

Assembly Bill No. 2480

Passed the Assembly August 29, 2016

Chief Clerk of the Assembly

Passed the Senate August 23, 2016

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2016, at _____ o'clock ____M.

Private Secretary of the Governor

AB 2480

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CHAPTER _____

An act to add Section 108.5 to the Water Code, relating to water.

LEGISLATIVE COUNSEL'S DIGEST

AB 2480, Bloom. Source watersheds: financing.

Existing law establishes various state water policies, including the policy that the Legislature consider other works as may be necessary to develop water to satisfy the requirements of the watershed in which water originates whenever the Legislature authorizes the construction or acquisition of a project that will develop water for use outside that watershed, as specified.

This bill would declare it to be state policy that source watersheds are recognized and defined as integral components of California's water infrastructure. The bill would state the particular importance to maintaining the reliability, quantity, timing, and quality of California's environmental, drinking, and agricultural water supply as climate change advances of source watersheds that supply the majority of the state's drinking and irrigated agricultural water. The bill would state that the maintenance and repair of source watersheds is eligible for the same forms of financing as other water collection and treatment infrastructure and would specify that the maintenance and repair activities that are eligible are limited to specified forest ecosystem restoration and conservation activities.

The people of the State of California do enact as follows:

SECTION 1. Section 108.5 is added to the Water Code, to read:

108.5. (a) It is hereby declared to be the established policy of the state that source watersheds are recognized and defined as integral components of California's water infrastructure.

(b) (1) As climate change advances, source watersheds that provide the majority of the state's drinking and irrigated agricultural water are of particular importance to maintaining the reliability, quantity, timing, and quality of California's environmental, drinking, and agricultural water supply.

(2) Recognizing the critical role of source watersheds in enhancing water supply reliability, the maintenance and repair of source watersheds is eligible for the same forms of financing as other water collection and treatment infrastructure.

(3) Nothing in this section is intended to constrain financing for source watersheds supplying local, state, or federal water systems.

(4) Nothing in this section is intended to supersede federal eligibility requirements or alter any of the following:

(A) Funding criteria or guidelines established for a bond or other measure enacted by the voters.

(B) Funding programs related to pollution control, cleanup, or abatement.

(C) Funding programs for addressing public health emergencies.

(c) Eligible maintenance and repair activities pursuant to this section are limited to the following forest ecosystem restoration and conservation activities:

(1) Upland vegetation management to restore the watershed's productivity and resiliency.

(2) Wet and dry meadow restoration.

(3) Road removal and repair.

(4) Stream channel restoration.

(5) Conservation of private forests to preserve watershed integrity through permanent prevention of land use conversion and improved land management, achieved through, and secured with, conservation easements.

(6) Other projects with a demonstrated likelihood of increasing conditions for water and snow attraction, retention, and release under changing climate conditions.

Approved _____, 2016

Governor

CONCURRENCE IN SENATE AMENDMENTS

AB 2480 (Bloom)

As Amended August 15, 2016

Majority vote

ASSEMBLY: 50-25 (June 2, 2016)

SENATE: 23-13 (August 23, 2016)

Original Committee Reference: **W., P., & W.**

SUMMARY: Declares it to be state policy that source watersheds are recognized and defined as integral components of California's water infrastructure, and that maintenance and repair of source watersheds is eligible for the same forms of financing as other water collection and treatment infrastructure, as specified.

The Senate amendments:

- 1) Declare that as climate change advances source watersheds that provide the majority of the state's drinking and irrigated agricultural water are of particular importance to maintaining the reliability, quantity, timing, and quality of California's environmental, drinking, and agricultural water supply.
- 2) Provide that, recognizing the critical role of source watersheds in enhancing water supply reliability, the maintenance and repair of source watersheds is eligible for the same forms of financing as other water collection and treatment infrastructure.
- 3) Provide that nothing in this bill is intended to constrain financing for source watersheds, to supersede federal eligibility requirements, to alter funding criteria or guidelines established for a bond or other measure enacted by the voters, or to alter funding programs related to pollution control or public health emergencies.
- 4) Change a reference to ecosystem management activities to instead refer to ecosystem restoration and conservation activities as eligible maintenance and repair activities. Clarify one of those eligible maintenance and repair activities includes conservation of private forests to preserve watershed integrity through prevention of land use conversion and improved land management secured with conservation easements.

EXISTING LAW:

- 1) Authorizes the Department of Water Resources (DWR) to operate and maintain the State Water Project (SWP) that supplies water for urban and some agricultural uses in the state. Funds from the sale of general obligation and revenue bonds have provided about 78% of the financing for construction of the SWP, repayment of which is made by SWP beneficiaries. SWP contractors repay water supply related costs of the SWP that include about 94% of the annual costs for operation and maintenance of the SWP facilities.
- 2) Authorizes the issuance of bonds and loans to finance expenditures of the SWP, and authorizes the DWR to enter into contracts and establish prices, rates, and charges to produce the revenues needed to pay for the costs of operation and maintenance of the SWP.

- 3) Authorizes the Central Valley Project (CVP), a federal water project operated by the United States Bureau of Reclamation that provides water primarily for agricultural purposes but also supplies water for some urban uses in the state.
- 4) Authorizes the DWR to use revenue bonds or other funds available for the purposes of the SWP to finance, in whole or in part, water conservation programs and facilities that reduce demands by the sponsoring contractor for project water from the system and increase the supply of project water available in the Delta for distribution.
- 5) Includes a state policy that the Legislature consider other works as may be necessary to develop water to satisfy the requirements of the watershed in which water originates whenever the Legislature authorizes the construction or acquisition of a project that will develop water for use outside that watershed.

FISCAL EFFECT: According to the Senate Appropriations Committee analysis, this bill as amended will help watershed maintenance or repair projects access the same forms of financing available to other water infrastructure projects (special fund). To the extent that these projects compete with water infrastructure projects for funding, these projects will result in cost pressures in the millions.

COMMENTS: This bill establishes a state policy that source watersheds are recognized as essential components of the state's water infrastructure, and that their maintenance and repair is eligible for the same forms of financing as other water collection and treatment infrastructure. The Assembly version of this bill provided that, to the extent feasible, the maintenance and repair of source watersheds and associated projects shall receive financing consideration on the same basis with other water collection and treatment infrastructure. The Senate amendments modify and clarify this declaration to instead provide that source watersheds shall be eligible for the same forms of financing as other water collection and treatment infrastructure. The Senate amendments also add additional findings regarding the importance of source watersheds, and add other clarifying provisions.

The author of this bill emphasizes that California's complex water system, which includes the built infrastructure of dams, reservoirs, canals, pumps and pipes that deliver water throughout the state, rely on a suite of financing options that provide the funding for necessary infrastructure costs. However, these projects rely on more than the built infrastructure to function. They also rely on the five watersheds above the dams to collect, treat and deliver that water to the dams. While there is recognition that watersheds serve these functions, there is no policy or system of support for this natural infrastructure which is integral to, and supplies and complements, the built infrastructure. The author asserts these watersheds are essential to ensuring the future of a well-functioning water system. There is also scientific recognition that watershed condition affects the quality and quantity of water delivered by watersheds to dams. Enhancing the conditions of the watersheds would increase water quality by reducing sediment and lowering temperatures, and can also increase water quantity by as much as 5% to 20% depending on conditions. The goal of this bill is to recognize the fundamental role of source watersheds, and set the foundation for a comprehensive plan of restoration and conservation, with the potential of future financing such as revenue bonds and other financing mechanisms, similar to those available for the built infrastructure.