

# INFORMATIONAL HEARING

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MARCH 25, 2015  
9:00 A.M. - STATE CAPITOL ROOM 447

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## Urgent Drought Relieve Package

- Presentation from Keely Bosler, Department of Finance
- Member Questions
- Public Comment

Attachments: Analysis of SB 75 and SB 76

SENATE THIRD READING

SB 75 (Committee on Budget and Fiscal Review)

As Amended March 23, 2015

Majority vote

SENATE VOTE: VOTE NOT RELEVANT

SUMMARY: Amends the 2014-15 Budget Act to include new appropriations to address the state's urgent drought needs. This bill, along with the companion trailer bill, SB 76, proposes expenditures of \$1,059 million for drought-related activities.

The Senate amendments delete the Assembly version of this bill, and instead:

- 1) Accelerate the appropriation of \$131.7 million (Proposition 1) for the State Water Resources Control Board(SWRCB) to build on the existing water recycling grant program. Potential projects include feasibility studies, demonstration projects, and larger scale water recycling projects.
- 2) Accelerate the appropriation of \$135.5 million (Proposition 1) for the SWRCB to improve access to clean drinking water for disadvantaged communities (\$69 million) and help small communities pay for wastewater treatment (\$66 million).
- 3) Accelerate the appropriation of \$14.6 million (\$11.4 million General Fund and \$3.2 million Fish and Game Preservation Fund) for the Department of Fish and Wildlife (DFW) to continue critical state operations related to drought, such as fish rescues, hatchery operations, fish and wildlife monitoring, and responding to problems of human/wildlife conflict from animals seeking food and water.
- 4) Accelerate the appropriation of \$11.6 million (General Fund) for the Department of Water Resources (DWR) to continue to assess current surface and groundwater conditions, expedite water transfers, provide technical guidance to local water agencies, and provide additional public outreach through the Save Our Water campaign.
- 5) Accelerate the appropriation of \$6.7 million (General Fund) and \$15.9 million (Cleanup and Abatement Account) for the SWRCB to continue enforcement of drought-related water rights and water curtailment actions and provide grants (\$15 million) for emergency drinking water projects, including hauled water, bottled water, design and construction of connections to adjacent public water systems, new wells and well rehabilitation.
- 6) Appropriate \$4 million (Cleanup and Abatement Account) for the SWRCB to provide emergency safe drinking water to disadvantaged communities impacted by the drought.
- 7) Accelerate the appropriation of \$4.4 million (General Fund) to the Office of Emergency Services for the State Operations Center to continue to provide local communities with technical guidance and disaster recovery support related to the drought.
- 8) Accelerate the appropriation of \$20 million (Greenhouse Gas Reduction Fund) to the DWR for state and local water use efficiency programs which reduce greenhouse gas (GHG) emissions.

**SUBCOMMITTEE NO. 3 RESOURCES AND**

- 9) Accelerate the appropriation of \$10 million (Greenhouse Gas Reduction Fund) to the California Department of Food and Agriculture (CDFA) for agricultural water efficiency projects that reduce GHG emissions.
- 10) Appropriate \$17 million and reappropriate \$7 million (General Fund), to the Department of Social Services to expand food assistance to persons affected by the drought to include Imperial, San Luis Obispo, Santa Barbara, Ventura, and Coachella Valley in Riverside county.
- 11) Appropriate \$3 million (General Fund) for the Department of Forestry and Fire Protection (CAL FIRE) to address critical infrastructure deficiencies at remote fire stations that have run out of water.
- 12) Appropriate \$2 million (General Fund) to the DFW for maximizing water delivery and efficiency to key endangered species habitat, endangered species, native fish and Delta monitoring, and water delivery system projects.
- 13) Appropriate \$7.4 million (General Fund) to the DWR for additional public outreach through the Save Our Water campaign, refining the modeling of turbidity flows in the Delta, and Local Assistance (\$5 million) to provide emergency drinking water support for small communities, including addressing private well shortages.
- 14) Authorize funds for the removal of emergency rock barriers and actions to minimize impacts of the barriers on affected aquatic species in the Sacramento-San Joaquin Delta, if necessary.
- 15) Accelerate the appropriation of \$4 million (Harbors and Watercraft Fund) to the Department of Parks and Recreation, Division of Boating and Waterways for efforts to manage and control invasive aquatic plants within the Sacramento-San Joaquin River Delta, its tributaries and the Suisun Marsh which threaten water supply intake structures.
- 16) Accelerate the appropriation of \$200,000 (General Fund) to the CDFA for economic analysis studies to determine the ongoing impacts of California's drought on the state's agriculture sector and identify potential solutions.
- 17) Appropriate \$4 million (General Fund) for the SWRCB and the DFW to enhance instream flows in at least five stream systems that support critical habitat for anadromous fish.
- 18) Accelerate the appropriation of \$660 million (Proposition 1E) for the DWR to support flood protection activities. Expenditures of these bond funds will be allocated to program categories that are consistent with the resource allocation recommendations of the Central Valley Flood Protection Plan for prioritizing flood management projects. Specifies that funds shall be available for encumbrance and expenditure until June 30, 2020, and June 30, 2023, respectively.
- 19) Approve side agreement recently entered into by the administration and state Bargaining Unit 19, represented by the American Federation of State, County, and Municipal Employees, Health and Social Services/Professional . The addendum would compensate Senior Psychologists, Psychologists, and Licensed Clinical Social Workers working at the California Department of Corrections and Rehabilitation institutions for certain standby and call back duties. These agreements amend existing Memoranda of Understandings (MOUs) but do not

**SUBCOMMITTEE NO. 3 RESOURCES AND**

constitute new MOUs. The department is absorbing costs in the current year and no additional appropriation authority is being requested at this time.

COMMENTS: California is experiencing its fourth dry year in a row -- the worst drought in modern U.S. history and driest January since the state began keeping records in 1895. The Sierra Nevada snowpack, which Californians rely on heavily during the dry summer months for their water needs, is at a near record low. Only in 1991 has the water content of the snow been lower.

California's drought conditions have resulted in dangerously low levels of water in our reservoirs and groundwater aquifers and have impacted every aspect of our environment and economy. The drought has imperiled drinking water supplies, our agricultural sector, sensitive habitats, and greatly increased our risk of wildfire. Some have estimated the state has only about one year of water left in its reservoirs.

Since last February, the state has pledged over \$870 million to support drought relief, including money for food to workers directly impacted by the drought, funding to secure emergency drinking water supplies for drought impacted communities and bond funds for projects that will help local communities save water and make their water systems more resilient to drought.

Last fall, the Legislature approved and the Governor signed legislation requiring local, sustainable groundwater management as well as legislation to put a \$7.5 billion water bond before voters, which won bipartisan approval in the Legislature and was approved overwhelmingly at the polls.

The purpose of this urgency drought relief package is to provide immediate funding to help communities deal with the devastating dry conditions affecting the state and to increase local water supplies. This bill accelerates many drought-related proposals in the Governor's Budget and other Water Action Plan proposals aimed at improving the state's water supply and storage through infrastructure investments, improving the management of groundwater, and addressing water quality issues, particularly in disadvantaged communities. This bill also includes additional emergency funding for drinking water supplies for disadvantaged communities, food assistance, conservation education and outreach activities, and urgent fish and stream needs related to the drought.

The legislation includes more than \$1 billion for local drought relief and infrastructure projects to make the state's water infrastructure more resilient to extreme weather events. Specifically, the legislation does the following:

- 1) Accelerates \$267 million from Proposition 1 Water Bond funding for safe drinking water and water recycling from the Governor's January budget proposal.
- 2) Accelerates drought-related expenditures from the Governor's January budget proposal augmented by \$31 million in targeted additional expenditures (\$132 million total), including efforts to implement the Water Action Plan and provide direct assistance to workers and communities impacted by drought.

**SUBCOMMITTEE NO. 3 RESOURCES AND**

- 3) The additional \$31 million in new targeted expenditure items which were not included in the Governor's January budget proposal include the following:
- \$17 million in additional funding to support emergency food aid to 29 counties most impacted by the drought;
  - \$4 million for emergency drinking water in disadvantaged communities;
  - \$5 million to the Department of Water Resources to provide emergency drinking water support for small communities, including addressing private wells;
  - \$1.4 million to the Department of Water Resources to increase advertising and public relations related to the Save Our Water campaign;
  - \$2.8 million to the Department of Water Resources and Department of Fish and Wildlife for additional modeling support and species tracking in the Delta and greater Central Valley to support efficient management of the state's water system; and
  - \$1 million to address critical infrastructure deficiencies at remote fire stations that have run out of water.
- 4) Accelerates \$660 million from the Governor's January budget proposal of Proposition 1E bond monies for flood protection in urban and rural areas to make the state's infrastructure more resilient to climate change and flood events.
- 5) Accelerates \$30 million from the Governor's January budget proposal of cap-and-trade auction revenue to DWR (\$20 million) and CDFA (\$10 million) for programs that provide a reduction of GHG emissions and also deliver state and local water use efficiency and agricultural water use efficiency. Both proposals were part of last year's agreement on cap-and-trade expenditures.

This bill is an important first step in addressing urgent needs brought on by the extreme drought. It contains critical funding for emergency water and food services and gets a start on big projects – such as water recycling – that help provide local water supply reliability that can help with future or ongoing drought.

**Analysis Prepared by:** Gabrielle Meindl / BUDGET / 916-319-2099

**FN:**

SENATE THIRD READING

SB 76 (Committee on Budget and Fiscal Review)

As Amended March 23, 2015

Majority vote

SENATE VOTE: Vote not relevant

SUMMARY: Contains necessary statutory and technical changes to implement SB 75 (Budget and Fiscal Review Committee), which amends the 2014-15 Budget Act related to urgent drought relief. This bill, along with SB 75, proposes expenditures of \$1,059 million for drought-related activities.

The Senate amendments delete the Assembly version of this bill, and instead:

- 1) Require DFW to notify the owner of a new diversion, which is deleterious to salmon and steelhead, that it must be screened and to submit to the owner, within 30 days or upon a mutually agreed upon timeframe, proposals for protective measures.
- 2) Allow DFW to assess civil penalties, including administrative penalties, for obstructing fish passage with separate provisions for obstructions associated with marijuana cultivation. Require DFW adopt emergency regulations to implement the penalty provisions and amend the Timber and Forest Restoration Fund to allow for the receipt of penalty monies.
- 3) Allow DFW to initiate a complaint before the State Water Board for a violation or trespass in connection with an unauthorized diversion or use of water that harms fish and wildlife resources.
- 4) Establish the Office of Sustainable Water Solutions within the State Water Resources Control Board to promote permanent and sustainable drinking water and wastewater treatment solutions to ensure effective and efficient provision of safe, clean, affordable, and reliable drinking water and wastewater treatment services.
- 5) Expand the use of the Cleanup and Abatement Account for uses beyond mitigation of waste and unreasonable use to include urgent drinking water needs. Also, expands the entities eligible to receive funds to public agencies. This change would allow local water districts to be eligible to receive funds to address emergency drinking water needs. These provisions will sunset on July 1, 2018.
- 6) Transfer to CalConserve Revolving Fund \$10 million of the proceeds of Proposition 1 to fund two water conservation and water use efficiency pilot programs that will provide loans at below market rates or zero interest to urban water suppliers in order to: 1) install water efficiency upgrades to eligible residents at no upfront cost; and, 2) provide low-interest loans to customers to finance leak repairs. Both could be repaid through customers' utility bills.
- 7) Expedite emergency drought response time by suspending contracting provisions of the Government Code and Public Contract Code for actions related to Governor's declaration of a drought emergency that address human health and safety impacts, fish and wildlife

**SUBCOMMITTEE NO. 3 RESOURCES AND**

resources, and provision of water to persons or communities. Identify and list any contracts approved under the suspended state contracting provisions on the California Drought Internet Web site.

- 8) Amends the Government Code to ensure that funding provided to local governments in response to an emergency is not subject to the eligibility restrictions of Section 1782 of the Labor Code.
- 9) Directs agencies receiving moneys from the 2014-15 Budget Act related to urgent drought relief to use the services of the California Conservation Corps or a certified community conservation corps, where feasible, for restoration, ecosystem restoration projects or other similar work.

**COMMENTS:** This bill contains the statutory changes necessary to implement SB 75, the urgent drought relief legislation. It contains five main components:

- 1) Enhanced Department of Fish and Wildlife Authorities, particularly with regard to illegal marijuana grows. The fourth year of drought is straining resources and affecting fish and wildlife in catastrophic ways. This strain is exacerbated by illegal marijuana growing operations that are diverting water directly out of streams or using trucks to siphon it from water bodies and carry it to their operations. Illegal actions are affecting fish and wildlife populations and making it harder for legal actors to comply. The bill provides DFW three new tools.

Existing law requires the owner of a new diversion in salmon or steelhead waters to notify DFW so that DFW can determine whether or not the diversion is affecting salmon or steelhead and proscribe proper screening measures, if necessary. The bill instead allows DFW to provide notification to only those owners whose diversions are affecting salmon or steelhead and requires DFW to recommend screening measures within 30 days or upon a mutually agreeable time frame.

This bill authorizes DFW to impose civil penalties, including administratively, where diversions are obstructing fish passage with separate provisions for illegal grows. The bill requires DFW to initiate an emergency rulemaking process to develop and implement due process procedures to implement its administrative penalty provisions.

This bill enhances the effectiveness of wardens by allowing those who observe unauthorized water diversions that harm fish and wildlife to initiate a complaint to the State Water Resources Control Board and remain a party to the proceeding.

- 2) Creation of the Office of Sustainable Water Solutions. The bill creates a first-of-its-kind Office of Sustainable Water Solutions as a new unit within the drinking water program at the State Water Resources Control Board.

One of the most challenging problems with water supply reliability and water quality throughout the state is the lack of help offered to small communities (small cities, rural counties, and unincorporated areas) that have small rate bases, little or no local funds, huge water infrastructure needs and few staff to help meet those needs.

The Office will help small communities apply for state and federal funds to help clean up drinking water and provide greater access to treatment technologies. It will also help communities that want to consolidate to better apportion costs of water system upgrades to prevent or mitigate huge local rate increases. Finally, the Office will provide basic technical assistance to small communities that, in many cases do not have a city manager or staff to work on providing clean drinking water to its residents.

- 3) Creation of CalConserve Revolving Fund Water Efficiency Pilot Projects. Water conservation is one of the only tools immediately available in a drought to help try to stretch existing supplies. Communities like the Town of Windsor have experienced terrific water conservation success with "Efficiency Pays" programs. Under those programs the water supplier installs water efficient upgrades such as washing machines or dishwashers at no upfront cost to the eligible homeowner and the homeowner repays them on their utility bill. After the upgrades the bill is often less even with the repayment obligation included.

In addition to stretching supplies is preserving existing supplies. DWR estimates leakage to be from 5% to 50% in many water systems. Traditional revolving funds, such as those at the State Water Resources Control Board, address leaks in the public water system but do not address leaks on private property. This pilot project would bridge that gap through a low-interest loan program administered by local agencies to their customers.

- 4) Suspension of State Contracting Provisions for Drought Emergencies. Some communities in California have literally run out of water and, as the fourth year of drought continues, there are likely to be more. The environment has also been devastated by the dry weather. Traditional state contracting provisions require agencies to engage in many procedures, including advertising contracts and selecting from multiple bids. This bill allows contracts for projects that are related to the Governor's declaration of a state of emergency to be expedited by waiving traditional contracting provisions. However, it also ensures accountability and public oversight by listing on the California Drought Internet Web site sufficient information to identify which agencies and which contracts utilized the provision.
- 5) Emergency Funding and Financial Assistance Not Subject to Certain Eligibility Restrictions. Local governments have raised concerns that they would not be eligible to receive money from the State's Disaster Relief Fund in the event of a calamity, like an earthquake, wildfire or flood, because they are not in compliance with the eligibility restrictions of Section 1782 of the Labor Code, which concern payment of prevailing wages and use of apprentices on municipal projects.

**Analysis Prepared by:** Gabrielle Meindl / BUDGET /916-319-2099

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