundreds of thousands of dollars, for CNRA to administer the DLCSF, allocate moneys based on need and seismic risk assessment, and report to the Legislature every five years on DLCSF expenditures and public benefits (DLCSF or General Fund).

6) The Delta Stewardship Council (DSC) estimates ongoing annual General Fund costs of about $194,000 for one water resource engineer (or similar position) to implement and update the DLIS and its prioritization and reporting requirements commensurate with any increase in Delta levees funding resulting from the creation of the DLCSF.

COMMENTS:

1) **Purpose.** According to the author, the Delta's levees and the SWP's water canals are in desperate need of repair, and this bill will protect California's main water system by directing funding to essential levee repairs in the Delta and shoring up SWP's canals impacted by subsidence.

2) **Background**. ***Delta Levees***. The Delta is California's largest estuary, supplies a portion of drinking water for 27 million Californians, is a biodiversity hotspot for more than 750 plant and animal species, supports millions of acres of farmland, and is home to more than 600,000 people spread across rural agricultural communities, legacy communities, and urban areas. A defining feature of the Delta is its 1,100 miles of levees, many of which were built over 150 years ago, that have facilitated reclamation and development of the islands they protect. Current and future threats to the integrity of Delta levees include land subsidence, climate change, and sea level rise. DWR plays a key role in protecting and enhancing the Delta through various programs (such as the subventions programs, the special projects program, and the Delta Ecosystem Enhancements Section.)

   Based on recent engineering planning studies developed by local reclamation districts (RDs) in the Delta, there are approximately 500 miles of levees that do not meet levee safety standards. The RDs estimate $1.4 billion in levee and flood control improvement projects is necessary to bring Delta levees up to compliance with levee standards. For the past two decades, Delta levee programs have relied on bond funding for their activities. This has led to uneven revenue streams for levee improvement and maintenance work. Given limited funding, DWR reported only one levee improvement project award in FY 2024–25 for $1.5 million. DWR does not anticipate issuing any program solicitations or making awards in FY 2025-26, although, as previously noted, Proposition 4 includes funding for Delta levee improvements and for the subventions program.

   Water Conveyance. According to DWR, the SWP is a multi-purpose water storage and delivery system that extends more than 705 miles. A collection of canals, pipelines, reservoirs, and hydroelectric power facilities delivers water to 27 million Californians, 750,000 acres of farmland, and businesses throughout the state. Planned, built, operated, and maintained by DWR, the SWP is the nation's largest state-owned water and power generator and user-financed water system. In a recent analysis, DWR estimated that, "under 2043 climate conditions, projected subsidence would cause reductions in SWP deliveries by 84 percent."

Among others in support of the bill, Restore the Delta writes:

> SB 872 commits to long-term funding for water conveyance subsidence repairs and Delta levees, contributing to a shared and coordinated investment to protect Delta communities and the economy more broadly from flood risk, and to avoid the further degradation of state water conveyance infrastructure. Delays in prioritization of levee investments will only increase the cost of repairs, putting Delta communities, farms, businesses, existing infrastructure, and ecosystems at risk. Inaction on subsidence repairs will similarly burden communities and businesses who depend upon a reliable water supply, additionally placing the financial burden on communities in Southern California, which include a significant number of disadvantaged communities.

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