

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MARCH 18

9:00 A.M. - STATE CAPITOL ROOM 447

VOTE-ONLY CALENDAR		
ITEM	DESCRIPTION	
3640	WILDLIFE CONSERVATION BOARD	
ISSUE 1	MINOR CAPITAL OUTLAY: PUBLIC ACCESS PROGRAM	2
ISSUE 2	CAPITAL OUTLAY: PROP. 12 REAPPROPRIATION	2
ISSUE 3	CAPITAL OUTLAY: PROP. 84 REAPPROPRIATION	2
3125	TAHOE CONSERVANCY	
ISSUE 4	CAPITAL OUTLAY: EIP IMPLEMENTATION	3
3810	SANTA MONICA MOUNTAINS CONSERVANCY	
ISSUE 5	SANTA MONICA MOUNTAINS ZONE AND RIM OF THE VALLEY TRAIL CORRIDOR PROJECT	3
3760	CALIFORNIA COASTAL CONSERVANCY	
ISSUE 6	PROPOSITION 84 APPROPRIATION: LOCAL ASSISTANCE AND CAPITAL OUTLAY FOR COASTAL CONSERVANCY AND SAN FRANCISCO BAY AREA CONSERVANCY PROGRAM	3
ISSUE 7	PROPOSITION 40 REVERSION AND APPROPRIATION: LOCAL ASSISTANCE AND CAPITAL OUTLAY FOR CONSERVANCY PROGRAMS	4
ISSUE 8	COASTAL ACCESS	4
ISSUE 9	PROPOSITION 19 ONE-TIME APPROPRIATION FOR COASTAL CONSERVANCY SUPPORT BUDGET	4
3875	SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY	
ISSUE 10	OPERATING EXPENSES	5
3835	BALDWIN HILLS CONSERVANCY	
ISSUE 11	PROP 84 PROGRAM DELIVERY AND SUPPORT REVERSIONS	5
ISSUE 12	CAPITAL OUTLAY: ACQUISITION & IMPROVEMENT PROGRAM	5

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
0540	NATURAL RESOURCES AGENCY	
3125	TAHOE CONSERVANCY	
3600	DEPARTMENT OF FISH AND WILDLIFE	
3640	WILDLIFE CONSERVATION BOARD	
3940	STATE WATER RESOURCES CONTROL BOARD	
3860	DEPARTMENT OF WATER RESOURCES	
3760	STATE COASTAL CONSERVANCY	
3810	SANTA MONICA MOUNTAINS CONSERVANCY	
3825	SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY	
3835	BALDWIN HILLS CONSERVANCY	
3850	COACHELLA VALLEY MOUNTAINS CONSERVANCY	
3855	SIERRA NEVADA CONSERVANCY	
3875	SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY	
3845	SAN DIEGO RIVER CONSERVANCY	
ISSUE 1	PROPOSITION 1 IMPLEMENTATION	6

VOTE-ONLY**3640 WILDLIFE CONSERVATION BOARD (WCB)**

VOTE-ONLY ISSUE 1: MINOR CAPITAL OUTLAY: PUBLIC ACCESS PROGRAM

The Governor's Budget requests \$1 million from the Wildlife Restoration Fund for the WCB's Public Access Program. WCB has identified four development projects for FY 15/16, as follows: one project involving the construction of a fishing access site, one project involving the construction of a hiking trail, and two projects involving the construction and/or renovation of boat launch facilities.

VOTE-ONLY ISSUE 2: CAPITAL OUTLAY: PROP. 12 REAPPROPRIATION

The Governor's Budget requests reappropriation of Prop. 12 funding (\$1.49 million) for acquisition and restoration of habitat for threatened and endangered species.

VOTE-ONLY ISSUE 3: CAPITAL OUTLAY: PROP. 84 REAPPROPRIATION

The Governor's Budget requests Provides a new appropriation of Prop. 84 funds (\$11 million) that naturally reverted unexpended funds from a prior appropriation to allow the San Joaquin River Conservancy to implement its conservation, public access, recreation, and environmental restoration capital improvement programs.

STAFF COMMENTS

Staff has no concerns with issues 1-3.

Staff Recommendation: Approve as Budgeted Issues 1-3

3125 TAHOE CONSERVANCY

VOTE-ONLY ISSUE 4: CAPITAL OUTLAY: EIP IMPLEMENTATION

The Governor's Budget requests \$8.8 million in various funding sources (\$481,000 Habitat Conservation Fund; \$100,000 Lake Tahoe Conservancy Account; \$440,000 Tahoe Conservancy Fund; \$3.6 million reverted bond funds; \$600,000 Lake Tahoe Science and Lake Improvement Account; and \$3.5 million Federal Trust Fund reimbursement authority) for local assistance (LA) or capital outlay (CO) for the implementation of the Environmental Improvement Program in the Tahoe Basin.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted

3810 SANTA MONICA MOUNTAINS CONSERVANCY

VOTE-ONLY ISSUE 5: SANTA MONICA MOUNTAINS ZONE AND RIM OF THE VALLEY TRAIL CORRIDOR PROJECT

The Governor's Budget request \$2.6 million in various funding sources (\$200,000 Conservancy Fund; and \$2.4 million Prop. 12, 40, 50, & 84) for LA grants and CO in the Santa Monica Mountains Zone and Rim of the Valley Trail Corridor Project.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted.

3760 CALIFORNIA COASTAL CONSERVANCY

VOTE-ONLY ISSUE 6: Proposition 84 Appropriation: Local Assistance and Capital Outlay

The Governor's Budget requests \$12,439,000 from the Safe Drinking Water, Water Quality & Supply, Flood Control, River & Coastal Protection Fund of 2006 (Proposition 84) for purposes of LA and CO. The requested appropriations would be used by the Conservancy for the following Coastal Conservancy Programs activities, including but not limited to: protecting, restoring, and enhancing beaches, bays, and coastal waters; promoting access to coastal resources; and carrying out the goals of the San Francisco Bay Area Conservancy Program (including acquiring and restoring sensitive lands, such as the San Francisco Bay Trail and the Bay Area Ridge Trail)

VOTE-ONLY ISSUE 7: Proposition 40 Appropriation: Local Assistance and Capital Outlay for Conservancy Programs

The Governor's Budget requests \$12,357,000 in LA funds and \$8,000,000 in reimbursement authority from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal protection Act of 2002 (Proposition 40) for purposes of the Coastal Conservancy program and the San Francisco Bay Area Conservancy program (LA and CO). Of the funds appropriated in this item, \$3 million will be available for Local Coastal Program grants administered by the Coastal Commission. The funds appropriated will support the following efforts: restoration of coho salmon habitat in San Mateo County streams; planning and construction of the California Coastal Trail in Santa Barbara, San Luis Obispo, and Santa Cruz Counties; and restoration of tidal wetlands and native oyster beds in San Diego Bay.

VOTE-ONLY ISSUE 8: COASTAL ACCESS

The Governor's Budget requests \$500,000 (Coastal Access Account) for LA or CO to continue implementation of the Conservancy's Public Access, Education and related programs.

VOTE-ONLY ISSUE 9: Proposition 19 Reversion and Appropriation for Local Assistance and Capital Outlay

The Governor's Budget requests reversion of \$332,872 from previous years' appropriations made to the State Coastal Conservancy (Conservancy) pursuant to the Fish and Wildlife Enhancement Act of 1984 (Proposition 19) and appropriation of \$1,030,913 from the same fund to the Coastal Conservancy for purposes of LA and CO. The State Controller has notified the Conservancy that \$1,030,913 in cash is available to the Coastal Conservancy from this fund, but the Conservancy has only \$332,872 of existing appropriation from Proposition 19 available. The reversion and appropriation authority is needed in order for the Coastal Conservancy to expend the remaining cash from this fund. The Coastal Conservancy requests that \$51,456 from total amount be appropriated to the Coastal Conservancy's support budget for purposes of program delivery and that \$979,356 be appropriated as LA and CO.

STAFF COMMENTS

Staff has no concerns with issues 6-9.

Staff Recommendation: Approve as Budgeted Issues 6-9.

3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY

VOTE-ONLY ISSUE 10: OPERATING EXPENSES

The Governor's Budget requests a permanent baseline funding increase of \$70,000 (General Fund) to cover increases in operational costs. The Conservancy is required to have offices in the legal Delta. The Conservancy was housed for its first two years in the Department of Water Resources' offices in West Sacramento. Most of the Conservancy's general expenses were provided by DWR during that time. The Conservancy moved into its own offices in August 2012. Over the last 24 months, the Conservancy has noticed a steady increase in operating costs due to the additional, unanticipated costs of being in its own facility and rising operational costs. This budget augmentation will enable the Conservancy to meet its legislative mandates as identified in the 2009 Delta Reform Act and 2014's Proposition 1.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted.

3835 BALDWIN HILL CONSERVANCY

VOTE-ONLY ISSUE 11: PROP 84 PROGRAM DELIVERY AND SUPPORT REVERSIONS

The Governor's Budget requests \$101,000 (Prop. 84) funding for the extension of the three-year limited-term position to assist with acquisition, planning and development activities. Approximately \$74,426 would be for salary and benefits, with the remaining funds being applied for operations and other expenses associated with the position. The extension would be ongoing increasing by 5% (plus inflation if applicable) for a total of \$300,000 over three years. This represents approximately 3% of the total \$10 million in bond funds.

VOTE-ONLY ISSUE 12: CAPITAL OUTLAY: ACQUISITION & IMPROVEMENT PROGRAM

The Governor's Budget requests Provides \$11.604 million (Prop. 40) and \$2.118 million (Prop. 84) for CO and LA grants. The Conservancy's land conservation and park improvement program will further the expansion of Kenneth Hahn State Recreation Area and protect the last remaining open space in this densely populated region of urban Los Angeles County. Approval of this proposal will implement critical components of the park master plan.

STAFF COMMENTS

Staff has no concerns with issues 11 & 12.

Staff Recommendation: Approve as Budgeted Issues 11 & 12

ITEMS TO BE HEARD

0540 NATURAL RESOURCES AGENCY
3125 TAHOE CONSERVANCY
3600 DEPARTMENT OF FISH AND WILDLIFE
3640 WILDLIFE CONSERVATION BOARD
3760 STATE COASTAL CONSERVANCY
3810 SANTA MONICA MOUNTAINS CONSERVANCY
3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY
3835 BALDWIN HILLS CONSERVANCY
3845 SAN DIEGO RIVER CONSERVANCY
3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY
3855 SIERRA NEVADA CONSERVANCY
3860 DEPARTMENT OF WATER RESOURCES
3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY
3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 1: WATER BOND IMPLEMENTATION

The Budget includes \$532.5 million to begin the first year of a multiyear expenditure plan for Proposition 1, the voter-approved Water Quality, Supply, and Infrastructure Improvement Act of 2014.

LAO BACKGROUND & RECOMMENDATIONS

Major Provisions of Proposition 1. *The proposition provides a total of \$7.5 billion in general obligation bonds for various water-related programs. Some of the larger allocations include \$2.7 billion for water storage projects and \$1.5 billion for watershed protection and restoration projects. Additional funding is provided for groundwater sustainability, regional water management, water recycling and desalination, water treatment, and flood protection. Projects funded under Proposition 1 would generally be selected on a competitive basis, based on guidelines developed by state departments. Proposition 1 also includes accountability and oversight provisions, such as limits on the amount of funding that can go to administrative costs or planning and monitoring.*

Uses of Proposition 1	
Purpose	Total Allocation <i>(in Millions)</i>
Water storage <i>(continuously appropriated)</i>	\$2,700
Watershed protection and restoration	1,495
Groundwater sustainability	900
Regional water management	810
Water recycling and desalination	725
Drinking water quality	520
Flood protection	395
Total	\$7,545

Governor's Budget Proposals. The Governor's budget proposes to appropriate \$533 million from Proposition 1 in 2015–16. This includes \$178 million for various watershed protection and restoration activities, \$137 million for water recycling and desalination projects, and \$69 million for projects to improve drinking water in disadvantaged communities.

Proposition 1 Bond Funds—Governor's 2015–16 Proposals

(Dollars in Millions)

Purpose	Implementing Departments	Bond Allocation	Proposed in 2015–16	
			Amount	Percent of Total Allocation
Water Storage		\$2,700 (continuously appropriated)	\$3 (position authority)	—
Watershed Protection and Restoration		\$1,495	\$178	12%
Various state obligations & agreements	CNRA	475	—	—
Watershed restoration benefiting state and Delta	DFW	373	37	10
Conservancy restoration projects	Conservancies	328	84	25
Enhanced stream flows	WCB	200	39	19
Los Angeles River restoration	Conservancies	100	19	19
Urban watersheds	CNRA	20	<1	1
Groundwater Sustainability		\$900	\$22	2%
Groundwater cleanup projects	SWRCB	800	1	—
Groundwater sustainability plans and projects	DWR	100	22	22
Regional Water Management		\$810	\$57	7%
Integrated Regional Water Management	DWR	510	33	6
Stormwater management	SWRCB	200	1	—
Water use efficiency	DWR	100	23	23
Water Recycling and Desalination		\$725	\$137	19%
Water recycling and desalination	DWR and SWRCB	725	137	19
Drinking Water Quality		\$520	\$136	26%
Drinking water for disadvantaged communities	SWRCB	260	69	27
Wastewater treatment in small communities	SWRCB	260	66	26
Flood Protection		\$395	—	—
Delta flood protection	DWR and CVFPB	295	—	—
Statewide flood protection	DWR and CVFPB	100	—	—
Administration and Oversight		—	\$1	N/A
Administration ^b	DWR and CNRA	—	1	N/A
Totals		\$7,545	\$533	7%

^bBond does not provide specific allocation for bond administration and oversight. It allows the use of other allocations for this purpose. CWC = California Water Commission; CNRA = California Natural Resources Agency; DFW = Department of Fish and Wildlife; WCB = Wildlife Conservation Board; DWR = Department of Water Resources; SWRCB = State Water Resources Control Board; and CVFPB = Central Valley Flood Protection Board.

Key Principles for Implementing Proposition 1. We identify three guiding principles to inform how money is allocated to projects in order to promote transparency and ensure better outcomes. First, the state should ensure that programs are implemented in ways that further state priorities, specifically those set out in Proposition 1 and in other statutes. This will ensure that expenditures are used in ways consistent with other state activities. Second, state funds should be used to support long-term, state-level public benefits (such as improving the health of fish species) in order to ensure that taxpayers receive the most benefits from their investment. This includes identifying (1) the portion of an activity that provides a state-level public benefit (because a given activity may have public and private benefits) and (2) what would have happened in the absence of the bond funding. Third, administering departments should collect and evaluate data on project delivery and outcomes to better allow the Legislature and voters to understand what has been achieved with the bond dollars.

LAO Recommendations. We provide a series of recommendations to implement the principles we describe above by applying them to the allocations in the bond and to the specific proposals in the Governor's 2015-16 budget. While the Governor's proposals are generally consistent with the intent of the bond, we recommend steps to better ensure that the most cost-effective projects are selected for funding and that sufficient oversight and evaluation is provided. Some of our key recommendations to the Legislature include:

- **Ensure Funding Targeted to State-Level Public Benefits.** We recommend the Legislature specify what portion and type of activities should and should not be eligible for bond funding, including which water supply and water recycling benefits are state-level public benefits. For example, water supply benefits should not be considered state-level public benefits to the extent that they accrue to private entities, such as the ratepayers of a water system.
- **Require Robust Cost-Effectiveness Criteria for Project Selection.** We recommend that state departments follow certain practices to evaluate cost-effectiveness, such as adopting grant guidelines that use (1) consistent assumptions about physical conditions and policies, (2) consistent methods to evaluate benefits, and (3) measures of past performance by grantees as a criterion for selecting projects.
- **Require Departments to Submit Staffing Plans for All Bond-Related Activities.** Only some of the administration's proposals for positions to support Proposition 1 activities specify whether they took declining workload from other bonds into account when determining how many positions to request.
- **Facilitate Oversight of Projects, Programs, and Outcomes.** We recommend that the Legislature require departments, prior to finalizing program guidelines, to identify how the data they are collecting will allow the Legislature and the public to hold departments accountable for their outcomes. We also recommend that the Legislature require that the administration add additional information on bond expenditures to its bond website, and that it produce an annual report on progress implementing the bond.

BACKGROUND

Voter approval of Prop. 1 translates to permission for the State to sell general obligation bonds up to the total amount specified, and only for the purposes set out in its chapters. For bond funds that are required to be disbursed through a competitive process, the first step is for the agency to develop guidelines it will use to solicit projects. The guidelines provide, among other information, the total amount of funding available and the criteria the agency will apply to evaluate and rank projects for funding. Under Prop. 1, agencies are required to solicit public input when developing guidelines.

Once the guidelines are finalized, the agency uses them to attract and evaluate project proposals, sometimes in one or more phases. The agency makes initial funding awards to various projects. Once projects demonstrate they are either satisfactorily underway or completed, the state liquidates bonds (sells them on the market for cash) and reimburses the project proponents.

The Governor's Budget proposal is spread across 17 departments. Generally, departments would have three years to commit funds for capital projects and two additional years to spend them. Below is a brief summary of the major proposals in each department, followed by a chart showing the proposed funding for conservancies.

Department of Water Resources

- **Groundwater Sustainability Plans and Projects Grant Program:** \$21.25 million (\$20 million in LA and \$1.25 million in State Operations (SO) program delivery) for a grant program to provide funding for the development and implementation of groundwater plans and projects. The request also includes scheduled appropriations for additional grant funding totaling \$76 million (\$73 million in LA and \$3 million SO Program Delivery funds) to be appropriated over a four-year period beginning in FY 2016-17. The SO Program Delivery funding will support 5.5 redirected existing positions.
- **Integrated Regional Water Management Grant Program:** \$32.8 million (\$30.5 million LA and \$2.3 million SO) to support the continuation of the IRWM Grant Program. This request also includes additional LA and SO grant and expenditure funding totaling \$460.7 million (including a total of \$16.9 million SO Program Delivery funds) to be appropriated over a 4-year period beginning in FY 2016-17. The SO Program Delivery funding will support 9.1 positions (6.1 redirected existing positions and 3 new positions).
- **Agricultural Water Use Efficiency and Conservation:** \$12.635 million to implement Agricultural Water Conservation:
 - \$3.135 million for SO and directed expenditures
 - \$1.2 million to fund 3 existing positions and 2 new positions; and
 - \$2.8 million for direct expenditures, including contracting with local water districts and growers to establish new Mobile Laboratories which evaluate farm irrigation systems for water efficiency, energy efficiency, crop suitability, fertilizer applications, and soil conditions.; and providing funding for universities and others to conduct research on emerging agricultural water use technologies.
 - \$9.5 million in LA to conduct grants and loans for agricultural water management planning and water use efficiency projects.

- **Urban Water Use Efficiency Conservation:** \$10.565 million (\$2.565 million in SO and \$8.0 million in LA), to “Make Conservation a California Way of Life” as outlined primarily in Action #1 of the Governor's Water Action Plan. This proposal also requests \$8.0 million in LA and, \$3.0 million SO annually for three years from FY 2016/17 through FY 2018/19 to provide grants for statewide, local and regional water use efficiency programs to expand urban water conservation. The first year would support three new positions and one existing position. The second year would support three additional new positions and the continued support of four existing positions.
- **Desalination Grant Funding Program:** \$93,100,000 in LA grant funding to be committed during three funding rounds: \$5,100,000 in Round 1, FY 2015-16; \$44,000,000 in Round 2 and Round 2, FY 2016-17 and FY2018-19. The proposal requests \$3,328,000 in SO for grant administration over five years and two new permanent full-time positions for FY 2015/16 to administer the program.
- **California Water Commission Water Storage Grant Program:** This proposal requests a total of eight new full-time, permanent positions and 4.3 existing positions within the DWR to support the California Water Commission (Commission) as it expands its activities to meet the new statutory requirements of Proposition 1 in Fiscal Year (FY) 2015/16. The Commission will expend approximately \$3.277 million of the \$2.7 billion continuous appropriation already allocated to the Commission. Additionally, this proposal requests 1 new full-time, permanent position to support the program in FY 2016/17. The Commission will expend \$270,000 to support this position. The Commission expects to increase its SO budget to \$7.7 million for FY 2017/2018 to support the establishment and operation of an expert panel to review and evaluate proposed water storage projects.
- **Bond Administration:** \$627,000 to fund four new positions, and one existing position, and to annually support these five positions over the life of the bond. The funding and related staff is for the DWR to implement and oversee the bond on behalf of DWR and all departments that will receive funding. This BCP also identifies the estimated costs by the State Treasurer's Office and State Controller's Office for bond financing that will reduce the amount available for bond programs. Identification of these costs in this request will ensure that the necessary funding will be available and will allow the bond to be self-sustaining. The total statewide bond costs over the life of the loan are estimated to be \$150.9 million.

Department of Fish and Wildlife

- **Watershed Restoration Projects:** \$36.5 million and 41.5 positions for watershed restoration projects. This request represents the first year of a ten year plan to spend the funds allocated to the Department by Proposition 1. Projects implemented will be consistent with the priorities identified in the California Water Action Plan. This proposal includes \$31.4 million in LA funding for projects and \$5.1 million in SO funding. The 41.5 proposed positions consist of 4.5 new positions and 37.0 positions redirected from Proposition 84. The Department also proposes budget bill language extending the encumbrance period of these funds until June 30, 2018, and allowing LA funding to be expended as either LA or CO.

State Water Resources Control Board

- **Groundwater Cleanup Projects, Stormwater Management, Water Recycling, Drinking Water for Disadvantaged Communities, Wastewater Treatment:** \$261,500,000 for LA and \$6.8 million SO for 55.0 new to administer the programs under the Bond Act as identified below. One of the positions will be reimbursable, funded from sections of the bond administered by the Wildlife Conservation Board.

State Water Pollution Control Revolving Fund Small Community Grant Fund	\$ 65,000,000
Water System Infrastructure Improvements- Safe Drinking Water	\$ 67,500,000
Water Recycling	\$ 129,000,000
Total Local Assistance	\$ 261,500,000

Wildlife Conservation Board

- **Enhanced Stream Flow Projects:** \$41,200,000 in LA project funding that may also be available for CO. Of the total amount requested, \$38,400,000 is for WCB to implement a stream flow enhancement program and \$2,800,000 is requested for the San Joaquin River Conservancy to implement a multi-benefit watershed protection and restoration program. The proposal also requests 3.5 positions (2.0 limited-term and 1.5 permanent) in the budget year (BY) and on-going in addition to \$491,000 in funding in BY and on-going for SO.

Natural Resources Agency

- **Ocean Protection Council Grant Program, Watershed and Urban River Enhancement, Oversight:** \$9.8 million and four positions to support the following programs:

Ocean Protection Council Grant Program	\$9,500,000 (\$9,300,000 LA, \$205,000 SO)
Watershed and Urban River Enhancement	\$125,000 (SO)
Prop. 1 Oversight	\$189,000 (SO)

2015-16 Proposed Proposition 1 Expenditures for Conservancy Restoration Projects

(in millions)

Conservancy	Activity	Bond Allocation	Proposed in 2015-16	Percent of Total
State Coastal Conservancy	Requests \$15 million (LA grants and CO) for the purposes of protecting rivers, lakes, streams, coastal waters, and watersheds.	\$101	\$15	15%
Sacramento-San Joaquin Delta Conservancy	Requests \$507,000 to fund four positions (SO) and \$9.4 million (LA grant program) for multi-benefit ecosystems and watershed protection and restoration.	50	10	20
San Gabriel River And Mountains Conservancy	Requests \$332,000 to fund two positions (SO) and \$10.2 million (LA grants or CO) for watershed projects. *	30	10	34
Santa Monica Mountains Conservancy	Requests \$140,000 (SO) and \$4 million (LA grants and CO) for acquisition, enhancement, restoration of natural lands, improvement of public recreation facilities in Santa Monica Mountains Zone and the Rim of the Valley Trail Corridor.*	30	4	14
Sierra Nevada Conservancy	Requests \$200,000 to fund two positions (SO) and \$10.2 million (LA grants or CO) for multi-benefit water quality, water supply, and watershed protection projects.	25	10	41
San Diego River Conservancy	Requests \$100,000 to fund one position (SO) and \$3 million (LA grants or CO) for support of the San Diego Watershed Water Quality, Supply, Watershed Restoration and Habitat Enhancement Program.	17	3	18
California Tahoe Conservancy	Requests \$200,000 (SO) and \$13,950,000 (LA or CO) for water quality, watershed protection, and restoration in the Lake Tahoe Basin.	15	14	94
Baldwin Hills Conservancy	Requests \$78,000 to fund one position, five-year limited term (SO) and \$2 million (LA grants or CO) for watershed protection and habitat restoration projects.	10	2	21
Coachella Valley Mountains Conservancy	Requests \$70,000 to fund one position (SO) and \$2.5 million (LA grants or CO) for multi-benefit ecosystem and watershed protection projects.	10	3	25
San Joaquin River Conservancy	Requests \$2,800,000 (LA project funding) to implement a multi-benefit watershed protection and restoration program.	10	3	28

*The Budget also includes \$19 million for the San Gabriel (\$5.132 million) and Santa Monica Mountains (\$13.8 million) Conservancies to implement restoration projects along the Los Angeles River and its tributaries. This is in addition to the amounts listed above for the Conservancies.

STAFF COMMENTS

The LAO conducted an extensive review of the Governor's Water Bond implementation proposal. The analysis contains many thoughtful questions and recommendations which are discussed below. Overall, staff concurs with the LAO that the Governor's proposals are generally consistent with the intent of the bond. Staff also supports many of LAO's "principles for implementing the bond," such as ensuring accountability and oversight, as well as requiring departments to develop consistent methods for evaluating benefits of proposed projects.

The LAO raises several questions regarding the Wildlife Conservation Board's (WCB) proposal. The WCB should report to the Subcommittee on how it plans to address these concerns:

Require Wildlife Conservation Board (WCB) to Address Cost-Effectiveness Concerns Regarding Enhance Stream Flow Proposal. The Governor's budget includes \$39 million for WCB to implement a program aimed at increasing stream flows, such as by purchasing water or paying farmers to take land out of production. We have significant concerns over the state's ability to ensure that the program is carried out in a cost-effective manner. These include concerns that the program might:

■ **Pay Excessive Costs for Water Transfers.** *The Governor's budget proposes bond expenditures in each of the next five fiscal years that could include purchases of water. It is possible that the state would pay a much higher-than-normal price for purchasing long-term contracts for water, particularly during a drought. Although data on the prices paid for water transfers are limited, there have been numerous reports of record prices during the current drought. This raises the concern that if the state begins purchasing water rights this year while the drought is ongoing, it would likely face higher prices than it would in wetter years.*

■ **Not Produce Additional Benefits.** *The reductions in water use resulting from spending Proposition 1 dollars might not be in addition to what would have happened absent such funding. For example, WCB reports that it would be willing to fund some water efficiency improvements—such as more efficient irrigation systems—that might have been installed anyway. This means that there would be no net increase in water availability for the investment made.*

■ **Duplicate Regulatory Requirements.** *Future regulatory actions might accomplish a similar end at lower cost to the state. For example, the Governor's budget proposes funding for SWRCB and DFW to reevaluate the amount of water that is needed to protect public trust values (such as fish) in several high priority streams. These efforts are expected to be completed in the next few years and might result in regulatory requirements that leave more water in streams without requiring state spending.*

According to WCB, it plans to address some of the above concerns in the grant guidelines for the program, which are scheduled to be finalized in May 2015. However, to the extent that the final guidelines do not address these concerns, the cost-effectiveness of the program could be significantly reduced.

To ensure data collection to support program evaluation and to facilitate oversight of projects and outcomes, without delaying getting money out the door, staff recommends the Subcommittee may wish to adopt placeholder trailer bill language that:

- Requires departments to (1) evaluate the outcomes of projects and programs, (2) report on outcomes of projects and programs on the bond accountability website, and (3) hold state departments and grantees accountable for completing projects on-time and within scope; and
- Directs the CNRA to post additional information online, including information on changes to project timelines and project spending in order to facilitate oversight of these projects and funds.

. Staff Recommendation: Approve as Budgeted. Adopt trailer bill language: Requiring departments to (1) evaluate the outcomes of projects and programs, (2) report on outcomes of projects and programs on the bond accountability website, and (3) hold state departments and grantees accountable for completing projects on-time and within scope;; and directing the CNRA to post additional information online, including information on changes to project timelines and project spending in order to facilitate oversight of these projects and funds.
