

The California State Auditor released the following report today:

Salton Sea Restoration Fund

*The State Has Not Fully Funded a Restoration Plan
and the State's Future Mitigation Costs Are Uncertain*

BACKGROUND

Located in Imperial and Riverside counties, the State's largest inland body of water, the Salton Sea, serves as a fishery and wildlife habitat. A series of agreements between the State, federal government, local water agencies, and other entities require that water is transferred between local agencies and thus will significantly decrease the water flow to the Salton Sea beginning in 2018. To mitigate the effects of mandated water transfers between local agencies, one of the local agencies is required to provide additional water to the sea through 2017. Additionally, three local water agencies have contributed funds for the restoration of the Salton Sea into a restoration fund, which is administered by the California Department of Fish and Wildlife (Fish and Wildlife). The secretary of the California Natural Resources Agency (Resources Agency) works with Fish and Wildlife, the California Department of Water Resources (Water Resources), and other entities to carry out various restoration-related activities.

KEY FINDINGS

During our review of Fish and Wildlife and Water Resources' management of the Salton Sea Restoration Fund, we noted the following:

- Although the decrease in water flow will begin to adversely affect the Salton Sea in 2018, the nine alternatives the Resources Agency identified in 2007 to restore the Salton Sea ecosystem and permanently protect wildlife remain unfunded.
 - ✓ At that time, construction costs for restoration were estimated to be from \$2.3 billion for the least costly alternative up to \$8.9 billion for the preferred alternative.
 - ✓ The agencies involved have undertaken restoration activities only as funding has become available and for restoring only a fraction of the sea—less than 2 percent of the total acres that the preferred alternative addressed.
- Absent a restoration effort, experts generally agree that the negative environmental impact is expected to be significant.
- In addition to restoring the Salton Sea, the State may have future financial liabilities for mitigating the environmental effects of the water transfers.
 - ✓ Three local water agencies must pay the first \$133 million and are paying over an extended period of time. As such, they will ultimately pay about \$388 million including interest.
 - ✓ The State must pay any costs above the amount the local water agencies are contributing to mitigate the impact of the water transfer when payments are exhausted, which could begin as early as 2025.
- The State has not prepared a thorough cost estimate of its full potential financial liability for mitigating the damage caused by the water transfer under the series of agreements.
- Recent legislation governing a feasibility study may not provide the Legislature with the information needed to make informed decisions.

KEY RECOMMENDATIONS

We made several recommendations to the Legislature including that it set out priorities for restoring the Salton Sea so that the Resources Agency can address them in developing cost estimates in a feasibility study. Further, we recommended that the Legislature set a deadline for completing this study and that it require the study to include any restoration activities that could lessen the State's future financial obligations for mitigation under the agreements. We recommended the Resources Agency work with Water Resources and Fish and Wildlife to develop cost estimates of the State's potential financial obligations related to mitigation, provide the Legislature with its recommended contents for a feasibility study, and regularly meet with the Legislature to provide updates on restoration efforts.

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