

VETO

Bill No: SB 872
Author: McNerney (D), et al.
Amended: 8/13/26
Vote: 21

SENATE ENVIRONMENTAL QUALITY COMMITTEE: 5-0, 3/18/26

AYES: Blakespear, Valladares, Allen, Hurtado, Menjivar

NO VOTE RECORDED: Dahle, Gonzalez

SENATE NATURAL RES. & WATER COMMITTEE: 7-0, 4/7/26

AYES: Becker, Seyarto, Allen, Blakespear, Cabaldon, Grove, Stern

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26

AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SENATE FLOOR: 39-0, 5/19/26

AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

NO VOTE RECORDED: Niello

SENATE FLOOR: 37-0, 8/20/26

AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

NO VOTE RECORDED: Alvarado-Gil, Padilla, Reyes

ASSEMBLY FLOOR: 77-0, 8/19/26 - See last page for vote

SUBJECT: Delta Levees and Canal Subsidence Fund

SOURCE: Author

DIGEST: This bill establishes the Delta Levees and Canal Subsidence Fund (Delta and Canal Fund) in the State Treasury to provide funding for capital projects to restore the design capacity of the State Water Project (SWP) and improve existing levees in the Sacramento-San Joaquin Delta (Delta).

Assembly Amendments create a mechanism for the Department of Water Resources to reimburse eligible local agencies for costs incurred maintaining or improving levees, as specified, and makes changes to how various state entities are to operate and expend the fund.

ANALYSIS:

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 (Wat. C.) §12986).
 - c) Delta levee improvements pursuant to the Delta Special Flood Control Projects Program (Wat. C. §12311 et seq.).

This bill:

- 1) Creates 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 reasons:
 - a) Makes moneys in the Fund available upon appropriation, except that nonstate funds are continuously appropriated without regard to fiscal year.
 - b) Authorizes the Secretary to seek out, and authorizes the Fund to accept state moneys or any bond funds for these purposes.

- c) Authorizes the Fund to accept moneys from nonstate sources, including, but not limited to, federal and private moneys for these purposes.
 - d) Authorizes the Secretary to establish accounts within the Fund.
- 2) Requires the Secretary to allocate moneys in the Fund, subject to funding availability, in proportion to need, as determined by the Secretary, and based at least in part on seismic risk assessment, for the following purposes:
- a) 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. Requires 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.
 - b) To the Conservancy for projects in the Sacramento-San Joaquin Delta or Suisun Marsh to improve existing levees, including multibenefit levee projects that protect, enhance, or restore habitat, and improve water quality. Requires 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.
- 3) Authorizes 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.
- 4) Requires the Conservancy, before expending funds for any project pursuant to these provisions, to prepare an annual spending plan, as specified, that details the projects the Conservancy intends to fund in that fiscal year. Requires the Conservancy to publish the spending plan on its internet website, allow at least 45 days for public comment, and hold at least one community meeting before it is approved by the Conservancy governing board.
- 5) Requires the Conservancy, by December 1, 2027, and biennially thereafter, to prepare a five-year spending plan to improve existing levees in the Sacramento-San Joaquin Delta.

- 6) Requires DWR, by May 1, 2027, and biennially thereafter, to provide a report to the Assembly Committee on Budget and to the Senate Committee on Budget and Fiscal review 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, as specified. Authorizes DWR to charge the state water supply contractors for the actual and reasonable costs of developing the spending plan.
- 7) Makes 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.

Background

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.

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 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.

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.

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: No

According to the Assembly Appropriations Committee, this bill has the following fiscal impact:

- 1) Cost pressure on DWR's subventions program of an unknown but potentially significant amount (General Fund, Delta and Canal Fund, 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 Delta and Canal Fund (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 the Natural Resources Agency (CNRA) to allocate up to \$300 million annually for the Delta and Canal Fund.

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 Delta 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 (Delta and Canal Fund 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 (Delta and Canal Fund or General Fund). DWR has 10 staff who currently work on DWR's Delta levee programs, and DWR 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 Delta and Canal Fund, allocate moneys based on need and seismic risk assessment, and report to the Legislature every five years on Delta and Canal Fund expenditures and public benefits (Delta and Canal Fund or General Fund).

- 6) 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 Delta and Canal Fund.

SUPPORT: (Verified 9/28/2026)

Alameda County Zone 7 Water Agency
Antelope Valley East Kern Water Agency
Bay Area Council
Burbank Water and Power
Cal Asian Chamber of Commerce
California Alliance for Jobs
California Building Industry Association
California Council for Environmental & Economic Balance (CCEEB)
California Municipal Utilities Association
California State Association of Counties (CSAC)
Camrosa Water District
Carpinteria Valley Water District
Central Coast Water Authority
City of Beverly Hills
City of Fullerton
City of Glendale Water & Power
Coachella Valley Water District
Contra Costa County
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
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 Geronio PASS Water Agency
San Joaquin Area Flood Control Agency
San Joaquin; County of
Santa Clarita Valley Water Agency
Secure Water Alliance
Sierra Club California
Solano County Water Agency
Solano; County of
Southern California Leadership Council
Southern California Water Coalition
State Building & Construction Trades Council of California
State Water Contractors
Three Valleys Municipal Water District
Three Valleys Municipal Water District
Upper San Gabriel Valley Municipal Water District
West Basin Municipal Water District
Western Municipal Water District

OPPOSITION: (Verified 9/28/2026)

None received

GOVERNOR'S VETO MESSAGE:

I am returning Senate Bill 872 without my signature.

This bill establishes the Delta Levees and Canal Subsidence Fund (Fund) to support multi-benefit levee projects and capital improvements to water conveyance systems impacted by subsidence in the Sacramento-San Joaquin Delta, and requires the Sacramento-San Joaquin Delta Conservancy (Conservancy) to establish an advisory committee to make recommendations for projects to be supported by the Fund.

In this year's budget, in partnership with the Legislature, we allocated \$68 million to mitigate subsidence on the state's aqueducts and canals, \$75 million for projects that repair levees and improve flood protection and climate resiliency in the Delta, \$20.2 million to the Sacramento-San Joaquin Delta Conservancy to reduce the risks of climate change impacts on communities, fish and wildlife, and natural resources, and \$7.9 million to pay for mitigation costs associated with the Delta levee projects.

This bill would establish parameters for spending revenue from a Fund that did not receive resources in this year's budget. While well-intentioned, this bill is unnecessary.

For these reasons, I cannot sign this bill.

ASSEMBLY FLOOR: 77-0, 8/19/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Hoover, Blanca Rubio

Prepared by: Heather Walters / E.Q. / (916) 651-4108
10/2/26 16:05:06

**** **END** ****