

AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, APRIL 13

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

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VOTE-ONLY**0540 NATURAL RESOURCES AGENCY**

VOTE-ONLY ISSUE 1: RIVER PARKWAYS, URBAN GREENING AND URBAN STREAMS

The Governor's Budget requests to appropriate the remaining Proposition 84 and 40 funds for the River Parkways, Urban Greening and Urban Streams programs - a total of \$5.6 million. In addition, it would extend funding - \$140,000 - and authority for a position for five years to manage the grants associated with these programs. This request would appropriate the remaining funds from the following:

- \$2 million in Proposition 50 for River Parkways projects.
- \$1,458 million in Proposition 84 local assistance funds for projects to be funded under the River Parkways and Urban Greening Program.
- \$1.2 million in Proposition 40 for River Parkways projects.
- \$790,000 in Proposition 40 for Urban Streams projects.
- \$200,000 in Proposition 50 for Sierra Nevada Cascade projects.

These funds are available because of savings from administrative costs, projects that fell through or projects that came in under budget.

Staff Recommendation: Approve as Budgeted

0540 NATURAL RESOURCES AGENCY
3125 CALIFORNIA TAHOE CONSERVANCY
3940 STATE WATER RESOURCES CONTROL BOARD

VOTE-ONLY ISSUE 2: SUPPORT FOR TAHOE REGIONAL COMPACT IMPLEMENTATION

The Governor's Budget requests: \$150,000 to the Natural Resources Agency (CNRA) for the bi-state science-based advisory council; \$400,000 to the Tahoe Conservancy (Conservancy) for aquatic invasive species (AIS) projects and improved public access to sovereign lands; and \$400,000 to the State Water Resources Control Board (SWRCB) for the Lahontan Water Board for near shore monitoring of water quality in Lake Tahoe. All funding is proposed to be drawn from the Lake Tahoe Science and Lake Improvement Account (Account) to implement SB 630 (Pavley), Chapter 762, Statutes of 2013.

The CNRA will use the requested \$150,000 to support the Council. The Council's mission is to advance a role for science in decision-making by promoting collaboration and prioritization among scientists, citizens, managers, and policymakers working toward a sustainable, healthy, and restored Lake Tahoe ecosystem. The Tahoe Science Advisory Council is not a regulatory agency and does not advocate for or against specific policy and management outcomes. Rather, the council remains neutral and facilitates the integration of unbiased, rigorous science into decision-making.

The Conservancy will use \$400,000 of the requested funding to continue existing efforts to control aquatic invasive species in the Lake Tahoe Basin. Initial efforts will be directed toward invasive weed abatement projects. Additional future project activities could include projects to protect the endangered Tahoe Yellow Cress, and Environmental Improvement Program projects to acquire and/or improve lakefront public access. If appropriated, the \$400,000 from the Account will be matched by Conservancy funding in a similar amount or funds from another public entity. The Conservancy will develop a list of proposed projects through a public process seeking input from Tahoe basin stakeholders.

CNRA:

For more than 20 years, the Lahontan Water Board has invested \$400,000 annually for water quality monitoring at Lake Tahoe. These already-allocated near-shore monitoring resources provide the funding match for the \$400,000 request as required by the law. The additional monies will allow the Lahontan Water Board to expand the established periphyton and phytoplankton monitoring network, increase sampling frequency, and expand the near-shore monitoring program to include additional water quality and biological indicator metrics.

Staff Recommendation: Approve as Budgeted

3860 DEPARTMENT OF WATER RESOURCES

VOTE-ONLY ISSUE 3: PROPOSITION 1 STATEWIDE BOND COSTS
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The Governor's Budget requests \$583,000 (Proposition 1) to fund two new positions and one existing position, and to annually support these positions over the life of the bond. All statewide bond costs over the life of the bond are estimated to be \$150.9 million (2 percent of the bond). The funding and related staff will allow the Department of Water Resources (DWR) to oversee Proposition 1 activity on behalf of DWR and all departments that will receive funding from Proposition 1. This proposal is requesting funds to cover two DWR Division of Technology Services positions, and a management position within DWR's Bond Accountability Office that will have direct oversight in website and expenditure tracking at DWR.

Staff Recommendation: Approve as Budgeted

3940 STATE WATER RESOURCES CONTROL BOARD**VOTE-ONLY ISSUE 4: PROPOSITION 1 CALIFORNIA WATER COMMISSION WATER STORAGE INVESTMENT PROGRAM**

The Governor's Budget requests one position and \$130,000 reimbursement authority to provide technical assistance and policy expertise under an Interagency Agreement with the DWR to support the development and implementation of the California Water Commission's Proposition 1 Water Storage Investment Program (WSIP). Proposition 1 directs the SWRCB to provide consultative technical, policy, and administrative support to the California Water Commission in developing and implementing their WSIP.

Staff Recommendation: Approve as Budgeted

3640 WILDLIFE CONSERVATION BOARD**VOTE-ONLY ISSUE 5: SAN JOAQUIN RIVER- PROPOSITION 40 COBCP**

The Governor's Budget requests a new appropriation of \$2.5 million (\$1.5 million in expenditure authority and \$1 million in additional reimbursement authority) from naturally reverted unexpended Proposition 40 funds. This proposal will allow the San Joaquin River Conservancy (SJRC) to implement its conservation, public access, recreation, and environmental restoration capital improvement programs. The SJRC and Wildlife Conservation Board have executed an MOU for the cooperative administration of the SJRC programs.

VOTE-ONLY ISSUE 6: WILDLIFE RESTORATION FUND MINOR COBCP

The Governor's Budget requests request \$1,000,000 from the Wildlife Restoration Fund (WRF) for the purposes of the Wildlife Conservation Board's Public Access Program.

VOTE-ONLY ISSUE 7: PROPOSITION 1

The Governor's Budget requests \$41,900,000 (Proposition 1) in Local Assistance project funding that may also be made available for Capital Outlay. Of the total amount requested, \$38,400,000 is requested for the Wildlife Conservation Board (WCB) to continue the implementation of the stream flow enhancement program and \$3,500,000 is requested for the San Joaquin River Conservancy (SJRC) to continue implementation of the multi-benefit watershed protection and restoration program. This represents an increase of \$1,500,000 from the 2015-16 funding.

SJRC and WCB have executed a Memorandum of Understanding to provide for the WCB's assistance in administering bond funds appropriated to the WCB and allocated to SJRC programs.

Staff Recommendation: Approve as Budgeted Issues 5-7

3125 TAHOE CONSERVANCY

VOTE-ONLY ISSUE 8: IMPLEMENTATION OF THE LAKE TAHOE ENVIRONMENTAL IMPROVEMENT PROGRAM (COBCP)

The Governor's Budget requests capital outlay appropriations totaling \$8,691,000 from dedicated funding sources available for implementation of the Lake Tahoe Environmental Improvement Program (EIP). More specifically, this will include:

- Bonds: \$2,076,000 from Proposition 12; \$248,000 from Proposition 40; \$2,027,000 from Proposition 50; and \$25,000 from Proposition 84;
- Special Funds: \$100,000 from the Lake Tahoe Conservancy Account and \$440,000 from the Tahoe Conservancy Fund; Federal Funds: \$2,000,000 from the Federal Trust Fund.
- In addition, the Conservancy requests \$1,775,000 in reimbursement authority.

The request also involves reversion of the unencumbered balances from three aging bond appropriations. The intent is to include the reverted amounts in fresh appropriations in order to have all remaining Conservancy bond funds within an active appropriation.

VOTE-ONLY ISSUE 9: MAINTENANCE OF TAHOE CONSERVANCY SUPPORT AND PROGRAM DELIVERY RESOURCES AND CAPABILITIES

The Governor's Budget requests baseline support augmentations of: \$19,000 in Proposition 12 program delivery funds; and \$15,000 in Proposition 50 program delivery funds. This request is associated with related capital outlay requests for capital outlay funding from Proposition 12 (\$2,076,000) and Proposition 50 (\$2,027,000). There is sufficient program delivery funding available to sustain this level of program delivery funding through the 2020-21 fiscal year. The requested funding will be used to maintain the Conservancy's support resources and capabilities needed to carry out its responsibilities in implementing the Environmental Improvement Program (EIP) for the Tahoe Basin; and pursuing the State's sustainability, greenhouse gas reduction, and climate change objectives.

Staff Recommendation: Approve as Budgeted Issues 8-9

3810 SANTA MONICA MOUNTAINS CONSERVANCY

VOTE-ONLY ISSUE 10: PROPOSITION 40, 50, & 84 LOCAL ASSISTANCE AND CAPITAL OUTLAY

The Governor's Budget requests a new appropriation of up to \$2,322,000 for Local Assistance for the implementation of projects consistent with the bond acts and with the Santa Monica Mountains Comprehensive Plan, the SMMC Workprograms for Land Acquisition and Park Development and Improvements, the SMMC strategic Plan, and the Rim of the Valley Trail Corridor Master Plan. Projects are coordinated with federal, state, and local governments and non-profit entities. Specifically, the proposal requests appropriations from the following fund sources:

- Conservancy Fund: \$200,000
- Proposition 40: \$775,000
- Proposition 50: \$300,000
- Proposition 84: \$1,047,000

Funds will be used for the acquisition, enhancement, restoration, of natural lands, improvement of public recreation facilities, and for grants to local agencies and nonprofit organizations to increase access to parks and recreational opportunities for underserved urban communities.

Staff Recommendation: Approve as Budgeted

3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY

VOTE-ONLY ISSUE 11: PROPOSITION 12, 40, & 84 REAPPROPRIATIONS

The Governor's Budget requests reappropriations of the balances from its 2013-14 capital appropriations from Proposition 12, 40 and 84 to provide acquisition funding to enable the Conservancy to implement its mission of acquiring and protecting mountainous and natural community conservation plan lands.

Staff Recommendation: Approve as Budgeted

3855 SIERRA NEVADA CONSERVANCY

VOTE-ONLY ISSUE 12: PROPOSITION 84 REVERSIONS

The Governor's Budget requests reversion of the remaining balances for Proposition 84 Program Support for Fiscal Year 2014-15 and any unencumbered balances for Local Assistance for 2009-10 before the natural reversion dates.

Staff Recommendation: Approve as Budgeted

3760 COASTAL CONSERVANCY

VOTE-ONLY ISSUE 13: COASTAL ACCESS AND PUBLIC ACCESS PROGRAM

The Governor's Budget requests Appropriate \$850,000 to the Coastal Conservancy: \$500,000 (Coastal Access Account) and \$350,000 (California Beach and Coastal Enhancement Account) for purposes of local assistance and capital outlay to continue implementation of the Conservancy's Public Access, Education and related programs. Funds would be used to develop, operate and maintain public accessways, including accepted offers-to-dedicate and to support public education related to coastal resources. Funds would be disbursed as grants to public agencies and non-profit organizations directly by the Coastal Conservancy for recreational and interpretive facilities, materials and events. The amounts appropriated as local assistance and capital outlay are requested to be made available for encumbrance until June 30, 2019.

VOTE-ONLY ISSUE 14: PROPOSITION 84

The Governor's Budget requests a reversion of the unencumbered balance from a previous appropriation made to the Conservancy pursuant to Proposition 84 and appropriation of \$25,000,000 Proposition 84 for purposes of local assistance and capital outlay, which includes \$7,000,000 in reimbursement authority. The requested appropriations would be from funds specifically allocated to the Conservancy and used for the following purposes:

- To acquire, restore and enhance river and stream corridors, wetlands, urban watersheds, bays and estuaries & related coastal waters, beaches, and other environmentally sensitive lands and waters in coastal areas to protect public health and safety, and to preserve biodiversity and working landscapes;
- To acquire land and rights-of-way, to develop public accessways, including accepted offers-to-dedicate, to expand and improve the California Coastal Trail, and to preserve scenic open space lands.
- To acquire, restore and enhance wetlands and other environmentally sensitive lands in the San Francisco Bay area. Funds would also be used to complete

portions of the San Francisco Bay Trail, the Bay Area Ridge Trail, connecting trail corridors and the San Francisco Bay Water Trail, to develop educational and recreational facilities of regional importance, and to acquire open space and recreational lands of regional or statewide importance.

- To prepare and implement a Santa Ana River Parkway and Open Space Plan which created the Santa Ana River Conservancy Program within the Conservancy to address the resource and recreational goals of the Santa Ana River corridor.

Funds would be disbursed as grants to public agencies and non-profit organizations or expended directly by the Coastal Conservancy for specific activities consistent with the Conservancy's enabling legislation. Funds are requested to be available for encumbrance for either local assistance or capital outlay until June 30, 2019.

Staff Recommendation: Approve as Budgeted Issues 13-14

3830 SAN JOAQUIN RIVER CONSERVANCY

VOTE-ONLY ISSUE 15: PROPOSITION 40 FUNDING FOR PROGRAM DELIVERY

The Governor's Budget requests \$191,000 (Proposition 40) for program delivery for projects and grants provided with current Proposition 40 project funds. The Conservancy must continue to implement its program using remaining capital outlay balances from both bond funds (appropriated within the WCB budget) for land acquisitions, environmental restoration, and public access and recreation capital improvements, to achieve its mission and fulfill the expectation of the voters. This program will be accomplished by both the program-delivery staff and other Conservancy staff through direct state activities and through local assistance grants.

The current program delivery funding from Proposition 84 provides for one full-time program delivery position within the Conservancy, one full-time program delivery position within the Wildlife Conservation Board (WCB) dedicated to Conservancy projects, and related expenses. Program delivery staffing allows the Conservancy to execute its capital outlay program and thereby advance its mission to protect habitat lands and provide public access and recreation along the San Joaquin River Parkway.

Staff Recommendation: Approve as Budgeted

3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY

VOTE-ONLY ISSUE 16: AUGMENTATION TO SUPPORT ADMINISTRATIVE FUNCTIONS

The Governor's Budget requests a permanent baseline funding increase of \$10,000 (General Fund) to cover an increase in workers' compensation insurance.

VOTE-ONLY ISSUE 17: IMPLEMENTATION OF RESTORATION, WATER QUALITY, AND ECONOMIC DEVELOPMENT PROJECTS

The Governor's Budget requests an increase of \$290,000 in its federal reimbursement authority to fully implement the projects funded by three Environmental Protection Agency grants and one Economic Development Administration grant.

Staff Recommendation: Approve as Budgeted Issues 16-17

ITEMS TO BE HEARD

0540 NATURAL RESOURCES AGENCY
3600 DEPARTMENT OF FISH & WILDLIFE
3860 DEPARTMENT OF WATER RESOURCES

ISSUE 1: PROPOSITION 1 STATEWIDE OBLIGATIONS

The Governor's Budget requests \$464.9 million (Proposition 1) and one position to fund projects that fulfill state obligations under several agreements as follows:

Statewide Obligation & Agreements	Department	Amount
Klamath Hydroelectric Settlement Agreement	Natural Resources Agency	250.00
Central Valley Project Improvement Act	Natural Resources Agency	89.9
Salton Sea Restoration Act	Water Resources	80.0
San Joaquin River Restoration Act	Water Resources Fish and Wildlife	27.0 18.0
	Total	464.9

*This total does not include the \$9.5 million (2 percent of the \$475 million) set aside for bond administration costs.

**LAO ANALYSIS AND
RECOMMENDATIONS**

The LAO provides the following thorough and insightful analysis of the Governor's proposal.

The largest portion of Proposition 1 funding remaining for the Legislature to appropriate consists of \$475 million for statewide obligations and agreements (from the section of the bond that dedicates funds for watershed protection and restoration). These funds are intended to help meet water-related commitments into which the state has entered. The bond explicitly identifies four such agreements for which the funding can be used—the Central Valley Project Improvement Act (CVPIA), the Salton Sea Restoration Act, the San Joaquin River Restoration Settlement Act, and the Tahoe Regional Planning Compact. In addition, Proposition 1 states that funding for statewide commitments can be used for a multiparty agreement that meets a number of specific characteristics, all of which the Klamath Hydroelectric Settlement Agreement meets. (Drafters of the bond indicate that the Klamath agreement was considered as a prime candidate for this funding. As such, we describe that agreement below.) The bond did not specify how much—if any—of this funding should be allocated to each commitment. Moreover, as noted in the descriptions below, the total cost to fulfill all of these commitments greatly

exceeds \$475 million. Proposition 1 left it to the Legislature to determine how best to allocate this funding amongst the five potential commitments.

- **CVPIA.** Enacted by Congress in 1992, the CVPIA included numerous changes for federal water operations in California. Among these was a commitment to provide a guaranteed annual water supply to 19 state, federal, and privately owned wildlife refuges in the Central Valley that serve as critical wetland habitat to numerous wildlife species. The federal government committed to providing the baseline amount of water needed by the wildlife (“Level 2”), and to paying 75 percent of the costs of providing the optimal amount of water needed (“Level 4”). The legislation included a commitment for California to contribute the remaining 25 percent towards the costs of providing Level 4 water supplies (which can be met through in-kind contributions such as staff support). Despite the more than two decades since enactment of the CVPIA, not all of the refuges have acquired permanent Level 4 water supplies. According to the U.S. Fish and Wildlife Service, government agencies struggle to acquire the additional water because “usually there are too few willing sellers, too little funding to buy their water, or both.” Additionally, some locations still lack the infrastructure needed to convey all the water mandated by CVPIA to the refuges. The administration states that because of accounting difficulties with the federal agencies involved, estimates are not available for the total cost of ensuring Level 4 water supplies, the state’s share of that cost, or the amount the state has contributed thus far.
- **Salton Sea Restoration Act.** In 2003, the Legislature ratified a collection of agreements—referred to as the Quantification Settlement Agreement (QSA)—that both reduced and reallocated the state’s share of Colorado River water. Because this agreement requires the transfer of water from primarily agricultural users in the Imperial Valley to other areas of Southern California, one result will be a reduction in the amount of agricultural runoff that historically has fed the Salton Sea—the state’s largest lake. Reducing this inflow is expected to dramatically shrink the lake (exposing toxic dry soils and damaging air quality) and increase its already high salinity levels (ruining the habitat for fish and migrating birds). As such, the state required that water continue to flow into the lake for several years so that a mitigation plan could be developed. The full transfers (and the corresponding decrease in runoff to the lake), however, are scheduled to begin phasing-in in 2017. As a component of the QSA, the state assumed responsibility for paying most of the costs to mitigate the air quality impacts resulting from the transfer. After many years of study and numerous proposals, in fall 2015 a task force convened by the Governor recommended steps for addressing the Salton Sea. These included an immediate short-term goal of undertaking 9,000 to 12,000 acres of habitat creation and dust suppression projects at the lake. The CNRA still is in the process of developing a long-term plan for managing the lake, along with associated funding estimates and sources. (Earlier proposals for restoring the lake had associated costs of several billions of dollars.) An earlier bond measure, Proposition 84, provided \$47 million for initial restoration efforts and planning at the Salton Sea.

- **San Joaquin River Restoration Settlement Act.** In 2009, the federal government enacted legislation to implement a legal settlement stemming from a lawsuit over the negative impacts of dam construction. The legislation established a long-term effort to restore flows within the San Joaquin River (from Friant Dam to the confluence of Merced River) and to restore a self-sustaining Chinook salmon fishery in the river. While not a party to the lawsuit, the state formally committed to contribute at least \$200 million to this effort. (Under the settlement terms, the federal government and the Friant Water Users Authority will pay most of the project costs.) Project managers estimate the remaining cost of completing the long-term project to be between \$1.2 billion and \$1.7 billion. Thus far, the state has allocated about \$110 million from various bonds towards the river restoration.
- **Tahoe Regional Planning Compact.** In 1969, California and Nevada enacted a statutory agreement (later ratified by Congress) intended to improve the quality both of human development and the environment at Lake Tahoe. The agreement also establishes the bi-state Tahoe Regional Planning Agency to oversee development activities in the region. The agency has the regulatory authority to set and enforce environmental standards and land use policies for the Lake Tahoe Basin. In 1997, the two states, federal government, and stakeholders developed an Environmental Improvement Program to identify activities that will advance the objectives of the Compact. Reflecting the share of the lake located in each state, California generally is expected to contribute two-thirds of the two states' share of funding to implement the Compact and related activities, with Nevada contributing one-third. According to CNRA, over the last two decades California has contributed nearly \$700 million to help fulfill the Compact and the associated environmental program. A recent long-range plan developed by regional stakeholders set a funding target of \$920 million to support Compact-related projects over the next decade, and set California's share of that target at \$200 million. This target, however, does not represent a legally binding commitment.
- **Klamath Hydroelectric Settlement Agreement.** In 2010, numerous stakeholder groups including federal agencies, state agencies from California and Oregon, Indian tribes, counties, irrigators, and conservation and fishing groups signed two agreements—the Klamath Basin Restoration Agreement and Klamath Hydroelectric Settlement Agreement—to address long-standing disputes over water management and environmental conditions in the Klamath River Basin. (A third compact, the Upper Klamath Basin Comprehensive Agreement, was developed in 2014.) These agreements include provisions to restore habitat for several species of threatened or endangered fish, as well as assurances for future water allocations to irrigators, tribes, and wildlife refuges within the river basin. A key component of the agreements is removal of four privately owned hydroelectric dams along the Klamath River (three in California and one in Oregon) that have affected downstream water quality and blocked the migratory path of salmon and other fish species. The state of California agreed to pay up to

\$250 million towards the estimated \$450 million cost of removing the dams, with customers from the utility company that owns the dams contributing the other \$200 million. Over the past several years the company has collected nearly the full \$200 million from its utility ratepayers—about 90 percent of whom live in Oregon and 10 percent in California. The state has not yet appropriated any funding for the project. Several components of the agreements, however, expired in January 2016 when they failed to receive Congressional ratification. As such, how the overall approach to addressing issues in the Klamath River Basin will proceed and which components of the agreements ultimately will be implemented is now uncertain.

Dedicates Funding for Four Statewide Commitments. *The Governor proposes appropriating the full portion of funding for statewide obligations towards four of the five commitments mentioned in Proposition 1. This includes \$464.9 million in 2016–17, plus an additional \$150,000 each year for the next four years for the CVPIA. The remaining \$9.5 million - 2 percent of the \$475 million - is set aside for bond administration costs. The proposal would provide sufficient funding to fully meet the state’s agreed-upon contribution for the Klamath Hydroelectric Settlement Agreement, and likely would be enough to complete the planned dam removals. In contrast, the proposed amounts for the other three commitments are expected to fund just a portion of the state’s remaining obligations. (As discussed below, the total amount of the state’s obligation is not clearly defined for three of the five potential commitments.)*

In addition to this Proposition 1 funding, the Governor’s proposal includes \$638,000 for staff work on the Salton Sea restoration effort. This consists of: (1) \$300,000 from the General Fund for three existing staff from the DFW to conduct biological surveys and monitoring activities; (2) \$138,000 from the General Fund and one new position at the State Water Resources Control Board to support related workload, including convening and participating in meetings, workshops, and hearings; and (3) \$150,000 from Proposition 1 and \$50,000 from the General Fund to fund the Assistant Secretary of Salton Sea Policy at CNRA, who is helping to coordinate the state’s efforts in the region.

The Governor’s proposal would not allocate any funding from the Proposition 1 set-aside for statewide commitments towards implementing the Tahoe Regional Planning Compact—the only statewide commitment cited in the bond for which no funding is provided. The administration states this is because other funding sources are available to implement associated activities, including from other portions of Proposition 1—specifically, \$15 million for the Tahoe Conservancy; \$2 million to the region for integrated regional water management planning; and eligibility for competitive watershed restoration grants overseen by DFW. Additionally, the administration notes that the state has invested nearly \$700 million to implement restoration activities related to the Compact and associated Environmental Improvement Program over the past two decades, and that other interested parties (including the state of Nevada and the federal government) must play a significant

role in funding continued activities as well. The Governor's budget also includes a separate proposal to provide \$550,000 from the Lake Tahoe Science and Lake Improvement Account (plus an additional \$400,000 in reimbursement authority) to implement activities related to the Compact.

The administration states that it developed its overall plan for these funds based on an assessment of the amount needed to meet each obligation, past investments made by the state, and the availability of other funds. Additionally, the administration states that while it is requesting that the Legislature appropriate the full amount of funding in 2016–17, it may request to modify the proposed allocation plan over time based on updates to the status of the agreements, progress on the projects, or the availability of other funding.

Legislature Faces Trade-Offs in Deciding How to Fund Statewide Commitments. As discussed above, the administration has chosen to allocate funding for four of the five statewide obligations cited in Proposition 1. We find the rationale behind the Governor's choices to be sound. The proposed approach would address some urgent needs, advance projects the state has identified as priorities, and take other funding sources into account. We believe, however, that distributing the funds somewhat differently also would be reasonable. Additionally, significant uncertainties surrounding some of the commitments raise questions as to the specific level of obligations the state faces. The Legislature could modify (1) which commitments to fund and (2) how much funding to provide for each. We have identified three key considerations for evaluating the trade-offs associated with each commitment:

- **Urgency.** Some of the commitments carry more pressing implementation considerations than others. For example, absent remediation efforts, health conditions at the Salton Sea will rapidly deteriorate for both humans and wildlife beginning in 2017 when water transfers increase and runoff into the lake decreases. With regard to the Klamath River, parties have spent many years developing an agreement and laying the groundwork for dam removal. The administration believes a timely show of the state's continued commitment to the agreement is a vital step in sustaining this effort, and that delays might further derail the entire plan for the Klamath Basin (particularly after the broader package of agreements failed to receive Congressional ratification). In contrast, the other three commitments represent multiyear efforts that are already underway. Providing additional funding would help sustain or accelerate implementation of these projects—which do have statewide importance—but does not seem to be an essential component of averting an impending crisis.
- **Responsibility and Funding.** The role - and potential impact - of state funding in implementing the activities associated with each commitment varies. The state holds primary responsibility for implementing the activities associated with just one of the five commitments—Salton Sea restoration. In this case, state funding is essential for project implementation. For the other commitments, the state

shares responsibility with other parties, and in two cases (CVPIA and San Joaquin River), the state has a relatively small role compared to federal agencies. As such, the potential impacts of state contributions are somewhat dependent upon the level of effort put forth by other parties. Moreover, the state should not bear more than its share of implementing agreed-upon activities. The relative benefits of funding a particular commitment should be weighed against both contributions made by other partners and potential alternative funding sources. For example, with regard to the Klamath agreement, the additional funding necessary to remove the dams has already been collected, meaning the state contribution could result in project completion. In contrast, the effects of state funding in implementing the CVPIA and the Tahoe Compact are less clear, given that total project scope and costs remain unclear or undefined. The administration believes providing state funding will help spur additional federal spending for CVPIA and the San Joaquin River. Additional state funding is available from other sources for the Tahoe Compact and potentially for the San Joaquin River (through the related conservancy).

- **Major Uncertainties.** Key information regarding three of the commitments included in the Governor's proposal still is unknown, making evaluating and quantifying the potential impacts of providing the funding somewhat difficult. Specifically, the overall status of the Klamath River Basin agreements is extremely uncertain after Congress opted against ratifying them. Many questions remain about the efficacy and implications of implementing one portion of the agreements (dam removal) without commitments to fulfill the others (including restoration work and clarification of future water allocations). Additionally, as noted above, the state's specific fiscal obligations for the Salton Sea, CVPIA, and Tahoe Compact are unspecified or unknown. As such, how far the Governor's proposal would go towards satisfying the state's obligations or fulfilling overall project objectives also is unclear.

Allocate Funding Across Statewide Commitments Consistent With Legislative Priorities. We recommend the Legislature allocate funding across the potential statewide obligations in a way it believes best meets statewide needs. Based on careful consideration of the trade-offs discussed above, this might involve modifying the Governor's proposed approach. For example, if the Legislature is especially concerned about the urgency of addressing the rapidly deteriorating environmental conditions at the Salton Sea, it may opt to provide additional funding for those restoration efforts beyond what the Governor has proposed. As another example, if the Legislature has reservations about appropriating funding for removing dams on the Klamath River in light of the uncertainty surrounding other basinwide agreements, it could set aside the \$250 million to potentially appropriate in the future when related commitments have been more clearly defined.

Require Administration to Submit Annual Summary Report on Proposition 1 Implementation. We also recommend that the Legislature require the administration to submit an annual status update on Proposition 1 summarizing funded activities

and outcomes. Specifically, we recommend this report include a summary of major activities, accomplishments, challenges, and outcomes, as well as appropriations and encumbrances. Outcome reporting should include a compilation of measurable performance data (such as the volume of water desalinated or acres of wetland preserved), and how actual outcomes compared with the intended outcomes that were identified in projects' grant applications. Adopting this recommendation likely would not require departments to collect any additional data; however, the administration would have to compile and summarize the available information.

Such a report would provide a consolidated, single source of information on the implementation of Proposition 1, and the discussion of accomplishments and challenges would exceed what currently is included on the administration's website. We believe this type of report would both facilitate legislative oversight and help inform subsequent decisions for how best to implement future allocations of Proposition 1 funding. Moreover, such information could help shape potential future bonds or state programs by identifying lessons learned, as well as the programs and practices that were (and were not) successful at achieving desired outcomes.

STAFF COMMENTS

Concerns have been raised that not all program areas listed in the bond, specifically the Tahoe region, were funded in the final selection process. According to proponents of including funding for Lake Tahoe in the statewide allocation, the Governor's proposed budget "jeopardizes California's longstanding commitment to the Lake Tahoe Environmental Improvement Program (EIP)" and fails to "provide the state match required by the federal Lake Tahoe Restoration Act," legislation pending before Congress that would authorize \$415 million for the federal share of EIP funding.

The EIP is a collaborative interagency effort, launched in 1997, to protect and restore the natural and recreational resources of the Tahoe basin. For nearly two decades, a partnership of federal, state, local, and private interests has worked together to jointly prioritize and invest in EIP projects to improve the lake's famed clarity, restore the health of its forests, and maintain its world-class recreation areas.

Since 1997, collectively, \$1.8 billion has been invested in the Lake Tahoe EIP:

- \$593 million from the federal government;
- \$693 million from the state of California;
- \$118 million from the state of Nevada;
- \$77 million from local governments; and
- \$328 million from the private sector.

More than 450 projects have been completed and 100 more projects are currently being implemented by EIP partners. Through these public and private investments, the EIP has become one of the nation's most successful interagency restoration efforts. Lake Tahoe's clarity has largely stabilized after decades of decline; the basin's state

highways and local roads now capture and treat polluted runoff and support a growing bike and mass transit network; the forests surrounding nearly two thirds of the basin's urbanized areas have been treated to protect local communities; public access to the lake has improved dramatically; and disadvantaged communities in the South Shore and Kings Beach are being transformed and revitalized through sustainable, bike and pedestrian-oriented projects.

Despite these investments, there remain additional projects that need completion. Among the highest of these is the scientifically-supported 592 acre restoration of the Truckee River Marsh, which involves lands owned by the Tahoe Conservancy and State Parks, among others. This restoration project, which is only in the planning stage, will be one of the largest Stream Environment Zone (SEZ) restoration projects undertaken at Lake Tahoe because the Upper Truckee River watershed is the largest contributor of sediment to the lake.

Governor's Proposal. According to the Administration, one of the factors taken into consideration in determining the amount to invest in each area was the amount of funding that has previously been invested in each area. The obligations that have received the least amount of previous funding are receiving a larger portion of the proposed investments. While the Governor's proposed budget does not include money from the Proposition 1 Statewide Obligation pot for Lake Tahoe, it does allocate \$15 million (Proposition 1) to the California Tahoe Conservancy and \$2 million (Proposition 1) to the region for integrated regional water management planning. Lake Tahoe is also eligible for Proposition 1 competitive watershed restoration grants overseen by the Department of Fish and Wildlife (DFW).

According to the Administration, while Tahoe continues to be a priority, the Governor's proposed allocation of the state obligations pot would allow progress to be made on other state obligations where no other (or very limited) resources are available. Further, the Administration maintains that it has a proven track record of finding matching funds and would most likely be able to find matches if Congress indeed passes the Lake Tahoe Restoration Act.

The amount needed to completely fund all of five agreements specified in Proposition 1 far exceeds the amount allocated in the bond. Staff agrees with the LAO that the rationale behind the Governor's choices for allocation of this pot make sense. The approach addresses urgent needs, advance projects the state has identified as priorities, and takes into account other funding sources. Staff also supports LAO's recommendation to require the Administration to submit an annual summary report on Proposition 1 implementation.

California has contributed significant resources to Lake Tahoe, some \$693.4 million, an amount greater than its two-thirds share of the Lake. Given this contribution and that other resources are potentially available to support Compact-related projects over the next decade, including Proposition 1, Cap and Trade revenues, and potential parks

bond, it seems reasonable for the state to invest in other less served areas where the state has obligations.

Staff Recommendation: Approve as Budgeted. Require the Administration to submit an annual summary report to the Legislature on Proposition 1 implementation.

3810 SANTA MONICA MOUNTAINS CONSERVANCY
3825 SAN GABRIEL RIVERS AND MOUNTAINS CONSERVANCY
0540 NATURAL RESOURCES AGENCY

ISSUE 1: PROPOSITION 1 – LOS ANGELES RIVER RESTORATION

The Governor's Budget and Spring Finance Letter proposes \$11 million (Proposition 1) to the Santa Monica Mountains Conservancy (SMMC) and \$12.25 million (Proposition 1) to the Rivers and Mountains Conservancy (RMC) for Los Angeles River restoration. This funding comes out of the \$100 million allocated in Proposition 1 for “urban creeks,” which state law defines as the Los Angeles and the San Gabriel Rivers.

BACKGROUND

Since the 1930's, the Los Angeles River (LA River) has been managed as a concrete-lined flood control channel, constructed by the U.S. Army Corps of Engineers and operated by its local partner, the County of Los Angeles.

The Upper River. Twenty years ago, the County of Los Angeles adopted a Master Plan for restoring the Los Angeles River (River). In 2005-07, the City of Los Angeles developed a “revitalization plan” for the “Upper River,” the part of the LA River lying within its city limits. The U.S. Army Corps of Engineers, which built the flood channels and oversees the County's River management, recently approved “Alternative 20” for restoring the Upper River. The City of Los Angeles now seeks funding from a broad range of sources to pay for Alternative 20 restoration.

The Lower River. The lower half of the River and its tributaries pass through more than 15 smaller cities. Those cities lack the financial resources to develop plans to restore the River. Last year, however, the Governor signed AB 530 (Rendon) creating a Working Group to develop a Lower River “revitalization plan,” as the City of Los Angeles adopted in 2007. Secretary Laird recently announced the appointment of the Working Group. The County Department of Public Works has agreed to convene and staff technical and stakeholder groups to support the Working Group's effort.

Time Extension for Lower River. AB 530 requires the Working Group to complete the plan by March 2017. Stakeholders and the County have requested an extension of time for completion of the Lower River revitalization plan to February 2018.

Stormwater. While River restoration enjoys growing interest, stormwater management remains the central issue for the River. In 2013, the U.S. Supreme Court decided, in LA County v. NRDC, that the County could not be held liable for the fact that stormwater in the River does not meet water quality standards, suggesting that cities whose stormwater drains dump into the River may have responsibility. That same year, the Los Angeles Regional Water Quality Control Board adopted a landmark new stormwater plan/regulation, requiring the County and the cities to develop watershed plans to

reduce stormwater pollution. Enforcement of that plan may start in 2017. Local governments with responsibility for stormwater management have estimated costs in the hundreds of millions, if not billions, of dollars. Addressing stormwater management will be integral to River restoration efforts.

The Conservancies. State law created the SMMC in 1980 and the RMC in 1999. The SMMC takes responsibility for the Upper River, in the City of Los Angeles, while the RMC's jurisdiction includes the Lower River, downstream to the Long Beach Harbor. AB 530 requires the RMC to staff the Lower River Working Group. Both have contributed funding to the work of world-renowned architect Frank Gehry, who is developing plans for river restoration that will contribute to the Working Group effort.

Proposition 1. Proposition 1 included \$100 million for projects to protect and enhance the Los Angeles River. Proposition 1 states that this funding must be spent pursuant to plans adopted by the Santa Monica Mountains Conservancy and the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy. The bond, however, does not specify how funds should be allocated between the two conservancies, leaving this decision to the Legislature. (This funding is in addition to the \$30 million each of the two conservancies will receive from the section of Proposition 1 that provides funding to all of the state's ten conservancies.)

Last Year's Budget. The 2015-16 State Budget included \$25 million from previous bond allocations for acquisition of a former railyard to become park land along the River adjacent to Rio de Los Angeles State Park near Glendale. This project arises out of the Alternative 20 plan for the City of Los Angeles. The Natural Resources Agency website shows the allocation between the two conservancies as \$50 million each. Last year's budget did not appropriate any money out of this fund for the River.

LAO COMMENTS AND RECOMMENDATION
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The LAO analyzed the budget proposal for Los Angeles River Restoration and made these observations and recommendations:

Governor's Overall Funding Plan for Los Angeles River Lacks Some Detail. *The Legislature faces both budget-year and out-year decisions regarding how to approach another section of remaining Proposition 1 funding—\$100 million for Los Angeles River restoration projects. While the Governor's budget includes a proposal for 2016–17, key details regarding how he proposes to allocate funds in future years remain unclear. The Governor's multiyear "rollout plan" would provide roughly \$19 million for Los Angeles River projects in each of the next four years (beginning in 2017–18). However, it does not specify how it would apportion funds between the two conservancies. This lack of clarity over intended funding amounts and timing prohibits the conservancies from developing longer-term approaches for their restoration efforts.*

Develop Multiyear Plan for Funding Los Angeles River Restoration That Reflects Legislative Priorities. We recommend the Legislature develop a multiyear plan for allocating funding for Los Angeles River restoration efforts that specifies how much it plans to appropriate each year to each of the two conservancies involved. This would enable the conservancies to develop longer-term strategies for implementing their restoration activities. As a component of its plan, the Legislature could consider providing more—or less—total funding for restoration projects in 2016–17, and/or also providing some funding in the budget year for the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for projects on the lower portion of the river.

STAFF COMMENTS

Staff agrees with the LAO that the lack of clarity over how the \$100 million for Los Angeles River restoration projects should be split between the two conservancies is problematic. The Subcommittee may wish to consider trailer bill language that specifies an equal allocation between the two conservancies.

Staff Recommendation: Hold Open

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 1: ACCESS TO SAFE DRINKING WATER

According to the SWRCB, 98 percent of Californians served by public water systems receive drinking water that meets federal and state drinking water standards. The remaining 2 percent are served by much smaller public systems that struggle to provide safe and affordable drinking water due to a litany of obstacles, including lack of technical, managerial and financial resources.

The focus of this hearing is to hear from the SWRCB and stakeholders about efforts being made to effectively support and provide resources to the water systems that serve the 2 percent of consumers who do not receive safe drinking water.

On June 15, 2015, the SWRCB adopted its own Safe Drinking Water Plan for California, after assuming responsibility for enforcing safe drinking water standards from the Department of Public Health. The new Plan emphasizes improving drinking water for disadvantaged communities that suffer poor drinking water quality. The Plan touches on safe drinking water in schools, which has been the subject of legislation in recent years. The Subcommittee may wish to engage with the SWRCB and stakeholders on the following issues:

- In the past three budget cycles, the Legislature and Governor have approved approximately \$279.8 million for emergency improvements to drinking water systems, emergency drinking water and improving drinking water infrastructure. However, only five percent of this money has been dispersed so far. Please explain why it is taking so long to get the money out the door and what can be done to expedite this process.
- How are expenditures of these funds being prioritized?
- How are you outreaching to and assisting disadvantaged communities in applying for these funds? Is there adequate technical assistance funding available for this purpose?
- Are the gaps in funding?
- Currently, there is no requirement to test drinking water, for lead or any other contaminants, at school sites. Concerns have been raised about unsafe drinking water at schools. What data is available to validate or invalidate this claim?
- How does state policy differ with regard to providing drinking water assistance to renters vs home-owners, and to privately owned individual wells vs wells that are part of a larger system? Are there service gaps for certain types of residences/residents that might need legislation to address?

- What is the scope of the state's responsibility with regard to ensuring residences with private wells have safe and clean drinking water?
- What role does the federal government play in ensuring safe drinking water? How much federal funding does the state receive annually for this purpose?

BACKGROUND

Based on 2015 violations, the SWRCB reports that approximately 765,000 Californians were served water that did not meet a primary drinking water standard by 207 public water systems in 38 counties. It should be noted that this universe of violations does not reflect the drinking water quality of residents served by private domestic wells or small water systems with fewer than 15 service connections, as they are not regulated by the SWRCB.

Of this total, there are approximately 45,000 people in disadvantaged and severely disadvantaged communities being served by 139 small public water systems that are in violation of one or more primary maximum contaminant levels (MCL). These contaminants include the following:

- Arsenic – 85 public water systems
- Hexavalent Chromium – 30 public water systems
- Disinfection By-Products – 27 public water systems
- Nitrate – 26 public water systems
- Combined Uranium – 15 public water systems
- Surface Water Treatment – 7 public water systems
- Nitrate-Nitrite – 7 public water systems
- Fluoride – 5 public water systems
- Gross Alpha Particle Activity – 1 public water system
- 1,2-DIBROMO-3-CHLOROPROPANE – 1 public water system
- Cadmium – 1 public water system

AB 685 (Eng), Chapter 524, Statutes of 2012, established the human right to safe, clean, affordable, and accessible water for human consumption, cooking, and sanitary purposes. On February 16, 2016, the SWRCB passed a Resolution proclaiming that the Human right to water is a core value and one of the SWRCB's top priorities. The SWRCB states that it plans to develop performance measures to show progress towards implementation of AB 685.

FUNDING. Proposition 1, the voter-approved Water Quality, Supply, and Infrastructure Improvement Act of 2014, allocates \$241.8 million in local assistance for drinking water grants and loans for public water system infrastructure improvements and related actions to meet safe drinking water standards, ensure affordable drinking water, or both. The SWRCB adopted guidelines in August 2015 enabling these funds to be administered consistent with the Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (DWSRF IUP) and the DWSRF Policy. Administering these new

bond funds as a part of the DWSRF Program allows grant funds to be leveraged with low-interest financing available through the DWSRF Program. DWSRF applications are accepted on a continuous basis, and eligible projects are funded as applications are completed and approved.

In March 2015, the Legislature and the Governor approved a \$1 billion emergency drought relief package in AB 91 (Committee on Budget), Chapter 1, Statutes of 2015. As a result of this action and the appropriation authorized in SB 103 (Committee on Budget and Fiscal Review), Chapter 2, Statutes of 2014, the SWRCB approved a total of \$23 million in funding to meet interim emergency drinking water needs for those communities with a contaminated water supply or those suffer drought related water outages or threatened emergencies. Projects have included new wells, emergency interties, consolidations, tanks, hauled water, and bottled water. In an effort to reach individuals and small systems not served through other funding programs, the SWRCB approved \$5 million of the funds to augment programs administered by non-profits to assist disadvantaged individuals and small water systems.

SB 103 also appropriated \$15 million to the Department of Public Health for public water systems to address drought-related drinking water emergencies or threatened emergencies. This funding, which is available until June 30, 2016, was transferred to the Water Board with the transfer of the Drinking Water Program from the Department of Public Health to the SWRCB, as authorized by SB 861 (Committee on Budget and Fiscal Review), Chapter 35, Statutes of 2014.

**State Drought Appropriations to the SWRCB for Drinking Water
Budget Acts 2013-14, 2014-15, & 2015-16
(Dollars in Millions)**

Funding	Activity	Local Asst.	Apps Received	# Projects Funded	Dollars Awarded	Dollars Disbursed
Prop 1	Improve drinking water infrastructure	\$241,800,000	42	8	\$11,979,613	\$16,909
General Fund	Make emergency improvements to drinking water systems	\$15,000,000	85	81	\$15,000,000	\$11,745,130
Clean up & Abatement Account	Provide emergency drinking water	\$23,000,000	70	50	\$9,269,810	\$1,762,449
Total		\$279,800,000	197	139	\$36,249,423	\$13,524,488

The SWRCB is coordinating with the Regional Water Quality Control Boards, the SWRCB's Division of Drinking Water (DDW) district offices, the Office of Emergency Services, the Department of Water Resources, and other stakeholders, including environmental justice and community assistance groups, to identify those communities that are most at risk and require financial assistance.

2016-17 Governor's Budget Request. The Subcommittee approved the Governor's Budget requests to continue drought efforts and to provide interim emergency drinking water for drought related activities at its March 16, 2016 hearing. The Division of Financial Assistance portion of this request for State Water Quality Control Fund, Clean up and Abatement Account (CAA) funds is: \$15 million for local assistance (i.e. grants) and \$1.0 million for state operations/program delivery support.

Technical Assistance for Small Disadvantaged Communities. Proposition 1 also requires the SWRCB to operate a multidisciplinary Technical Assistance (TA) program for small disadvantaged communities.

The Office of Sustainable Water Solutions (Office) was established on March 27, 2015, per AB 92 (Committee on Budget), Chapter 2, Statutes of 2015. The Office is part of the SWRCB's Division of Financial Assistance (Division) and was created to promote permanent and sustainable solutions to help ensure effective and efficient provision of safe, affordable, and reliable drinking water and wastewater treatment services. The Office is focused on addressing both financial assistance and TA needs, with a focus on Small Disadvantaged Communities (DACs). The Office provides direct assistance to potential funding applicants, as well as contracting and coordination with external TA providers.

Using primarily set-aside and administrative funds associated with the Drinking Water State Revolving Fund (DWSRF) and the Clean Water State Revolving Fund (CWSRF), the Office currently contracts with several non-profit TA providers to address a variety of needs, including assistance with funding applications, budgets, financial management, and rate setting, as well as compliance audits and troubleshooting to improve operations. This Proposition 1 TA Funding Program is intended to expand upon these services and help address additional needs of Small DACs.

The SWRCB's Prop 1 TA Funding Plan, adopted on November 4, 2015, outlines the general process to administer Prop 1 TA funds. The Office is using a multidisciplinary approach, intended to address Small DACs drinking water, wastewater, groundwater quality, and stormwater needs under one program. The most immediate priority of the program will be formulating solutions to address the critical needs of Small DACs that do not have safe, reliable, and affordable drinking water.

Staff Recommendation: Information Item

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 1: PROPOSITION 1 – WATER RECYCLING

The Governor's Spring Finance Letter requests \$322 million in Proposition 1 (the 2014 Water Bond) budget authority. This request includes \$320.3 million in Local Assistance to fund Water Recycling projects and \$1.6 million Proposition 1 in State Operations for 12 permanent positions to administer the programs authorized under Proposition 1. These include ecosystems and watershed protection and restoration projects, water supply infrastructure projects, including surface and groundwater storage, and drinking water protection efforts. Additionally, the proposal requests the new appropriation be available for encumbrance until June 30, 2019, and liquidation until June 30, 2021.

BACKGROUND

Proposition 1 included \$625 million to support water recycling projects. The 2015-16 Budget appropriated \$261 million of this funding. The SWRCB finalized its Proposition 1 funding guidelines in June 2015. Due to successful outreach efforts and high demand for this funding, the SWRCB has almost depleted this appropriation. The Governor's Spring Finance Letter proposes to appropriate the remainder of the Proposition 1 funding for local recycled water projects to meet this demand.

The proposal also contains a request for 12 positions to address the new anticipated workload for the Safe Drinking Water, Stormwater, and Groundwater Contamination sections of Proposition 1. A detailed workload analysis was provided to staff in support of this proposal.

STAFF COMMENTS

Water recycling projects offset demand for state fresh water supplies. Recycled water is a locally controlled, sustainable source of water. As such, recycled water has become a significant component of many community water supply plans. Appropriating these funds and staff allocations will help address the backlog of applications for funding and avoid any funding delays for these important projects.

Staff Recommendation: Approve Spring Finance Letter
