

Submitted by staff
Item 6

LEGISLATIVE ADVOCACY COMMITTEE

ITEM: DISCUSSION ITEMS

3. UPDATE ON STATE WATER BOND AND STRATEGIES FOR GETTING FIRST IN LINE

Meeting Date: August 20, 2014 **Budgeted:** N/A

From: David J. Stoldt **Program/**
General Manager **Line Item No.:**

Prepared By: David J. Stoldt **Cost Estimate:**

General Counsel Approval: N/A
Committee Recommendation: N/A
CEQA Compliance: N/A

Summary: On August 13, 2014 the California Legislature approved AB 1471, a new Water Bond that will be placed before the voters in the November election.

Attached as Exhibit 3-A is a summary of the bill. Of the \$7.5 billion, only approximately \$2.4 billion will be relevant to the needs of the Monterey Peninsula.

Section	Amount in AB 1471 (\$million)	Amount Relevant To Monterey Peninsula	Discussion
Ch. 5	\$520	\$0	Water quality for small and disadvantaged communities; Unlikely to help Peninsula, but would be relevant to assist Watsonville and other impaired areas of the County; However, limits construction grants to \$5 million (\$20 million for regional projects) which doesn't help enough.
Ch. 6	\$1,495	\$505	Most of this money is earmarked. Of \$302.5 million in Section 79731 only \$100.5 is to the State Coastal Conservancy and most of that will be expended elsewhere; Other possible moneys include Section 79733 with \$200 million for enhanced stream flows, Section 79735(b) with \$20 million for urban watersheds, but 25% is earmarked for disadvantaged communities, and Section 79737 with \$285 million for watershed restoration outside of the Delta. All other monies in this Chapter are earmarked for elsewhere in the State.
Ch. 7	\$810	\$343	Section 79744 is \$510 million of geographic funding through the IRWM program. The Central Coast has only \$43 million authorized. In earlier Rendon and Hueso bills,

			<p>\$58 million was targeted for the Central Coast region. In the June revision to SB 848 (Wolk) the regional amount was \$85 million. This is a reduction.</p> <p>However, we favorably view Section 79746 with \$100 million for water conservation and Section 79747 with \$200 million for stormwater. However, this is a reduction for stormwater from \$500 million in the June version. We on the Central Coast are faced with other California regulatory mandates to eliminate stormwater discharges to Areas of Special Biological Significance (i.e. Monterey Bay) so a higher funding level is preferred and assurances that ocean dischargers can compete for the funds is needed. Prop 84's stormwater rules excluded ocean dischargers.</p>
Ch. 8	\$2,700	\$0	State Water Project, CALFED, Bay-Delta only.
Ch. 9	\$725	\$725	We love this. Includes water recycling, desalination, and potable reuse. This is up from \$500 million in the June version.
Ch. 10	\$900	\$730	We might be able to apply for funding of the Aquifer Storage and Recovery or Groundwater Replenishment projects here, but will be a stretch. 10% set aside for disadvantaged communities.
Ch. 11	\$395	\$100	This is primarily a Delta levee protection chapter. However, the Carmel River lagoon barrier and other flood control measures would compete for crumbs of the remainder.
TOTAL	\$7,545	\$2,403	

Exhibits:

Exhibit 3-A: Summary of AB 1471

EXHIBIT 3-A

Summary of AB 1471

SENATE RULES COMMITTEE

AB 1471

Office of Senate Floor Analyses

1020 N Street, Suite 524

(916) 651-1520 Fax: (916) 327-4478

THIRD READING

Bill No: AB 1471
Author: Rendon (D) and Atkins (D)
Amended: 8/13/14 in Senate
Vote: 27 - Urgency

PRIOR VOTES NOT RELEVANT

SUBJECT: Water Quality, Supply, and Infrastructure Improvement Act of 2014

SOURCE: Author

DIGEST: This bill removes the existing water bond from the November 2014 ballot and replaces it with a new authorization totaling \$7.545 billion. This bill reauthorizes \$425 million in unissued bonds, in addition to authorizing \$7.120 billion in new general obligation bonds, all to fund water resources related programs and projects.

Senate Floor Amendments of 8/13/14 delete the prior version of the bill and create a vehicle to replace the \$11.14 billion bond currently on the ballot as Proposition 43 with a new \$7.545 billion measure.

ANALYSIS: Existing law:

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1. Approved by the voters, enacted the Water Quality, Supply and Safe Drinking Water Projects Act (Proposition (Prop) 50), which authorized \$3.4 billion in general obligation bonds to fund a variety of water projects.
2. Approved by voters, enacted the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006 (Prop 84), which authorized \$5.388 billion in general obligation bonds to fund safe drinking water, water quality and supply, flood control, waterway and natural resource protection, water pollution and contamination control, state and local park improvements, public access to natural resources, and water conservation efforts.
3. Approved by the Legislature and currently On November 2014 Ballot, SB 2X7 (Cogdill, Chapter 3, Statutes of 2009) provided for the submission of a bond act, the Safe, Clean, and Reliable Drinking Water Supply Act of 2010, to the voters at the November 2, 2010, statewide general election. However, the bond act has been postponed twice and is currently expected to be on the ballot for the November 4, 2014 election. SB 2X7 provides a total of \$11.14 billion to finance a safe drinking water and water supply reliability programs.

This bill reallocates \$425 million of unissued bonds (Prop 84 (2006): \$105 million; Prop 50 (2002): \$95 million; Prop 1E (2006): \$100 million; Prop 44 (1986): \$13.5 million; Prop 204 (1996): \$25.5 million Prop 13 (2000): \$86 million) for the purposes of a water quality, supply, and infrastructure improvement program, subject to voter approval, and replaces the \$11.14 billion water bond that is currently on the November 2014 ballot with a new \$7.120 billion general obligation bond Act as follows:

1. Clean, Safe and Reliable Drinking Water. Authorizes \$520 million for expenditures, grants and loans for projects that improve water quality or help provide clean, safe, and reliable drinking water to all Californians.
 - A. Provides that the projects eligible for funding pursuant to this section shall help improve water quality for a beneficial use. The purposes of this section are to:
 - Reduce contaminants in drinking water supplies regardless of the source of the water or the contamination.
 - Assess and prioritize the risk of contamination to drinking water supplies.
 - Address the critical and immediate needs of disadvantaged, rural, or small communities that suffer from contaminated drinking water

supplies, including, but not limited to, projects that address a public health emergency.

- Leverage other private, federal, state, and local drinking water quality and wastewater treatment funds.
- Reduce contaminants in discharges to, and improve the quality of, waters of the state.
- Prevent further contamination of drinking water supplies.
- Provide disadvantaged communities with public drinking water infrastructure that provides clean, safe, and reliable drinking water supplies that the community can sustain over the long term.
- Ensure access to clean, safe, reliable, and affordable drinking water for California's communities.
- Meet primary and secondary safe drinking water standards or remove contaminants identified by the state or federal government for development of a primary or secondary drinking water standard.

B. \$260 million shall be available for deposit into in the State Water Pollution Control Revolving Fund Small Community Grant Fund for grants for wastewater treatment projects. Priority shall be given to projects that serve disadvantaged communities and severely disadvantaged communities, and to projects that address public health hazards. Projects may include, but not be limited to, projects that identify, plan, design, and implement regional mechanisms to consolidate wastewater systems or provide affordable treatment technologies.

C. \$260 million shall be available for grants and loans for public water system infrastructure improvements and related actions to meet safe drinking water standards, ensure affordable drinking water, or both. Priority shall be given to projects that provide treatment for contamination or access to an alternate drinking water source or sources for small community water systems or state small water systems in disadvantaged communities whose drinking water source is impaired by chemical and nitrate contaminants and other health hazards identified by the State Water Resources Control Board (Board).

D. Specifies that at least 10% of the funds must be allocated for severely disadvantaged communities and up to 15% of the funds to must be allocated for technical assistance to disadvantaged communities.

2. Protecting Rivers, Lakes, Streams, Coastal Waters, and Watersheds.

Authorizes \$1.495 billion for competitive grants for multibenefit ecosystem and

watershed protection and restoration projects in accordance with statewide priorities.

A. \$327.5 million shall be available for multibenefit water quality, water supply, and watershed protection and restoration projects for the watersheds of the state in accordance with the following schedule:

- Baldwin Hills Conservancy, \$10 million.
- California Tahoe Conservancy, \$15 million.
- Coachella Valley Mountains Conservancy, \$10 million.
- Ocean Protection Council, \$30 million.
- San Diego River Conservancy, \$17 million.
- San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, \$30 million.
- San Joaquin River Conservancy, \$10 million.
- Santa Monica Mountains Conservancy, \$30 million.
- Sierra Nevada Conservancy, \$25 million.
- State Coastal Conservancy, \$100.5 million. (Eligible watersheds for the funds allocated pursuant to this subdivision include, but are not limited to, those that are in the San Francisco Bay Conservancy region, the Santa Ana River watershed, the Tijuana River watershed, the Otay River watershed, Catalina Island, and the central coast region)
- Sacramento-San Joaquin Delta Conservancy, \$50 million.

B. Provides that, in protecting and restoring California rivers, lakes, streams, and watersheds, the purposes of this section are to:

- Protect and increase the economic benefits arising from healthy watersheds, fishery resources, and instream flow.
- Implement watershed adaptation projects in order to reduce the impacts of climate change on California's communities and ecosystems.
- Restore river parkways throughout the state, including, but not limited to, projects pursuant to the California River Parkways Act of 2004, in the Urban Streams Restoration Program and urban river greenways.
- Protect and restore aquatic, wetland, and migratory bird ecosystems, including fish and wildlife corridors and the acquisition of water rights for instream flow.
- Fulfill the obligations of the State of California in complying with the terms of multiparty settlement agreements related to water resources.
- Remove barriers to fish passage.

- Collaborate with federal agencies in the protection of fish native to California and wetlands in the central valley of California.
 - Implement fuel treatment projects to reduce wildfire risks, protect watersheds tributary to water storage facilities, and promote watershed health.
 - Protect and restore rural and urban watershed health to improve watershed storage capacity, forest health, protection of life and property, stormwater resource management, and greenhouse gas reduction.
 - Protect and restore coastal watersheds, including, but not limited to, bays, marine estuaries, and nearshore ecosystems.
 - Reduce pollution or contamination of rivers, lakes, streams, or coastal waters, prevent and remediate mercury contamination from legacy mines, and protect or restore natural system functions that contribute to water supply, water quality, or flood management.
 - Assist in the recovery of endangered, threatened, or migratory species by improving watershed health, instream flows, fish passage, coastal or inland wetland restoration, or other means, such as natural community conservation plan and habitat conservation plan implementation.
 - Assist in water-related agricultural sustainability projects.
- C. \$200 million shall be administered by the Wildlife Conservation Board for projects that result in enhanced stream flows.
- D. \$100 million shall be available, upon appropriation of the Legislature, for projects to protect and enhance an urban creek.
- E. \$20 million shall be made available to the Secretary of the Natural Resources Agency for a competitive program to fund multibenefit watershed and urban rivers enhancement projects in urban watersheds that increase regional and local water self-sufficiency and that meet at least two of the following objectives:
- Promote groundwater recharge and water reuse.
 - Reduce energy consumption.
 - Use soils, plants, and natural processes to treat runoff.
 - Create or restore native habitat.
 - Increase regional and local resiliency and adaptability to climate change.
 - Specifies that at least 25% of the funds listed in D and E above, shall be allocated for projects that benefit disadvantaged communities and up to 10% of the funds available may be allocated for project planning.

F. \$475 million shall be available to the Agency to support projects that fulfill the obligations of the State of California in complying with the terms of and of the following:

- Central Valley Project Improvement Act.
- Intrastate compacts.
- Intrastate or multiparty water quantification settlement agreement provisions, including ecosystem restoration projects.
- The settlement agreement referenced.
- Any intrastate or multiparty settlement agreement related to water acted upon or before December 31, 2013. Priority shall be given to projects that meet one or more of the following criteria:
 - a) The project is of statewide significance.
 - b) The project restores natural aquatic or riparian functions, or wetlands habitat for birds and aquatic species.
 - c) The project protects or promotes the restoration of endangered or threatened species.
 - d) The project enhances the reliability of water supplies on a regional or interregional basis.
 - e) The project provides significant regional or statewide economic benefits.

G. \$285 million shall be available to the Department of Fish and Wildlife for watershed restoration projects statewide.

H. \$87.5 million shall be available to the Department of Fish and Wildlife for water quality, ecosystem restoration, and fish protection facilities that benefit the Delta, as specified.

3. Regional Water Security, Climate and Drought Preparedness. Authorizes \$810 million, upon appropriation of the Legislature, for expenditures on, and competitive grants and loans to, projects that are included in and implemented in an adopted integrated regional water management plan.

A. In order to improve regional water self-reliance security and adapt to the effects on water supply arising out of climate change, the purposes of this section is to:

- Help water infrastructure systems adapt to climate change, including, but not limited to, sea level rise.

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- Provide incentives for water agencies throughout each watershed to collaborate in managing the region's water resources and setting regional priorities for water infrastructure.
 - Improve regional water self-reliance.
- B. \$510 million shall be allocated to the hydrologic regions as identified in the California Water Plan. Funds made available by this chapter shall be allocated as follows:
- \$26.5 million for the North Coast hydrologic region.
 - \$65 million for the San Francisco Bay hydrologic region.
 - \$43 million for the Central Coast hydrologic region.
 - \$98 million for the Los Angeles subregion.
 - \$63 million for the Santa Ana subregion.
 - \$52.5 million for the San Diego subregion.
 - \$37 million for the Sacramento River hydrologic region.
 - \$31 million for the San Joaquin River hydrologic region.
 - \$34 million for the Tulare/Kern hydrologic region.
 - \$24.5 million for the North/South Lahontan hydrologic region.
 - \$22.5 million for the Colorado River Basin hydrologic region.
 - \$13 million for the Mountain Counties Overlay.
- C. Specifies that the Department of Water Resources shall expend no less than 10% of funds from the regional allocation of disadvantaged communities.
- D. \$100 million shall be available for direct expenditures, and for grants and loans, for specified water conservation and water-use efficiency plans, projects, and programs.
- E. \$200 million shall be available for grants for multibenefit stormwater management projects. Eligible projects may include, but shall not be limited to, green infrastructure, rainwater and stormwater capture projects, and stormwater treatment facilities. Development of plans for stormwater projects shall address the entire watershed and incorporate the perspectives of communities adjacent to the affected waterways, especially disadvantaged communities.
4. Statewide Water System Operational Improvement and Drought Preparedness. Authorizes a \$2.7 billion continuous appropriation without regard to fiscal year for water storage, to the California Water Commission for public benefits

associated with water storage projects that improve the operation of the state water system, are cost effective, and provide a net improvement in ecosystem and water quality conditions.

- A. Requires projects to be selected by the California Water Commission through a competitive public process that ranks potential projects based on the expected return for public investment as measured by the magnitude of the public benefits provided, pursuant to specified criteria.
- B. Specifies projects for which the public benefits are eligible for funding under this section consist of only the following:
- Surface storage projects identified in the CALFED Bay-Delta Program Record of Decision, dated August 28, 2000, except for specified prohibited projects.
 - Groundwater storage projects and groundwater contamination prevention or remediation projects that provide water storage benefits.
 - Conjunctive use and reservoir reoperation projects.
 - Local and regional surface storage projects that improve the operation of water systems in the state and provide public benefits.

5. Water Recycling. Authorizes \$725 million to be made available to the Legislature for water recycling and advanced treatment technology projects.

- A. Provides that the grants or loans for water recycling and advanced treatment technology projects, including all of the following:
- Water recycling projects, include, but not limited to, treatment, storage, conveyance, and distribution facilities for potable and nonpotable recycling projects.
 - Contaminant and salt removal projects, including, but not limited to, groundwater and seawater desalination and associated treatment, storage, conveyance, and distribution facilities.
 - Dedicated distribution infrastructure to serve residential, commercial, agricultural, and industrial end-user retrofit projects to allow use of recycled water.
 - Pilot projects for new potable reuse and other salt and contaminant removal technology.
 - Multibenefit recycled water projects that improve water quality.
 - Technical assistance and grant writing assistance for disadvantaged communities.

- B. Specifies that at least a 50% local cost share shall be required for projects funded pursuant to this section. That cost share may be suspended or reduced for disadvantaged communities and economically distressed areas.
- C. Requires projects funded pursuant to this section to be selected on a competitive basis, consistent with water recycling programs, and considering all of the following criteria:
- Water supply reliability improvement.
 - Water quality and ecosystem benefits related to decreased reliance on diversions from the Delta or instream flows.
 - Public health benefits from improved drinking water quality or supply.
 - Cost-effectiveness.
 - Energy efficiency and greenhouse gas emission impacts.
 - Reasonable geographic allocation to eligible projects throughout the state, including both northern and southern California and coastal and inland regions.
6. Groundwater Sustainability. Authorizes \$900 million to be made available to the Legislature for expenditures on, and competitive grants, and loans for, projects to prevent or clean up the contamination of groundwater that serves or has served as a source of drinking water. Funds appropriated pursuant to this section shall be available to the State Water Resources Control Board for projects necessary to protect public health by preventing or reducing the contamination of groundwater that serves or has served as a major source of drinking water for a community.
- A. Requires projects to be prioritized based upon the following criteria:
- The threat posed by groundwater contamination to the affected community's overall drinking water supplies, including an urgent need for treatment of alternative supplies or increased water imports if groundwater is not available due to contamination.
 - The potential for groundwater contamination to spread and impair drinking water supply and water storage for nearby population areas.
 - The potential of the project, if fully implemented, to enhance local water supply reliability.
 - The potential of the project to maximize opportunities to recharge vulnerable, high-use groundwater basins and optimize groundwater supplies.

- The project addresses contamination at a site for which the courts or the appropriate regulatory authority has not yet identified responsible parties, or where the identified responsible parties are unwilling or unable to pay for the total cost of cleanup, including water supply reliability improvement for critical urban water supplies in designated superfund areas with groundwater contamination listed on the National Priorities list.
- B. Specifies that at least 10% of the funds shall be allocated for projects serving severely disadvantaged communities.
- C. \$80 million shall be available for grants for treatment and remediation activities that prevent or reduce the contamination of groundwater that serves as a source of drinking water.
- D. \$100 million shall be made available for competitive grants for projects that develop and implement groundwater plans and projects in accordance with groundwater planning requirements.
7. Flood Management. Authorizes \$395 million shall be available, upon appropriation by the Legislature from the fund, to the Department of Water Resources and the Central Valley Flood Protection Board for the purpose of statewide flood management projects and activities. Funds shall be allocated to multibenefit projects that achieve public safety and include fish and wildlife habitat enhancement. The Department of Water Resources shall make its best effort to coordinate this funding with proceeds from Propositions 84 and 1E.
- A. \$295 million shall be available to reduce the risk of levee failure and flood in the Delta for any of the following:
- Local assistance under the Delta levee maintenance subventions program, as specified.
 - Special flood protection projects, as specified.
 - Levee improvement projects that increase the resiliency of levees within the Delta to withstand earthquake, flooding, or sea level rise.
 - Emergency response and repair projects.

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

According to the Senate Appropriations Committee:

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- Annual debt service payments of \$491 million (General Fund) for 30 years for a total of \$14.724 billion assuming an interest rate of 5%.
- Unknown potential costs, likely in the low millions, to the General Fund for the printing and mailing of a supplemental budget.

SUPPORT: (Verified 8/13/14)

American Rivers
Association of California Water Agencies
Audubon Society
Azul
Bay Area Business Council
California Alliance for Jobs
California Building Industry Association
California Chamber of Commerce
California Coalition of Utility Workers
California Coastal Protection Network
California Conference of Carpenters
California Farm Bureau Federation
California Labor Federation
California League of Conservation Voters
California State Pipe Trades
California Trout
California Waterfowl Association
California-Nevada Conference of Operating Engineers
Community Alliance with Family Farmers
Community Water Center
Contra Costa Water District
Defenders of Wildlife
Ducks Unlimited
Metropolitan Water District of Southern California
Natural Resources Defense Council
Ocean Conservancy
San Diego County Water Authority
Santa Clara Valley Water District
Save Our Shores
Silicon Valley Leadership Group
Sonoma County Water Agency
State Association of Electrical Workers
State Building and Trades Council

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State Council of Laborers
Surfrider Foundation
The Nature Conservancy
The Otter Project
Trout Unlimited
U.S. Green Building Council, California
Upper San Gabriel Valley Municipal Water District
Western Growers
Westlands Water District
WiLDCOAST
Yuba County Water Agency

RM:nl 8/13/14 Senate Floor Analyses

SUPPORT/OPPOSITION: SEE ABOVE

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