



Association of California Water Agencies

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August 21, 2013

ACWA's Comments regarding the Assembly Water Bond Working Group's Draft Water Bond Framework (August 14, 2013 Public Review Draft)

The Association of California Water Agencies (ACWA) appreciates the opportunity to comment on the Assembly Water Bond Working Group's (Working Group) August 14, 2013, Public Review Draft of its *2013 Water Bond Framework* (Draft Framework). Following are ACWA's comments.

1. Total Funding Amount – The total funding amount should be higher than \$5 billion.

ACWA is recommending an \$8.2 billion water bond. (This is a significant reduction from the current \$11.14 billion bond.)

2. Funding Amounts (VIII. and IX.) – Sacramento-San Joaquin Delta (Delta) sustainability and storage should have larger amounts (\$2.25 billion for Delta sustainability and \$3 billion for storage) due to their broad public benefits.

The Draft Framework proposes \$1 billion for each the following five categories:

- A) Water Quality: Clean and Safe Drinking Water
- B) Protecting Rivers, Lakes, Streams and Watersheds
- C) Climate Change Preparedness & Regional Self-Reliance for Water
- D) Sacramento-San Joaquin Delta Sustainability
- E) Storage for Climate Change

Viewing the proposed \$1 billion amounts as a starting point for discussion, ACWA notes that the needs in these categories are large, so it is critical that the Working Group prioritize the categories and refine the funding amounts.

As noted in our comments regarding the Working Group's *Draft Principles for Developing a Water Bond*, ACWA conducted an extensive internal process from November of 2012 through May of 2013 to develop principles and a proposal for a modified water bond. ACWA's Board-level Finance Task Force incorporated input from public water agencies from ACWA's ten regions (which cover all of California). One of the conclusions that ACWA reached was that with a General Obligation Bond, it is appropriate to prioritize funding for categories that have broad **public benefits** (i.e., benefits that accrue to the public as opposed to a particular entity).

What was ground breaking in 2009 was that the Legislature recognized that public investment was needed if the State was going to meet the **coequal goals** of improving water supply reliability statewide and enhancing the Delta ecosystem. The two funding categories that are critical to meeting those goals and that have broad public benefits associated with them are Delta sustainability and storage. The current version of the bond includes \$2.25 billion for Delta sustainability and \$3 billion for storage (both surface and groundwater storage). ACWA suggests that the new version of the bond retain those funding amounts for these categories.

The need for the new storage facilities is well-documented, including in the CalFED Bay-Delta Program's Programmatic Record of Decision. New, modern surface storage facilities will not only help make the water supply more reliable, they will help provide needed flows and water temperature adjustments for fish. These are public benefits that will help the State meet the coequal goals. Surface storage projects also give the Federal government and the state better flexibility in how the water supply is managed in California. This is essential in dry periods. Finally, the costs for these projects with broad public benefits are high – billions of dollars for one project, with the cost of the public benefits being a significant part of the cost. The benefits and costs for these projects justify the \$3 billion in the current version of the bond.

3. Water Quality: Clean and Safe Drinking Water (V.) – ACWA supports having bond funding for disadvantaged communities without safe drinking water and having part of the water quality funds available more broadly.

The Draft Framework (at V.B.1.) indicates that the water quality funding would benefit disadvantaged communities. ACWA supports the inclusion of specific funding in the 2014 Water Bond for disadvantaged communities. ACWA's proposal recommends \$300 million for that purpose. The ACWA proposal also recommends \$300 million for groundwater quality projects. The Draft Framework is unclear as to whether some of the water quality funding in the bond would be broadly available (i.e., not limited to disadvantaged communities). ACWA recommends that at least part of the water quality funding in the bond be broadly available on a competitive basis. Treatment costs are very high, and as standards have become more stringent, more and more water agencies are facing the challenge of paying for the costs to comply with the standards.

4. Water Quality: Clean and Safe Drinking Water (V.B.1.b.) – ACWA agrees that the ability to continue operating a treatment facility should be a requirement for funding for drinking water treatment and wastewater treatment projects.

This proposed requirement will help avoid situations where there is initial funding for a project, but the project proponent does not have the technical, managerial and/or financial capacity to operate the project on a long-term basis.

5. Protecting Rivers, Lakes Streams and Watersheds (VI.) – ACWA supports inclusion of funding for this category.

The Draft Framework would allocate \$1 billion for this category. ACWA is suggesting \$800 million for this category. (See ACWA's *Proposal for a Modified 2014 Water Bond*.)

6. Climate Change Preparedness & Regional Self-Reliance for Water (VII.) – ACWA supports the proposed funding for Integrated Regional Water Management Programs (IRWMPs).

The Draft Framework would include \$1 billion for IRWMPs. This is very close to the \$1.1 billion for this category in ACWA's *Proposal for a Modified 2014 Water Bond*, and ACWA supports this proposal for needed funding for local resource development.

7. Climate Change Preparedness & Regional Self-Reliance for Water (VII. B.3.) – ACWA recommends not including specific program allocations for the IRWMP funding.

The Draft Framework proposes that there would be specific program allocations (e.g., for water recycling). The IRWMPs allow regions to prioritize projects based on the needs in their region. This makes sense because the water management needs vary from region to region. We suggest retaining that discretion at the regional level and not including specific program allocations in this chapter. Please also see the comment below that recommends a separate pot of funds for recycling.

8. Recycling – There should be a separate pot of funding for recycling projects.

The current framework includes water recycling under the IRWMPs. ACWA recommends that there be a separate funding category for recycling as there is in the current version of the 2014 Water Bond. The IRWMP priorities will vary from region to region. This is appropriate, because water management needs vary from region to region. However, recycling is a tool that makes sense statewide – regardless of what the regional priority is.

The State Water Resources Control Board's Recycled Water Policy includes a goal of having an additional 2.5 million acre feet of recycled water per year by 2013. This will cost well over \$10 billion. ACWA suggests a \$450 million funding level for recycling in this bond. We also suggest that the Working Group use Water Code Section 79780 from the current version of the 2014 Water Bond as the language that describes the types of eligible recycling projects.

9. Storage/Continuous Appropriation (IX.C.2.) – Continuous appropriation for the storage funding in the 2014 Water Bond is critical.

As noted above, new surface and groundwater storage is needed if the State is to meet the coequal goals of providing a more reliable water supply and enhancing the Delta ecosystem. New surface and groundwater storage is needed to ensure that water is collected during wet times for use during dry times. The current version of the 2014 Water Bond appropriately **restricts** the bond funding for storage to funding for the **public benefits** of storage (e.g., water for ecosystem enhancements such as needed flows and temperatures for fish).

With drought and the impacts of climate change, time is of the essence. Continuous appropriation will provide greater certainty that new storage projects will move forward in a more expeditious manner. The storage chapter should mirror Chapter 8 in the current version of the bond. That chapter includes numerous safeguards, including a project selection process at the California Water Commission with extensive requirements. For example, Water Code Section 79742 would provide that “A project shall not be funded pursuant to this chapter unless it provides measurable improvements to the Delta ecosystem or to the tributaries of the Delta.”

10. General Provisions – Water Rights Assurances (IV.B.1.) – ACWA supports the inclusion in the Water Bond of the water rights/area of origin protections that are in the current version of the 2014 Water Bond.

ACWA appreciates that the Working Group has recognized the importance of these assurances.

11. Existing Bond Funds (IV.C.) – Existing, unappropriated water bond funds should not be “terminated.”

These funds should be evaluated on a case-by-case basis to determine whether or not they should be redirected. ACWA is glad to serve as a resource in the review of information from the State agencies regarding this topic.

12. Shovel-Ready Projects (IV.H.) - Projects should not be limited to shovel-ready projects.

There are some good projects that are not “shovel-ready.” For example, some projects in disadvantaged communities may not be shovel-ready. This issue needs discussion as to how to be both efficient and effective with the funding.

ACWA appreciates the opportunity to provide these comments. We are available to serve as a resource as questions arise. For questions or needed information, please contact ACWA Deputy Executive Director for Government Relations Cindy Tuck at (916) 441-4545 or cindy@acwa.com.