

The 2024-25 Budget:

Salton Sea Management Program

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SUMMARY

The Governor's budget proposes \$65.2 million from the General Fund in 2024-25 to support the Salton Sea Management Program (SSMP) and authority for 18 new positions phased in over two years. This includes \$60 million on a one-time basis to initiate six capital projects. Beginning in 2026-27, the Governor proposes to support the 18 positions with the Salton Sea Lithium Fund, which is anticipated to receive revenue from a lithium extraction tax in the coming years.

Weigh Trade-Offs of Funding the Governor's Proposed Salton Sea Projects—Perhaps at a Partial Level—Against Other Budget Priorities. Because the state is experiencing a serious—and worsening—budget problem, the Legislature will need to be very selective about approving any new General Fund spending proposals. At the same time, addressing serious public health impacts from toxic dust and the deteriorating bird habitat at the Salton Sea remain important—and required—state responsibilities. Although the Governor's proposed projects have merit, the Legislature will have to consider these relative to its other budget priorities. It could wait to see if other funding sources materialize in the next couple of years rather than providing \$60 million from the General Fund this year. For example, lithium tax revenues could provide some funding for the program in the next few years (although the amount and timing remain fairly uncertain). The state also expects to receive \$175 million in federal funding over the next two years—contingent on local water agencies reducing their use of Colorado River water—which could be used to support one of the larger proposed projects. If funding these activities is a top priority for the Legislature in 2024-25, we recommend it consider a couple of options: (1) providing a lower amount of funding to support fewer projects or (2) providing the full amount but to support a smaller number of projects all the way through completion rather than just for their initial stages (so the state does not start projects it does not have the funding to complete).

Recommend Approving Two Components of the Proposal. First, we recommend approving approximately \$700,000 in 2024-25 and \$1.2 million in 2025-26 and ongoing for eight positions to maintain and operate existing projects that are complete or nearly complete. The state has already expended significant time and resources to plan, design, and construct these projects. This funding would preserve the value of those investments and help ensure the projects achieve their intended goals. These costs could potentially shift from the General Fund to the Salton Sea Lithium Fund in the future. Second, we recommend approving \$3 million on a one-time basis for the state's share of costs of a federally supported feasibility study to explore long-range restoration options at the Salton Sea. The state already entered into an agreement with the federal government to share costs. Moreover, depending on what the study finds, it could lead to significant federal project support in the future.

Recommend Legislature Craft a Longer-Term Approach for How to Fund the State's Ongoing Commitments at the Salton Sea. Addressing the state's commitments at the Salton Sea will far exceed a one-time \$60 million appropriation for projects. We suggest the Legislature consider some combination of the following approaches for crafting a longer-term funding plan, none of which is without trade-offs: (1) bond financing, which could support completion of all projects that are part of the first phase of restoration (but will require voter approval); (2) lithium tax revenues, which could support certain projects or activities (but for which the timing and amounts available still are uncertain); (3) annual General Fund built into SSMP's baseline budget (which is complicated by the current state budget deficit); and (4) special funds, such as a dedicated amount from the Greenhouse Gas Reduction Fund (which also faces competing priorities).

BACKGROUND

Overview of the Salton Sea

History of the Salton Sea. The Salton Sea, located in Riverside and Imperial Counties, is California’s largest inland lake. It is a terminal lake with no outlet to the ocean. Over the past several thousand years, the Sea has intermittently both filled and dried up in this location. The modern Sea was created in 1905 when a nearby irrigation canal carrying Colorado River water breached and water overflowed into the lake bed for nearly two years. In the subsequent years, agricultural runoff from farms in the Imperial Valley fed the Sea and prevented it from fully drying up. However, over the past several decades, changes in agricultural water use practices by nearby farmers have gradually diminished inflow into the Sea, causing it to slowly shrink. Between the 1940s and 1960s, the Sea was a popular destination for tourism, fishing (the Sea was stocked with sport fish), and water sports. However, due to episodes of flooding, fish die-offs, and some of the other trends described in this report, tourism over recent decades has largely faded away. Many landowners lay claim to the Sea and its surrounding areas, including the Torres Martinez Desert Cahuilla Indians, who have deep roots in the area. Other landowners include the state, Riverside County, Imperial Irrigation District (IID), Coachella Valley Water District (CVWD), the federal Bureau of Land Management, the federal Bureau of Reclamation (Reclamation), and private landowners.

Sea Is Extremely Saline. While the modern Sea started off as a relatively fresh water body in 1905, it is now more than twice as salty as the Pacific Ocean. This is partially due to the high salinity of the agricultural runoff water that has been the Sea’s primary source of replenishment for the past century. Additionally, because the Sea has no outlet to the ocean, water that enters the Sea can only depart through evaporation, leaving salts behind. The Sea therefore has and will continue to become increasingly saline over time.

Sea Provides Important Bird Habitat.

Despite being a relatively new water body in geologic terms, the Sea has become an important habitat area for a large number of birds. As wetland habitat has been lost to development throughout California and northern Mexico, many bird species have come to rely on the Sea for food, rest, and nesting—particularly during their annual migrations. More than 270 species of birds use the Sea on a regular basis, including many that state and/or federal law have identified as being threatened or endangered. The Salton Sea National Wildlife Refuge—now named for Sonny Bono—was established in 1930 for waterfowl and other migratory birds. Hundreds of thousands of birds use the Sea as a stopover point on their migrations each year.

Changes Affecting the Salton Sea

Several changes in recent times have affected the size of the Sea, the quality of the water and habitat, the region around the Sea, and the way that the Sea is managed.

2003 Colorado River Agreement Reduced Salton Sea Inflow. In 2003, the state, the federal government, native tribes, and a number of water districts in the region entered into a series of agreements to address longstanding issues regarding use of Colorado River water. These agreements are known collectively as the Quantification Settlement Agreement (QSA). The QSA included an agreement to transfer up to 300,000 acre-feet of water annually (ramping up over time) from IID—which uses Colorado River water for agricultural irrigation—to three other Southern California water districts (the San Diego County Water Authority [SCDWA], CVWD, and the Metropolitan Water District) for residential uses. (An acre foot is the amount of water that would cover an acre of land at a depth of one foot.) By reducing the amount of water available for agricultural uses in the Imperial Valley, these transfers have had the effect of decreasing the amount of water that runs off fields into the Sea. However, reductions in inflow thus far have been less than what was initially estimated.

Specifically, annual inflow to the Sea declined from about 1.2 million acre-feet in 2003 to about 1 million acre-feet in 2022 (whereas previous projections had expected it to drop to between 700,000 and 800,000 acre-feet by that time). Nevertheless, reductions are expected to progress and evaporation consistently outpaces inflows, meaning the Sea will continue to contract.

2002 SWRCB Order Delayed Impacts of Water Transfers Until 2017. Anticipating the potential effects of the QSA, the State Water Resources Control Board (SWRCB) ordered delays in the pace of water flow reductions. Specifically, the board issued a water rights order in 2002 requiring that for 15 years, IID had to continue to provide inflow water to the Sea at levels sufficient to maintain the salinity levels that would have existed absent the transfer. This was intended to provide the state time to develop a long-term plan to address the effects of the QSA transfers. That requirement to provide mitigation flows expired at the end of 2017.

Shrinking Salton Sea Has Significant Negative Impacts on Public Health, Wildlife, and Local Economy. The shrinking Salton Sea is exposing dry lakebed, referred to as “playa.” The playa is covered in dust containing toxic elements like selenium and arsenic resulting from the agricultural runoff that has fed the Sea. When this dust becomes airborne due to the area’s high winds and arid climate, it increases the amount of fine particulate in the air, which in turn can increase the risk of asthma, bronchitis, and other lung diseases for the surrounding residents and workers. The air quality around the Sea is already poor, due to pollution from agricultural activities and the nearby city of Mexicali, Mexico, and the region consistently fails to meet federal air quality standards designed to protect public health. [A 2019 study](#) led by researchers at the University of Southern California found that about 22 percent of children in the area suffer from asthma, which is nearly three times the nationwide incidence. The shrinking Sea also impairs wildlife habitats. Specifically, as the Sea evaporates and salinity and other toxic elements become more concentrated, conditions become increasingly inhospitable for the fish upon which migratory birds depend as a source of food. Moreover, a retreating Sea will

dry out the established vegetation and wetlands that exist along the edges of the Sea, degrading that habitat for birds as well as the fish—including the endangered desert pupfish—and insects that they eat. In addition, the changing Salton Sea has and will continue to have significant impacts for local residents (beyond the serious public health impacts). These include repeated and sometimes significant fish die-offs and distasteful sulfurous odors when temperatures are high due to the algae and nutrients in the Sea. These conditions have contributed to a decline in recreation and tourism over the past several decades, which has correspondingly depressed home values and limited job opportunities and economic development. The unemployment rate for the region is significantly higher than the statewide average. As the Sea shrinks, former lakeside houses and boat docks become stranded far from the water, further depressing their desirability, recreational utility, and resale value.

Water Board Stipulated Order Requires Implementation of 10-Year Management Plan. Despite 15 years to plan between the QSA in 2003 and the end of the temporary inflow to the Sea in December 2017, the state did not implement any major management projects at the Salton Sea during that time. In 2007, the California Natural Resources Agency (CNRA) released a study of eight potential approaches to restoring the Sea, and recommended a “preferred alternative” to the Legislature with a corresponding cost of \$9 billion. Funding constraints—including those associated with the severe recession that followed—rendered this plan infeasible. In 2014, frustration with the slow pace of management activities led IID to petition SWRCB to amend its original QSA-related water rights permit and require the state to begin implementing a management plan. This led to the corresponding SWRCB action in 2017 described in the next paragraph. The state adopted—and began funding—a plan for making significant progress on management activities in 2017. Specifically, the state established SSMP—led by CNRA in collaboration with the Department of Water Resources (DWR) and California Department of Fish and Wildlife (CDFW)—and published a [Phase I: 10-Year Plan](#) to guide state projects at

the Sea and address potential public health and environmental effects over the subsequent decade (we describe the SSMP and Phase 1: 10-Year Plan in more detail below).

In response to the 2014 petition from IID, SWRCB approved a [stipulated water rights order](#) in November 2017 that revised the conditions of the permit approval that SWRCB granted for the QSA. Specifically, the order requires the state to meet annual acreage goals included in the Phase 1: 10-Year Plan. These annual goals specify the number of acres on which the state must construct habitat restoration and dust suppression projects. The order also requires that for each year, at least half of the project acres that the state constructs must provide habitat benefits for fish and wildlife; that is, no more than half of annual construction can be solely focused on dust suppression. Every year, SWRCB holds a public meeting by March 31 to hear a progress report on the previous year, including updates on completed projects and the amount of acreage completed, as well as plans for the coming year and funding availability. The order specifies that if the state fails to meet the specified acreage goals in a given year, it must “catch up” the following year and report to SWRCB on how it will address the deficiency. In addition to the SWRCB order, implementation of the Phase 1: 10-Year Plan is supported by an agreement with the federal government. Specifically, CNRA entered into a memorandum of understanding (MOU) with the federal Department of the Interior affirming that the state has the lead role in Salton Sea management efforts, and expressing mutual intent to try to support achievement of the goals in the Phase 1: 10-Year Plan (such as by expediting permitting processes).

Management of the Salton Sea

Management of the Sea involves many actors at all levels of government, Native American tribes, and nongovernmental organizations. Below, we describe the various players and focus in on the state and federal roles.

Many Agencies Have a Role to Play at the Salton Sea. Numerous agencies at all levels of government are involved in responding to conditions at the Salton Sea. The principal agencies and their major roles are described in [Figure 1](#).

As shown, both state and local agencies are implementing activities to address the impacts of changing conditions at the Sea. Many of the local agency responsibilities result from mitigation and environmental permitting requirements associated with the QSA.

State Bears Primary Financial Responsibility and Plays Leadership Role. As required by the QSA, IID, CVWD, and SDCWA were responsible for contributing some funding to begin to mitigate the effects of the water transfers, and the state has committed to implementing and funding the additional activities necessary to address public health and wildlife impacts. These commitments were codified through several pieces of legislation implementing the QSA, including Chapter 613 of 2003 (SB 654, Machado), which specified environmental mitigation spending requirements for the QSA agencies. The legislation also stated that “any future actions to restore the Salton Sea will be the sole responsibility of the State of California.” Finally, the SWRCB stipulated order from 2017 and subsequent MOU with the U.S. Department of the Interior further solidify the state’s lead role in mitigating deleterious impacts of a shrinking Sea. These state responsibilities are focused on responding to public health and wildlife-related impacts. The state carries out this role through the SSMP. (While statute requires the state to consider local economic impacts, it does not assign fiscal responsibility to the state to address any such effects that may result from a shrinking Salton Sea. Addressing such concerns would fall under the jurisdiction of local governments and community organizations.)

Reclamation and U.S. Army Corps of Engineers (USACE) Involved at the Federal Level. At the federal level, the U.S. Department of the Interior—primarily through Reclamation—and USACE play key roles in supporting efforts at the Sea.

- **Reclamation Providing Funding and Other Support to SSMP.** Reclamation owns about 81,000 acres at the Sea (the Bureau of Land Management owns an additional 12,000 acres). Consequently, SSMP regularly collaborates with Reclamation on projects occurring on its land (including securing land access agreements). In addition, Reclamation has provided some funding for projects at the Sea.

Figure 1

Agencies With Major Responsibilities at the Salton Sea

Entity	Role
Local	
Imperial Irrigation District (IID)	As a party to QSA, transfers up to 300,000 acre-feet per year of its water to SDCWA, CVWD, and Metropolitan Water District (MWD). Helps fund the mitigation projects required by the QSA permits and implements those projects for the QSA JPA. One of the largest landowners in the region. Delivers Colorado River water to irrigate farmland in the Imperial Valley near the Sea.
Coachella Valley Water District (CVWD)	As a party to QSA, receives up to 100,000 acre-feet of additional water per year from IID. Helps fund the mitigation projects required by the QSA permits and serves as legal counsel for the QSA JPA. Delivers water for irrigation and domestic uses in the Coachella Valley near the Sea.
San Diego County Water Authority (SDCWA)	As a party to QSA, receives up to 200,000 acre-feet of additional water per year from IID. Helps fund the mitigation projects required by the QSA permits and handles administration and finance for the QSA JPA.
QSA JPA	JPA including IID, SDCWA, CVWD, MWD, and the state Department of Fish and Wildlife. Administers funding for implementing the mitigation activities required by QSA permits.
Salton Sea Authority	JPA including IID, CVWD, the Torres Martinez Desert Cahuilla Indians, and Imperial and Riverside counties. Partners with other entities to develop projects to restore the Sea.
State	
Natural Resources Agency	Serves as lead agency overseeing and guiding state's Salton Sea activities. Coordinates and negotiates with other local, state, and federal agencies.
Department of Water Resources	Implements most of the state's restoration projects at the Sea, including engineering and design, contracting, construction, and operations and maintenance.
State Water Resources Control Board	Responsible for protecting water quality and water rights, including by: issuing permit for QSA water transfers, imposing certain permit conditions (such as provision of mitigation water for 15 years), and requiring that the state construct specified amounts of management projects at the Sea each year.
Department of Fish and Wildlife	Helps design Salton Sea habitat projects, will develop and implement wildlife monitoring program for constructed habitat. Issues regulatory permits for projects at the Sea as required by state law. Administers Salton Sea Restoration Fund.
Tribal	
Torres Martinez Desert Cahuilla Indians	Largest private landowner of property around the Sea, including roughly half of the land under the Sea. Partners with other agencies on restoration projects, including pilot wetland project on tribal land at north end of Sea.
Federal	
Bureau of Reclamation	Owns significant amount of land under and around the Sea.

QSA = Quantification Settlement Agreement and JPA = Joint Powers Authority.

- **USACE Conducting National Environmental Protection Act Review.** USACE is the lead agency for the required National Environmental Protection Act environmental assessment process for the Phase 1: 10-Year Plan. USACE released the [draft environmental assessment](#) in June 2022. In addition, USACE works with SSMP to secure necessary federal permits for projects.

- **USACE Also Conducting Feasibility Study of Potential Long-Term Restoration Activities.** USACE is leading a long-term feasibility study, the [Imperial Streams Salton Sea and Tributaries Feasibility Study](#), to explore potential long-term ecosystem restoration, flood management, or other land- and water-resource projects. DWR, the Salton Sea Authority, and USACE are sharing the costs of the study.

Expected to take three years, the study could lead to future federal financial support from USACE depending on its findings and the viability of potential projects.

SSMP Progress to Date

As required by the SWRCB order, SSMP currently is undertaking projects to reduce exposed lakebed, create and enhance habitat and vegetation, and suppress dust. Although these often are discussed as “restoration” projects, they will not restore the Sea to its original conditions. Instead, these projects seek to decrease the potential harmful effects of the water transfers. (As discussed later, the QSA also requires the local water agencies to fund and carry out mitigation projects.) The order also required SSMP to develop a long-range plan for the Sea following Phase 1.

SSMP Behind in Meeting Acreage Targets.

As shown in **Figure 2**, to date, SSMP has about 7,600 acres of projects completed or under construction (completed acreage totals less than 2,500). One effort nearing completion is Species Conservation Habitat (SCH), an approximately 4,100-acre project located at the southern end of the Sea that reduces exposed playa and

creates habitat and is the state’s first large-scale project in the region. Three smaller dust suppression projects nearing completion include approximately 1,700 acres. These efforts seed and plant native vegetation and use grass bales to protect the vegetation from wind-blown dust and soil erosion. Three additional projects totaling 1,022 acres are under construction or about to start construction—a pilot project to create fish habitat, a project to preserve and enhance wetlands, and a project to restore several stranded channels. In addition, SSMP has completed about 755 acres of interim dust suppression projects. Although SWRCB’s stipulated order requires the state to meet annual acreage targets, SSMP has missed these targets during the first five years of the Phase 1: 10-Year Plan, as shown in the figure. By the end of 2023, the order required SSMP to have completed a cumulative 11,500 acres, but thus far the state has completed fewer than 2,500 acres.

SSMP Is Planning Projects to Cover an Additional 8,165 Acres as Part of Phase 1.

As discussed below related to the Governor’s budget proposal, SSMP is in the final stages of planning, design, and permitting for handful of additional projects (totaling about 8,165 acres) intended to be completed over the 2026 to 2028 time frame. Taken altogether, completed, in-progress, and planned projects total about 15,700 acres, which only gets the state about halfway to the 2028 required target of 29,800 acres. SSMP has not yet formally identified additional projects that it might undertake to achieve the intended objective.

SSMP Released Draft Long-Range Plan in 2022. As required by the SWRCB stipulated order, SSMP developed and released for public comment a **long-range plan** in December 2022. This plan explores various restoration concepts that could be implemented after 2028 (at completion of the Phase 1: 10-Year Plan), including some that assume importation of water and some that do not.

Figure 2

Acreage Targets for Habitat and Dust Suppression Projects on Exposed Playa

Year	Required Number of Acres Annually ^a	Acres Actually Completed or Under Construction
2018	500	—
2019	1,300	—
2020	1,700	755
2021	3,500	1,000-2,000
2022	1,750	290
2023	2,750	5,400
2024	2,700	—
2025	3,400	—
2026	4,000	—
2027	4,000	—
2028	4,200	—
Totals	29,800	~7,600

^a Acreage targets in the Salton Sea Management Program’s Phase 1: 10-Year Plan were formalized in the State Water Resources Control Board’s 2017 Stipulated Order. The Salton Sea Management Program must construct a cumulative 29,800 acres of projects by December 31, 2028.

Funding for Salton Sea Management Program

Approximately \$590 Million Has Been Authorized for State Management Activities.

As shown in **Figure 3**, a total of nearly \$590 million has been authorized for SSMP projects and activities. Most of this funding—\$347 million—has come from statewide voter-approved general obligation bonds, while another \$101 million has been provided from the General Fund. (Recent state budgets had planned to provide a total of \$220 million in General Fund support from 2021-22 through 2023-24, which was then partially scaled back in response to the 2023-24 budget problem. Specifically, in the 2023 May Revision the Governor proposed reducing planned funding for the Salton Sea by \$169 million to help solve the budget deficit. The Legislature modified the Governor's proposal and the final budget resulted in a \$119 million

reduction to original plans.) SSMP also receives some funding from local water agencies through the Salton Sea Restoration Fund (discussed in more detail below). Lastly, the state has received federal funding from Reclamation—including, most notably, \$70 million in December 2023 from the Inflation Reduction Act specifically to expand the SCH project (the new project is called the SCH Expansion). This federal funding is part of an agreement among Reclamation, the state, IID, and CVWD. The state's receipt of funding was contingent on the two local water districts making voluntary reductions in their use of Colorado River water (as discussed below, additional funding may be provided through 2026, contingent on additional voluntary reductions). Reclamation also provided \$2 million directly to the Torres Martinez Desert Cahuilla Indians to support its work on Salton Sea activities.

Figure 3

Funding for the Salton Sea Management Program

As of September 20, 2023 (In Millions)

Source	Authorized	Unspent	Use
State	\$448.0	\$2.1	
Proposition 12 (2000)	\$4.8 ^a	—	Species Conservation Habitat (SCH) project construction.
Proposition 50 (2002)	32.9 ^a	\$0.1	Environmental Impact Report and related studies and planning activities; SCH project construction.
Proposition 84 (2006)	44.2 ^a	2.0	SCH project planning and design, support for projects (Red Hill Bay, Seawater Marine Habitat Pilot, and Torres-Martinez Wetlands), and staffing and planning activities.
Proposition 1 (2014)	80.0 ^a	—	Staffing and project design and SCH project construction.
Proposition 68 (2018)	185.0 ^a	—	SCH project construction, habitat and dust suppression projects, North Lake Demonstration Project, and staffing.
Revive the Salton Sea Fund (tax check-off box from 2017-2019)	0.2	—	Restoration projects and/or maintenance and public awareness and education programs.
General Fund	101.0	—	SCH project construction, vegetation enhancement projects, project design, and staffing.
Federal	\$71.8	—	
Bureau of Reclamation	\$1.8	—	State planning activities and implementation of dust suppression projects.
Bureau of Reclamation	70.0	—	Construction and project management of initial SCH Expansion project.
Local	\$68.5	—	
Salton Sea Restoration Fund	\$68.5	— ^b	CDFW staffing, wildlife surveys, monitoring, CEQA review, and permit issuance.
Totals	\$588.2^c	\$2.1	

^a Authorized bond funds do not include state debt service costs for interest.

^b \$68.5 million is the total amount that IID, CVWD, and SDCWA will provide by 2047 (through annual payments of approximately \$1.58 million).

^c Does not include annual General Fund allocations of \$425,000 and annual reimbursements from DWR of \$316,000 to support positions at CNRA and CDFW.

CDFW = California Department of Fish and Wildlife; CEQA = California Environmental Quality Act; IID = Imperial Irrigation District; CVWD = Coachella Valley Water District; SDCWA = San Diego County Water Authority; DWR = Department of Water Resources; and CNRA = California Natural Resources Agency.

Nearly All Existing SSMP Funds Have Been Spent or Committed. The administration indicates that nearly all authorized funding for SSMP displayed in the figure has been spent or committed. This means that new, additional funding will be required for SSMP to conduct maintenance activities on recently completed projects and to pursue planning, design, and construction of additional projects.

New Lithium Extraction Tax Expected to Provide Revenues for SSMP. A new source of funding that is expected to become available to support SSMP projects in the coming years results from a recently approved tax on lithium extraction. The Salton Sea region is rich in geothermal resources and currently is home to a number of facilities that produce and sell geothermal energy. Businesses that own or plan to build such facilities have been developing methods to extract lithium from the brine. Chapter 63 of 2022 (SB 125, Committee on Budget and Fiscal Review) levied a new state excise tax on this lithium extraction as of January 2023. The tax rate ranges from \$400 to \$800 per metric ton of lithium carbonate equivalent that a producer extracts, adjusted annually for inflation. A total of 80 percent of the revenue from this tax will go to the counties where lithium extraction occurs, while the other 20 percent will go to the new Salton Sea Lithium Fund to support restoration projects and grants for community engagement, public amenity, capital improvement, or community-benefit projects in the area. However, no lithium extraction activities have yet begun in the region, and as such, no tax revenue has yet been generated to support the SSMP or local communities.

Reclamation Committed to Provide \$175 Million More in Federal Funding if Local Agencies Meet Water Reduction Conditions. In addition to the \$70 million Reclamation has already provided to support SSMP projects, the state is eligible to receive an additional \$175 million more through 2026. However, the remaining funds are contingent on additional voluntary reductions of Colorado River water use by IID and CVWD. Funding must be used to support the SCH Expansion project, which will restore up to 5,000 acres of playa upon completion.

USACE Study Could Lead to Future Federal Funding if It Identifies Long-Term Restoration Options. The goal of the feasibility study being led by USACE is to identify projects for long-term ecosystem restoration at the Salton Sea. The draft feasibility report is expected in June of 2024 and will be finalized in 2025. Should viable projects for long-term ecosystem improvements be identified in the study and subsequently approved by USACE (and funded by Congress), the state could receive up to 65 percent of associated project costs from the federal government.

Local Agencies Also Have Contributed Funding for Non-State Salton Sea Projects Pursuant to QSA Requirements. In addition to the SSMP projects supported by the funds displayed in Figure 3, local entities also have funded and managed certain projects at the Sea. Specifically, the QSA required the local water agencies that were involved in that agreement—IID, CVWD, and SDCWA—to provide funding up to a cap of \$133 million (in 2003 dollars) and carry out a variety of mitigation projects and activities. These agencies, along with CDFW, formed the QSA Joint Powers Authority (JPA) to help organize these efforts. Because the QSA JPA agencies have made their expenditures over a period of many years, the total funding obligation has been adjusted for inflation and accrued interest. By June 30, 2024, the JPA estimates it will have received cumulative contributions of \$262 million from its members and made cumulative expenditures of \$193 million. In addition to these local projects, the QSA required the JPA to provide \$30 million (in 2003 dollars) as seed money for state-led restoration projects. As this funding is collected, it is deposited into the Salton Sea Restoration Fund, which is administered by CDFW. Adjusted for inflation, this equates to \$68.5 million in total. This funding is included in Figure 3. The state collects annual payments from the JPA of about \$1.6 million to meet this obligation and will continue to do so through 2047.

Future Costs and Funding Sources Remain Uncertain. The state still lacks clarity about how projects will unfold at the Salton Sea in the coming years—and how they will be supported. SSMP plans to continue evaluating potential projects and environmental conditions at the Sea, particularly

as certain milestones are reached—such as completion of the first large-scale project (the SCH project), the USACE National Environmental Protection Act final environmental assessment, the USACE feasibility study, and the Phase 1: 10-Year Plan. The state still has a long way to go on the Phase 1: 10-Year Plan. While SSMP remains undecided about which additional projects the state will pursue to reach the 2028 acreage targets and what activities will follow this first phase, significant uncertainty also exists about how to fund such projects. Moreover, how SSMP will support ongoing operations and maintenance of projects after their initial construction is completed is unclear. Also uncertain is the amount of revenue that will be generated by the lithium extraction tax and when those revenues will be available for SSMP projects. Apart from anticipated lithium tax revenues, no ongoing state funding is dedicated for SSMP projects or maintenance and operations.

Governor’s Budget Proposal

The Governor’s budget proposes \$65.2 million from the General Fund in 2024-25, \$3.3 million from the General Fund in 2025-26, and \$3.3 million from the Salton Sea Lithium Fund in 2026-27 and ongoing for Salton Sea restoration projects and SSMP staffing. We describe the individual components of the proposal below.

Proposes \$60 Million on a One-Time Basis to Initiate Six Projects. As shown in **Figure 4**, the Governor proposes \$60 million one time from the General Fund to begin work on six projects, including the SCH Expansion project. Depending on the project, activities conducted in 2024-25 would include planning, design, and/or permitting. For one small project, funding would support design and construction. The administration currently estimates the total combined cost for these projects at between \$376 million and \$453 million. Once completed, these projects would provide up to 8,165 acres of wetlands, dust suppression, vegetation enhancement, and aquatic habitat.

Figure 4

Governor Proposes \$60 Million in 2024-25 to Initiate Six Salton Sea Projects

(Dollars in Millions)

Project	Purpose	Stage	Proposed Funding	Estimated		
				Total Cost	Completion Date	Acres at Completion
Wister Bird Unit Marsh Bird Habitat	Wetland restoration project	Site preparation and construction	\$0.5	\$0.5-\$0.6	2026	160
IID Clubhouse Enhancement	Dust suppression, vegetation enhancement	Design and permitting	7.0	7.0-8.4	2026	210
SCH Vegetation Enhancement	Wetland restoration, dust suppression, vegetation enhancement	Planning and permitting	11.5	11.5-13.4	2027	535
San Felipe Fan	Dust suppression, vegetation enhancement	Design	30.0	27.0-35.0	2027	660
North Lake	Aquatic habitat restoration	Planning	3.0	80.0-96.0	2027	1,600
SCH Expansion	Aquatic habitat restoration	Design	8.0	250.0-300.0 ^a	2028	Up to 5,000
Totals			\$60.0	\$376.0-\$453.0		Up to 8,165

^a The Salton Sea Management Program received \$70 million from the federal Bureau of Reclamation in 2023 and has the potential to receive an additional \$175 million contingent on Colorado River conservation agreements.

IID = Imperial Irrigation District and SCH = Species Conservation Habitat project.

Requests New Ongoing Funding and Positions at DWR, CDFW, and CNRA.

The Governor’s budget also requests 18 new positions phased in over two years (9 beginning in 2024-25 and another 9 in 2025-26) along with \$1.6 million from the General Fund in 2024-25, \$3.3 million from the General Fund in 2025-26, and \$3.3 million from the Salton Sea Lithium Fund in 2026-27 and ongoing. (The proposal assumes lithium development will begin generating tax revenue sufficient to support these positions in the out-years.) These positions would be responsible for a variety of activities, including maintenance and operations of completed projects (including upkeep of both infrastructure and habitat), data collection, real estate support, environmental science, and management and administrative functions.

The breakdown of funding, positions, and purposes across DWR, CDFW, and CNRA are shown in **Figure 5**.

Proposes \$3.6 Million One Time for State Cost Share of USACE Study and for Technical Contract. The Governor proposes to provide \$3 million from the General Fund in 2024-25 for the state’s current required payment to support the USACE Imperial Streams Salton Sea and Tributaries Feasibility Study pursuant to an agreement the state made with the federal government regarding this work. In addition, the budget proposes \$600,000 on a one-time basis from the General Fund to contract with a company to provide technical support for project planning, environmental and regulatory compliance, and initial project design.

Figure 5

Governor Proposes Ongoing Funding and Positions for Salton Sea Management Program

(Dollars in Thousands)^a

	2024-25		2025-26 and Ongoing		Purpose
	Funding	Positions	Funding	Positions	
DWR	\$719	5	\$1,395	9	Four positions for infrastructure-related maintenance and operations of completed projects. Four positions for data collection, administrative, and real estate support.
CDFW	718 ^b	3	1,715 ^c	8	Four positions for habitat-related maintenance and operations of completed projects. Four positions for environmental science, legal, management, and administrative functions.
CNRA	185	1	185	1	One position for outreach/engagement and grants preparation.
Totals	\$1,622	9	\$3,295	18	

^a Governor proposes to fund positions with General Fund in 2024-25 and 2025-26 and with the Salton Sea Lithium Fund in 2026-27 and thereafter.

^b Includes \$18,000 one time for equipment.

^c Includes \$40,000 one time for equipment and information technology.

DWR = Department of Water Resources; CDFW = California Department of Fish and Wildlife; and CNRA = California Natural Resources Agency.

ASSESSMENT

Below, we discuss the Governor’s Salton Sea proposals in the context of the worsening budget situation and offer some questions for the Legislature to consider as it weighs decisions to balance the budget.

General Fund Condition Requires Tough Choices and a Higher Bar for Approving New Spending. The Governor’s Salton Sea proposals would commit the state to General Fund expenditures of \$65.2 million in 2024-25 and \$3.3 million in 2025-26. Importantly, the current deficit means that General Fund revenues already are insufficient to fund existing baseline 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 Salton Sea projects and staffing 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, be very selective in approving any of them, and recognize that they will require finding additional General Fund solutions from existing commitments.

Maintaining Progress Toward Acreage Goals Represents State Responsibility and Is Important to Avoid Serious Public Health and Environmental Risks... Mitigating the deleterious public health impacts of toxic dust and the environmental implications of deteriorating bird habitat at the Salton Sea remain important—and required—state responsibilities. The SWRCB stipulated order requires at least 29,800 acres of projects be completed by the end of 2028, just under five years from now. While the state does not

have primary financial responsibility for mitigating the impact of a declining Sea on the local economy, it also has an interest in supporting the well-being of residents and businesses in the region.

...Yet Administration Has Sent Mixed Messages on Funding Urgency. The Governor’s May 2023 proposal to reduce \$169 million from previously committed and planned General Fund for Salton Sea projects signaled to the Legislature that funding was not urgently needed to accomplish state goals in the region. (As noted earlier, the Legislature modified this proposal in the final budget action to include a smaller yet still significant reduction of \$119 million.) Now—as the state budget condition has gotten even worse—the administration proposes to partially reverse this action by providing \$65 million in new resources. These mixed messages from the administration make it difficult for the Legislature to gauge the true urgency of providing funding this year. The administration has not provided a compelling explanation for the turnaround between its contention that the SSMP could accommodate such a significant reduction in funding last year and now, less than a year later, its argument that a new augmentation is critical.

Proposal Raises Several Key Questions for Legislative Consideration. The proposed request for \$60 million to initiate six Salton Sea projects raises a number of questions the Legislature might wish to consider as it weighs this request against its other budget priorities.

- **Is SSMP on Track to Meet Annual Acreage Targets, Even if It Receives Requested Funding?** The program and associated projects were very slow to get started—the QSA was signed in 2003 and the first projects were completed about 20 years later. Since the SWRCB stipulated order was issued in 2017, SSMP has missed required annual acreage targets in each of the first five years. Although the program has some momentum currently—nearing completion on its first large-scale project and with numerous projects underway or in planning—what will

happen after these existing projects are complete still is unclear. In previous years, the program had plenty of funding yet still made slow progress—that is, money-on-hand does not appear to have been the key barrier or enabler to project success. For example, finalizing land access agreements with the various landowners around the Sea can be challenging. The administration seemingly resolved—at least temporarily—some of the difficult issues that create significant project delays (land access issues, permitting with a variety of federal and state entities, and uncertainties about the changing environment)—to make recent progress on the SCH project and several smaller projects. However, has the administration been able to resolve or make headway on those issues more generally for upcoming and future projects? What assurances does the Legislature have that if it gives precedence to providing this funding for the SSMP over other state priorities, the program can spend the requested funds promptly and complete the specified activities?

- **Is the Full \$60 Million Truly Needed This Year?** Although the requested \$60 million would be spread across six projects and support various planning, design, permitting—and in one case construction—activities, why this specific amount of funding is required this year is unclear. What specifically does the program plan to accomplish in 2024-25 and is the full \$60 million needed immediately? What are the potential trade-offs and implications of providing a lesser amount?
- **What Is the Longer-Term Plan for Completing the Proposed Projects?** The proposed funding would support the initial stages of five projects as well as design and construction of one small project. Yet the administration has not provided information regarding how subsequent phases of these six projects would be funded. Given the expected General Fund condition over the next several years, the Legislature will want to consider the wisdom of providing funding in 2024-25 to begin projects that the state might be

unable to continue supporting to completion. The Governor’s proposal represents a larger multiyear commitment that might be fiscally unfeasible to sustain in the future without taking other measures, such as reducing funding for core ongoing programs to free up General Fund or asking voters to approve a bond measure. As such, the Governor’s approach runs the risk of spending funds to start projects, but having to stop the work before they are complete without achieving the actual objectives.

State Cost Share on Feasibility Study Could Help Secure Future Federal Funding. In 2022, the state entered into a cost-sharing agreement with the federal government for the USACE feasibility study and \$3 million is needed for the current required state payment (the total state cost share is \$8 million; the state already paid \$1.5 million and will be required to pay another \$3.5 million in the future). Depending on what the study finds, it could lead to federal project support in the future. Spending a relatively modest amount of state funding for the chance to undertake long-term restoration with federal support seems a compelling justification for this proposed expenditure, despite the General Fund condition.

Supporting Maintenance and Operations of Completed Projects Would Preserve State’s Investments and Objectives... As shown in Figure 5, the Governor proposes a total of 18 new positions for the state’s work at the Salton Sea. Of these, eight new positions—four at DWR and four at CDFW—would be to maintain and operate (1) the SCH project as it reaches completion and (2) three vegetation enhancement projects that are nearing completion. (Five positions would be authorized starting in 2024-25 and an additional three beginning in 2025-26.) These positions have an associated General Fund cost of about \$700,000 in 2024-25 growing to about \$1.2 million in 2025-26 and ongoing. (The proposal plans to shift support for these positions to the Salton Sea Lithium Fund beginning in 2026-27.) The state has already expended significant time and resources to plan, design, and construct these projects. As such, a strong rationale exists for providing a modest amount of ongoing funding to preserve

the value of those investments and ensure that the projects achieve their intended goals. Ongoing maintenance and operations activities would include upkeep of the infrastructure associated with these projects (for example, utility equipment such as backhoes, trucks, and dozers; radial gates; weirs; levees; pipelines; and aqueducts) as well preservation of habitats (for example, invasive species control, cleaning drainages, maintaining equipment, and conducting surveys).

...But Urgent Need for Other Positions Less Clear. The remaining ten positions proposed by the Governor would no doubt be helpful in supporting state activities at the Salton Sea. For example, proposed new staff would provide legal support, including on land access agreements; conduct outreach and engagement activities in local communities; provide environmental science expertise, including data collection and species surveys; provide administrative support; and manage budgets. However, in the context of the General Fund condition and resulting trade-offs, we are not certain whether these positions are absolutely vital to begin conducting these activities immediately. The Legislature could consider waiting to fund these positions until other revenue sources—such as lithium tax revenues—become available.

Delaying Some Activities Could Provide Opportunity to Use Other Funding Sources. A couple of other funding sources could become available to support some of the Governor's proposed activities in the next few years. As such, the Legislature may want to consider waiting to see if such funds materialize in lieu of providing General Fund for these activities now. First, part of the current request—\$8 million—is for the SCH Expansion project. The administration indicates this funding is intended to serve as a bridge until additional federal funds are received. However, the administration already received \$70 million in December 2023 from Reclamation for this project and anticipates an additional \$175 million in federal funds may be forthcoming. Moreover, Reclamation does not require a state cost share to draw down these federal funds. Consequently, the Legislature could consider waiting for additional federal funding for the SCH Expansion project activities rather than providing General Fund now.

Second, lithium tax revenues provide another possible source of funding for Salton Sea projects. The administration estimates the lithium tax could generate about \$9 million for SSMP in 2026-27 and up to \$35 million by 2028-29. The Legislature could defer supporting some of the proposed funding for positions and projects until lithium revenues become available. While such steps could help the General Fund now, a clear trade-off of waiting to see if other funding sources materialize is delaying project initiation. Postponing progress on the proposed projects could in turn lead to delays in meeting SWRCB's acreage targets and, more importantly, in mitigating the negative impacts of a shrinking Sea.

Meeting the State's Ongoing Responsibilities at the Salton Sea Will Require Longer-Term Funding Commitment. The Governor's 2024-25 proposals represent just one set of projects needed for the state to meet its 2028 restoration target at the Salton Sea. Given the significant public health and environmental risks at the Sea, as well as the state's legal responsibilities, the Legislature will need to grapple with how to fund these particular projects, additional (and as-yet undetermined) activities to meet Phase 1: 10-Year Plan acreage goals, and future projects in subsequent phases as the Sea continues to shrink. If the state cannot afford to support these costs on a pay-as-you-go basis with General Fund, it could consider using general obligation bond financing (which is also paid for with General Fund, but over a longer period). While that comes with the cost of debt service (including additional costs for paying interest on the debt), the annual cost is lower than paying up front. 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 funding for Salton Sea projects, 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.) In addition, all projects will require ongoing maintenance activities to preserve their intended functions once construction is complete. While bond funds can be helpful to support capital construction,

they are not an ongoing solution for maintenance and operations costs. Lithium tax revenues may provide a source of funding upon which the state can depend in the future—however, the degree to which those will materialize (and when) still is uncertain. The Legislature also could consider the use of other special funds, such as, for example, the Greenhouse Gas Reduction Fund (GGRF), for

Salton Sea projects. (While these projects would not directly reduce greenhouse gas emissions, they would reduce air pollution in the region and provide benefits to a largely socioeconomically disadvantaged population, which could make GGRF an appropriate fund source to consider. The trade-off of this approach would be less GGRF available for other activities.)

RECOMMENDATIONS

Approve Request That Could Lead to Federal Funding. We recommend that the Legislature approve \$3 million for the state’s share of cost for the USACE feasibility study, as the state already committed to providing these funds and this relatively modest state investment could yield potentially significant future federal funds to help meet the state’s goals.

Approve Positions for Maintenance and Operations of Completed Projects. We recommend the Legislature approve funding and positions to support the ongoing maintenance and operations of projects the state has nearly completed at the Salton Sea, including the large-scale SCH project. This staffing would protect the state’s previous investments in these projects and help ensure the projects achieve intended goals. Specifically, we recommend approving (1) approximately \$700,000 and five ongoing positions (four at DWR and one at CDFW) beginning in 2024-25 and (2) a total of \$1.2 million and three additional positions (at CDFW) beginning in 2025-26 and on an ongoing basis. Once the Salton Sea Lithium Fund contains sufficient resources to support these costs in the coming years, the Legislature can shift them off of General Fund support.

Weigh Trade-Offs of Funding the Governor’s Other Proposals—Perhaps at a Partial Level—Against Other Budget Priorities. We find that the proposed SSMP projects have merit and remain important for addressing public health and environmental risks at the Salton Sea. Similarly, the other ten positions the Governor requests could help pursue the state’s goals in the region. However, providing the full amount of General Fund

the Governor proposes in 2024-25 would mean having to find additional budget solutions. Given the worsening budget condition, this could mean cutting into core ongoing programs. As such, we recommend the Legislature carefully consider how these activities rank alongside its other General Fund priorities. If supporting Salton Sea projects and staffing are important 2024-25 priorities for the Legislature even in constrained budget conditions, it has a couple of options for how it could proceed if it wanted to modify the Governor’s proposal.

First, it could consider providing a lower amount of funding to support fewer projects and/or fewer staff. This could allow the state to continue to make some progress on its goals at the Sea albeit at a slower pace. The Legislature could use one or more criteria to guide its decisions about which projects to support. For example: Which projects would be the most straightforward to complete (such as because they lack complex land access issues or would require fewer permitting hurdles)? Which would mitigate the public health impacts of toxic dust most effectively? Which would result in the most restoration acres completed? Which might leverage federal support? Which staff activities are most essential to conduct in the near term?

Second, the Legislature could consider providing the full amount requested, but to support fewer projects all the way through completion. This would address the concern that funding constraints might stall progress on the subsequent activities needed to finish the projects. For example, rather than funding the initial stages of all six projects displayed in Figure 4, the Legislature could instead provide \$60 million to support the full project implementation costs for four of the six projects:

San Felipe Fan (\$35 million), SCH Vegetation Enhancement (\$13.4 million), IID Clubhouse Expansion (\$8.4 million), and Wister Bird Unit Marsh Bird Habitat Project (\$600,000).

Exercise Caution in Initiating Projects Without Plan for Next Steps. The Governor’s proposed approach of starting six projects without having identified a funding plan for their completion raises concerns. To avoid that outcome, we recommend the Legislature either ask the administration to come back in May with a funding plan to complete the six projects or consider one of several options itself in light of these out-year uncertainties. For example, it could consider scaling down the proposal and only funding a select number of projects but supporting them through their completion, as described above. As an alternative, it could plan for a bond or build General Fund into its multiyear spending plan (as discussed next). Another option would be waiting until SSMP has more certainty about potential future federal funds and lithium tax revenues before initiating new projects. Whatever level of projects the Legislature chooses to support, we suggest it only do so if a plan is in place for how to fund these projects through completion to avoid stranded assets and wasted expenditures.

Consider How to Fund the State’s Longer-Term Commitment at the Salton Sea. Salton Sea management is a state responsibility

and, left unmitigated, conditions at the Sea pose serious health and environmental risks. However, addressing this commitment far exceeds a one-time \$60 million appropriation. We recommend the Legislature consider some combination of the following approaches for crafting a longer-term funding plan at the Sea:

- **Bond Financing.** The Legislature could ask voters to approve a general obligation bond containing funding to complete all Phase 1 projects.
- **Lithium Tax Revenues.** Once more is known about the new lithium extraction industry in the region, the Legislature could develop a multiyear plan to support certain projects and/or activities based on the amount of revenues expected to be available each year.
- **General Fund.** The Legislature could identify a certain amount of annual funding to dedicate to meeting its obligations at the Sea and build it into its baseline multiyear budget plans. This could include support for both operations and maintenance as well as modest annual allotments to make progress on capital projects.
- **Special Funds.** The Legislature could explore dedicating a certain amount from GGRF or other appropriate special funds for Salton Sea projects and activities.

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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