



BOND EXPENDITURE PLAN

FISCAL YEAR 2007-08

REQUIRED PURSUANT TO
ARTICLE 4 OF THE
DISASTER PREPAREDNESS &
FLOOD PREVENTION BOND ACT
OF 2006 (PROPOSITION 1E)



Introduction

With the passage of the Disaster Preparedness and Flood Prevention Bond Act of 2006 (Proposition 1E) and the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) in November 2006, the State of California has funding to significantly improve its flood management programs and infrastructure.

Proposition 1E requires the Governor to submit an annual Bond Expenditure Disaster Preparedness and Flood Prevention Plan (“Bond Expenditure Plan”) for the proposed expenditures of bond funds, federal appropriations and local funding to match those expenditures, and an investment strategy to meet long-term flood protection needs and minimize state taxpayer liabilities from flooding.

Given the timing of the Fiscal Year 2007-08 budget process following so soon after the passage of Proposition 1E, this Bond Expenditure Plan represents the Governor’s initial planning efforts. As the program develops, additional detail and analysis will be included in future Bond Expenditure Plans. The purpose of the Bond Expenditure Plan for FY 2007-08 is two-fold. First, the plan is submitted in connection with the Governor’s Budget to satisfy the requirement articulated in Proposition 1E. Second, it provides a mechanism for the Governor to establish the criteria that will guide the selection of certain early implementation projects.

Bond Implementation

Proposition 1E allocates \$3 billion to repair and improve state-federal Project facilities that are part of the *State Plan of Flood Control for the Central Valley*, and to reduce the risks of levee failure in the Sacramento-San Joaquin Delta. After repayment to the General Fund of \$200 million for critical levee work initiated pursuant to the Governor’s February 24, 2006 Proclamation of Emergency, and payment of \$105 million associated with the costs of bond issuance, the amount available in this fund is expected to be \$2.695 billion. It is anticipated that this amount will be allocated as follows:

- A minimum of \$1 billion to provide a high level of flood protection to urban areas protected by state-federal Project levees
- A minimum of \$300 million to provide design level flood protection to non-urban areas protected by state-federal Project levees where feasible
- A minimum of \$500 million to reduce the risks of levee failure in the Sacramento-San Joaquin Delta



The remaining \$900 million will be distributed among these categories, based on priorities established by the Department of Water Resources (DWR) in an update to the *State Plan of Flood Control for the Central Valley* to be developed by DWR with public input.

Proposition 1E also allocates funds for State Flood Control Subventions (\$500 million); Flood Protection Corridors and Floodplain Evaluations (\$290 million); and Stormwater Flood Management Grants (\$300 million).

Development of a New State Flood Plan

The DWR investment strategy calls for state and local participation. DWR shall develop a new *State Plan of Flood Control for the Central Valley* and local agencies across the state will be called upon to develop regional flood management plans. Together with the results of the Delta Vision process, these plans will be incorporated into the *California Flood Plan*, a statewide strategic plan being developed by DWR to identify and prioritize needs and guide the investment of bond funds.

Flood management systems that are not part of the *State Plan of Flood Control for the Central Valley*, notably non-Project levees inside and out of the Central Valley, will be eligible for funding from Proposition 84. For FY 2007-08, DWR will use continuously appropriated funds from Proposition 84 to provide cost-shared grants for non-Project levee evaluations, feasibility studies and regional flood management plans.

Flood Management Investment Priorities

DWR will give priority to protection of lives and property, reduction of state taxpayer liability, and development of a sustainable flood management system by:

- Performing critical repairs with the U.S. Army Corps of Engineers, if possible, and without the Corps, if necessary;
- Evaluating levees and other flood management facilities;
- Funding projects that will improve flood protection for urban areas to at least a 200-year level of flood protection and/or provide regional benefits;
- Repairing identified rural levee deficiencies where economically justified; and
- Constructing new or enlarged bypasses, flood corridors, setback levees, and other features that reduce regional flood risks, address climate change or offer multiple benefits.



Approach to Cost Sharing and Federal Crediting

Historically, DWR (and, within the Central Valley, the Reclamation Board) have partnered in construction of federally-authorized projects with state-local cost sharing formulas established in the California Water Code. DWR will continue to seek federal cost sharing, reimbursement, and crediting wherever possible, provided that doing so would not unduly delay the work. However, consistent with the requirements of the Propositions, DWR will establish new cost sharing formulas in order to ensure that DWR has the flexibility to use the bond funds for maximum effect, particularly for completion of work that results in system benefits and improvements to make the system more sustainable and easier to maintain.

Funding for the Delta

The Delta Risk Management Strategy and the Delta Vision Process, expected to be completed in late 2008, will guide the majority of bond investments in the Delta. For FY 2007-08, DWR will use Proposition 84 funds to substantially increase the monies available for levee maintenance and special projects over past allotment levels in the Delta Levees Program. For major Delta levee projects, DWR will utilize Proposition 1E funds in subsequent years.

Floodway Corridor Program

Proposition 1E establishes a new Floodway Corridor Program. Consistent with the requirements of the Proposition, DWR will initiate the first round of grant solicitations for this program in FY 2007-08. In FY 2007-08, the existing Flood Protection Corridor Program will use Proposition 84 funding to provide directed expenditures and competitive grants for eligible projects.

Stormwater Flood Control Grants

Proposition 1E establishes the Stormwater Flood Control Grants Program. Consistent with the requirements of the Proposition, DWR will solicit grant proposals and award cost-shared grants in FY 2007-08 for eligible projects.

Appropriation Plan for Bond Funds

The plan for appropriating Proposition 1E funds assumes that 3.5 percent of the funds from each section of the bond will be used for bond issuance expenses. It also assumes that \$200 million will be appropriated in FY 2007-08 to repay critical erosion repair costs incurred pursuant to the Governor's February 24, 2006 Proclamation of Emergency. For FY 2007-08, DWR will rely on appropriations from Proposition 84 for the Delta Levees Program, the State Flood Control Subventions Program, and floodplain evaluations and delineations. In subsequent years, DWR will use Proposition 1E funds for these purposes.



PROPOSITION 1E BOND APPROPRIATION PLAN

Section	Amount Available ¹	Description	FY 2007-08 Appropriation	Remaining Amount
§5096.821	\$2,695,000,000	Repair and improve Delta levees and Central Valley flood control system	\$320,247,000	\$2,374,753,000
§5096.824	\$482,500,000	State Flood Control Subventions	\$0	\$482,500,000
§5096.825	\$279,850,000	Floodway Corridor and Floodplain Evaluations	\$2,000,000	\$277,850,000
§5096.827	\$289,500,000	Stormwater Flood Control Grants	\$102,025,000	\$187,475,000

Note:

1. Amount available after payment of 3.5 percent for bond issuance expenses and repayment of \$200 million for critical levee repairs.

Capital outlay projects proposed for Proposition 1E funding in FY 2007-08 include levee evaluations, critical levee repairs, levee repairs in non-urban areas, and levee improvements in urban areas. In addition, funds are provided for four continuing federal projects being constructed by the Corps under the authority of the Reclamation Board.

Specific projects and activities proposed for Proposition 1E funding in FY 2007-08 are indicated in the table below. Four feasibility studies are also being funded by Proposition 84 to evaluate potential new federal flood control projects.



**PROPOSITION 1E EXPENDITURE PLAN (\$ in thousands)
FY 2007-08**

Program	Description	Prop 1E Request			Fed Funding Available to Match Prop 1E Request	Prop 84 Request	Total Prop Funding Request	Fund Source
		Funding	Fed Cost-Share	Local Cost-Share				
Delta Levees System Integrity	Delta Subventions and Special Projects					\$57,870	\$57,870	Prop 84 Sec. 75033
Sediment Removal Program	Remove sediment from channels of the Sacramento Valley	\$15,000	\$0	\$0			\$15,000	Prop 1E Sec. 5096.821
Flood Control Project Subventions	Reimburse local agencies for federal flood control project construction cost					\$100,000	\$100,000	Prop 84 Sec. 75034
Floodplain Evaluation and Delineation	Provide floodplain risk information					\$25,000	\$25,000	Prop 84 Sec. 75031**
Floodway Corridor Program	Acquisitions and nonstructural projects statewide	\$2,000	Maximum*	Maximum*			\$2,000	Prop 1E Sec. 5096.825
Flood Protection Corridor Program	Acquisitions and nonstructural projects statewide (continued from Prop 13)					\$25,000	\$25,000	Prop 84 Sec. 75032.5
State-Federal Flood Control System Modification	Construct flood protection improvements for Central Valley communities	\$170,000	Maximum*	Maximum*		\$30,000	\$200,000	Prop 1E Sec. 5096.821 Prop 84 Sec. 75032**
California Flood Plan	Develop statewide plan using regional plans, Delta Vision, and new State Plan of Flood Control for Central Valley					\$6,000	\$6,000	Prop 84 Sec. 75032**
New Feasibility Studies and Levee Evaluations	Cost share new project studies, regional plans, and levee evaluations statewide					\$30,000	\$30,000	Prop 84 Sec. 75032**
Levee Evaluations	Perform drilling and analysis for rural Central Valley levees	\$30,000	Maximum*	\$0	\$168		\$30,000	Prop 1E Sec. 5096.821
Levee Repairs	Repair Central Valley levee deficiencies	\$20,000	Maximum*	Maximum*			\$20,000	Prop 1E Sec. 5096.821



**PROPOSITION 1E EXPENDITURE PLAN (\$ in thousands)
FY 2007-08 (continued)**

Program	Description	Prop 1E Request			Fed Funding Available to Match Prop 1E Request	Prop 84 Request Funding	Total Prop Funding Request	Fund Source
		Funding	Fed Cost-Share	Local Cost-Share				
Critical Erosion Repairs	Repair Central Valley critical erosion sites	\$50,000	Maximum*	Maximum*	\$5,633		\$50,000	Prop 1E Sec. 5096.821
Mid-Valley Area Levee Reconstruction	Levee deficiency repairs by Corps between Sacramento and Knights Landing	\$641	\$2,334	\$233			\$641	Prop 1E Sec. 5096.821
South Sacramento County Streams	Levee and channel improvements by Corps in southern Sacramento area	\$6,233	\$16,207	\$2,618	\$6,071		\$6,233	Prop 1E Sec. 5096.821
American River Watershed, Folsom Dam Raise	Raise of Folsom Dam by Corps to protect Sacramento area	\$20,232	\$54,111	\$9,077	\$4,463		\$20,232	Prop 1E Sec. 5096.821
American River Watershed, Folsom Dam Raise, Bridge Element	Construction of new bridge near Folsom Dam by Corps, associated with dam raise work	\$4,401	\$4,273	\$32,411	\$17,500		\$4,401	Prop 1E Sec. 5096.821
American River Flood Control, Natomas Features	Reimburse SAFCA for State share of Natomas levee improvements	\$3,740	\$15,782	\$1,576			\$3,740	Prop 1E Sec. 5096.821
Rock Creek/Keefer Slough Feasibility Study	Corps study of new project protecting Chico area (Butte County)					\$327	\$327	Prop 84 Sec. 75032**
West Stanislaus County Feasibility Study	Corps study of new project protecting Newman (Stanislaus County)					\$755	\$755	Prop 84 Sec. 75032**
White River/Deer Creek Feasibility Study	Corps study of new project protecting Earlimart area (Tulare County)					\$327	\$327	Prop 84 Sec. 75032**
Frazier Creek/Strathmore Creek	Corps study of new project protecting Strathmore area (Tulare County)					\$327	\$327	Prop 84 Sec. 75032**
Stormwater Flood Management Projects	New grant program for stormwater runoff projects	\$102,025	\$0	\$100,000			\$102,025	Prop 1E Sec. 5096.827
Totals		\$424,272	\$92,707	\$145,915	\$33,835	\$275,606	\$699,878	

* Maximum federal and local cost sharing to the extent timely implementation is not prohibited.

** Sections 75031 and 75032 of Proposition 84 are continuously appropriated.



Early Implementation Projects

For projects that would be part of the *State Plan of Flood Control for the Central Valley*, and that are ready for early implementation in FY 2007-08, DWR and the Reclamation Board would fund construction by providing cost-shared funding either to local agencies or to the federal government. A combination of Proposition 1E and 84 funding is proposed in FY 2007-08 to provide \$200 million for early implementation projects (Note: the \$200 million for Early Implementation Projects is included in the total \$699 million FY 2007-08 Expenditure Plan -- see item for State-Federal Flood Control System Modifications). The following list of projects has already been proposed by local agencies:

PROJECTS PROPOSED BY LOCAL AGENCIES

Agency	Community/Project	Funding Request for Levee Repairs/Upgrades
SAFCA	Sacramento/Natomas Cross Canal Levee Strengthening	\$37,500,000
Sacramento County	Sacramento/Strong & Chicken Ranch Slough Flood Improvements	\$8,100,000
Sacramento County	Sacramento/Home Elevation Program	\$750,000
Subtotal		\$46,350,000
Sutter County	Yuba City/Feather River West Bank Setback Levee	\$20,000,000
Subtotal		\$20,000,000
Yuba County	Linda-Olivehurst-Arboga/Feather River East Bank Setback Levee	\$132,800,000
Yuba County	Wheatland/Bear River Levee Strengthening	\$5,000,000
Subtotal		\$137,800,000
Total		\$204,150,000

Proposition 1E requires the Governor to prioritize project selection and design to achieve maximum public benefits from Proposition 1E funds. DWR developed criteria to be used in the selection and design of Early Implementation Projects for FY 2007-08, and then conducted a series of public outreach meetings for input on the proposed criteria. On the basis of the input received from a variety of stakeholder groups, DWR revised various aspects of the project selection criteria. The project selection criteria resulting from this process are as follows:



- The project is critically needed or otherwise significantly maximizes public benefits, enhances public safety, and reduces state liability.
- The project is ready for early implementation (feasibility investigation and CEQA compliance are near completion) and needs funding in the budget year to maintain or accelerate the design and/or construction schedule.
- The project is economically feasible, taking into account both local and system-wide benefits.
- If the project protects an existing urban area, there is a strategy by the local agency for achieving 200-year or better flood protection for the area and the project fits into the strategy.
- If the project protects a non-urban area, it will restore the design level of flood protection where feasible, consistent with non-urban uses such as agriculture, open space, and habitat in the protected area.
- If the project would improve a levee in place, it is because it is clearly infeasible to move the levee and/or there are no significant flood risk management benefits to moving the levee.
- The project takes advantage of any feasible opportunities to provide additional room for the river to meander, enhancing channel capacity, reducing maintenance, and providing regional flood risk management and environmental benefits.
- The local agency has a sound financial strategy and plan to fund its cost-share to build the project, and to then maintain the completed project.
- The local agency agrees to provide a detailed emergency response plan acceptable to DWR.
- Cities and counties in the protected area formally acknowledge the flood risk.

DWR will use these criteria and proceed as soon as possible to select Early Implementation Projects that best meet the objectives and policies set forth in Propositions 1E and 84.