

Audit: US misuses taxpayer cash for California water project

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September 08, 2017 9:01 PM SAN FRANCISCO

The U.S. Interior Department improperly contributed \$85 million in taxpayer funds to help pay for a giant California water project backed by Gov. Jerry Brown, despite pledges from Brown and other state and federal authorities that local water districts would bear all the costs, a federal audit said Friday.

California law and an agreement by the water districts dictate that California's politically influential water districts are supposed to bear the costs of Brown's \$16 billion proposal to re-engineer California's shipment of water by building dozens of miles of tunnels to tap into the state's largest river, the Sacramento.

In 2011, Brown and the then-secretary of the Interior Department reaffirmed that pledge of using no taxpayer funds in a joint public statement supporting the tunnels plan. Other top California officials have repeatedly insisted no tax dollars were being spent on the tunnels, often called a legacy project of the 79-year-old governor, now in his last term.

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Asked if auditors wanted California water districts to repay the money, Interior spokeswoman Nancy DiPaolo said, "We certainly hope so."

Brown's office did not respond to requests for comment Friday, and state water spokesman Lisa Lien-Mager refused all comment, calling the audit and transaction a federal matter.

The audit's findings were appalling, said Doug Obegi of the Natural Resources Defense Council environmental group, which has opposed the tunnels on the grounds that it would speed up the extinction of endangered native species in and around the Sacramento River and San Francisco Bay.

"The public is paying for what a private party is supposed to pay for," Obegi said, who said the audit also raises questions overall about whether water districts can afford to take on the costly water project. "That is taking the public's money, and that's not OK."

The proposed tunnels are part of Brown's decades-long push to overhaul the complex system of pumps, aqueducts and canals by which California ships Northern California water southward, mainly for use by cities and farms in central and Southern California. Voters rejected an early version of Brown's proposal, envisioning canals rather than tunnels, in a statewide vote in the 1980s.

California water districts are making final decisions on whether to go ahead with the controversial project.

Federal authorities did not fully disclose to Congress or the public that it was supplying \$84.8 million for the project planning, and waived reimbursement for \$50 million of it, the audit said. The federal Reclamation Bureau also did not disclose the arrangement in its certified financial reports, the audit said.

"USBR could not provide us with a rationale for its decision to subsidize (California) water contractors, other than the water contractors asked USBR to pay," the audit noted.

The actions by the Bureau of Reclamation, which is part of the Interior Department, mean that federal taxpayers paid a third of the cost of the project's planning up to 2016, the audit said.

Meanwhile, Central Valley water districts that were supposed to pay 50 percent of the tunnels' planning costs contributed only 18 percent, the audit found.

Thomas Birmingham, general manager of the sprawling Central Valley rural water district Westlands, which received one of the largest shares of the federal money, said he knew of nothing about the arrangement that was "inconsistent with either state or federal law."

"The state was aware of it," Birmingham said of the federal payments. "No one indicated this was somehow a violation of the letter or spirit of the agreement" guiding the costs of the project.

Birmingham indicated water districts might never repay those funds. Under federal law, he said, water districts would be responsible for reimbursing the federal money only if the project went forward and benefited those districts.

While the transaction occurred during the Obama administration, the audit said approval for the deal came from a regional Reclamation budget officer.

In response to the inspector-general's findings, the Reclamation bureau told auditors that it had disclosed the payments in a 2013 letter to seven unidentified members of Congress, and said it planned to make no more such payments for the tunnels project. Bureau spokesmen refused comment Friday.

"The audit stopped at 2016," said Patricia Schifferle, a tunnels opponent who has helped lead financial scrutiny of the project. "How much more has been spent in 2017?"

A former lobbyist for Westlands, David Bernhardt, has been a top official in the Interior Department under the George W. Bush administration and again under Trump. Critics long have said Westlands has benefited from its ties to the federal agency, which the water district and Interior deny.

"I wish I were surprised to learn that the Westlands Water District colluded with the Interior Department to hide millions of dollars in unauthorized payments from Congress. But this is typical of the longstanding and incestuous relationship between the largest irrigation district in the country and its federal patrons," said U.S. Rep. Jared Huffman, a California Democrat.

Separately, the state auditor's office disclosed on its website Friday that the release of its examination of California's financial management of the project has been delayed for at least a third time, to October.

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