

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0049
(916) 319-2049
FAX (916) 319-2149

DISTRICT OFFICE
1255 CORPORATE CENTER DR., SUITE 306
MONTEREY PARK, CA 91754
(323) 264-4949
FAX (323) 264-4916

E-MAIL
Assemblymember.Chau@assembly.ca.gov

Assembly California Legislature



ED CHAU
ASSEMBLYMEMBER, FORTY-NINTH DISTRICT

COMMITTEES
CHAIR: HOUSING AND COMMUNITY
DEVELOPMENT
BANKING AND FINANCE
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CHAIR: PRIVACY

August 21, 2013

Honorable Anthony Rendon
Chair, Assembly Water Bond Working Group
Legislative Office Building
1020 N Street, Room 160
Sacramento, CA 95814

Re: Comments Regarding the Development of the Water Bond

Dear Assemblymember Rendon:

I appreciate you engaging in an effort to construct an alternative water bond and write to emphasize several areas for consideration as you develop the framework for the water bond. The principles for developing a water bond released in July place an emphasis on a number of areas that are important to not only to the San Gabriel Valley and my district but to Southern California and other areas of the state.

Principles Hit the Mark

The principles include, among others, increasing regional self-reliance and diversification for water supply, and reducing reliance on water imported from other watersheds, using Integrated Regional Water Management as the instrument for achieving regional self-reliance. They also focus on expanding California water storage options, including surface storage, groundwater cleanup, and stormwater capture. Finally, they establish the importance of leveraging State bond funding with federal, regional and local funding sources.

Principles Underscore the Importance of Cleaning up Groundwater

All of these principles are important to my constituents. The surface area of the Main San Gabriel Groundwater Basin, underneath my district, is about the size of Lake Tahoe and provides approximately 90% of the water supply needs of San Gabriel Valley residents and businesses. It is the primary source of drinking water for 1.4 million people. However, the Main San Gabriel Basin is heavily contaminated and is the largest Superfund site in the country, listed on both the State and Federal Superfund lists. Estimated project costs are about \$1.3 billion and growing to ensure cleanup of the basin. Cleaning up the contaminated groundwater in the Main San Gabriel Groundwater Basin is critical to ensuring a sustainable local water supply in my region.

Adequate Funding of Groundwater Cleanup is Essential

Chapter 10 of the water bond currently slated to be on the General Election ballot in November, 2014 includes \$1 billion for groundwater cleanup. It is important that funding at this level be considered so areas around the state that rely on groundwater as a primary source of drinking water can have adequate funds to ensure safe, clean drinking water for their residents.

Competitive Funding for Superfund Sites Important to Leverage Federal Dollars

I also support the \$100 million that was included in the existing bond for communities already facing the added threat of Superfund status and which have already merited congressional action to establish a federal funding source. Funding should specifically be set aside so that Superfund sites in all areas of the state may competitively bid to obtain assistance in cleaning up their sites. This will help expand groundwater storage throughout the state and ensure regions can be more self-reliant for their water needs.

Recycling Funding Key to Regional Self-Reliance

Also of importance to my district is the \$1 billion in funding in Chapter 11 of the bond for recycling projects that enhance local water management efforts. From that money, \$50 million is for communities seeking to restore water supplies lost to widespread contamination and which are designated Superfund sites with pledged federal cost-share dollars. These changes are vital to allowing regions of the state to find new ways to reduce reliance on the Delta or other imported water.

Prop. 84 Fix Needed for Cost-Effective Local/State Partnership

I would like to request that the working group consider adding flexibility into cost recovery sections of the water bond so that local regions have the ability to retain funds recovered from responsible parties. Proposition 84 established cost recovery provisions through Section 75025 of the Public Resources Code. Virtually identical language to that found in Prop. 84 was included in the 2014 water bond and I understand it is being considered for inclusion in the revised water bond the working group is going to draft.

This cost recovery language has been problematic for Prop 84 grantees for a number of reasons. It creates a disincentive for grantees to pursue cost recovery because they need to expend large sums of money to go after polluters, then when they successfully recover funds from the responsible parties they do not see the benefits of recovered funds because those funds would go back to the State and could be used in other areas. Additionally, it makes it more difficult for a settlement to be agreed to with a polluter because the settlement funds to clean up the pollution would go back to the State and not the cleanup site. Finally, the Department of Public Health has not set up a mechanism to govern the repayment of costs for Prop 84 funds. These problems have largely been responsible for zero dollars being recovered from responsible parties under Prop. 84.

Instead we should offer flexibility in cost recovery to allow local grantees to keep funds recovered from responsible parties to fund additional groundwater cleanup within their

jurisdiction. Grantees would have an incentive to pursue responsible parties because they would be able to leverage the funds from polluters to cleanup more groundwater in their regions. Polluters would have more of an incentive to settle because they would know that any funds they agree to pay in a settlement would go towards cleaning up the pollution they created instead of being sent back to the state. In other cases locals who recover these funds and could keep them may be able to leverage and draw down additional federal funds to cleanup groundwater. If the revised water bond includes these same cost recovery provisions without flexibility we will likely see the same results as has occurred from Prop. 84. Instead we should ensure flexibility in cost recovery, not only for this water bond, but take the opportunity to amend Prop. 84 to allow local flexibility to enhance the groundwater cleanup funding established in that bond. This will allow the state and regions to leverage additional federal and local funding sources to enhance groundwater storage and regional self-reliability.

DTSC Has Groundwater Remediation Responsibility and Expertise

Finally, consideration should be given to changing the groundwater chapter(s) to be operated by the Department of Toxic Substances Control (DTSC) instead of the Department of Public Health (DPH). DPH has indicated in the past that it does not want to administer grants for groundwater. DTSC has experience with groundwater issues and would be a more appropriate agency to operate the groundwater segments of the bond. It operates the Site Remediation Account which helps fund orphan groundwater site cleanup around the state. This will ensure that an agency with the proper experience can efficiently implement the bond and ensure we are making the soundest financial decisions to cleaning up groundwater while ensuring water reliability around the state.

For these reasons, I respectfully request inclusion in the water bond the many issues I outlined in this letter. If you have any questions or need additional background information, please feel free to contact me or my staff, Garret Bazarro, at (916) 319-2049.

Sincerely,



ED CHAU

Assemblymember, 49th District

cc: Honorable Members of the Water Bond Working Group

EC: gb