

**ASSEMBLY COMMITTEE ON  
WATER, PARKS AND WILDLIFE  
LOIS WOLK  
CHAIR**

**Report to the Conference Committee on  
the Governor's Infrastructure Bond Proposal  
for Flood Protection, Water & Natural Resources**

The Assembly Water, Parks & Wildlife Committee held three informational hearings on the Governor's flood, water and park bond proposals. The attached background papers include a comprehensive analysis of the issues identified by committee staff, including a summary of the Administration's responses to questions posed by the committee, and a summary of testimony from witnesses and other written comments received by the committee. The executive summary provides an overview of key issues and committee recommendations for the conference committee's consideration.

The Governor's proposal for financing of California's flood protection and water supply needs, as introduced in AB 1839, would authorize \$3 billion in bonds for these purposes in 2006, and \$6 billion in 2010. The executive summary includes a chart showing the key funding provisions of the Act as proposed by the Governor and the committee's recommended changes. The bill also would enact the California Water Resources Investment Act of 2006 to finance a water resources investment program through the assessment of an annual water resources capacity fee on retail water suppliers, based on the number and type of water connections. In addition to funding, the bill proposes significant policy changes in the way the state addresses flood and water management.

The Governor also has proposed \$215 million in bonds for repairs and improvements to existing State Park capital assets which is contained in the courts bond, AB 1831(Jones). With the exception of these funds, the Governor's proposal includes no funding for parks or for other natural resource protection in areas other than water. No funding is proposed for wildlife programs administered through the Department of Fish and Game or the Wildlife Conservation Board. In addition, the Governor's proposal includes no new funding for the state's conservancies or for other coastal protection programs.

This report includes three parts: executive summary of recommendations, issue background and public comments, appendix of proposed bond language amendments. The recommendations both respond to the Governor's proposal and address critical flood protection, water management and natural resource infrastructure needs that the Governor's proposal does not address. The recommendations focus only on development of a 2006 bond proposal, and are presented in the order that the issue arises in the Governor's proposal. The numbering of the recommendations does not reflect any priority.

# ASSEMBLY COMMITTEE ON WATER, PARKS AND WILDLIFE

LOIS WOLK  
CHAIR

## Executive Summary of Committee Recommendations<sup>1</sup>

February 27, 2006

### General Issues

#### 1) Legislative Oversight

The Governor's flood and water bond proposals give the executive branch broad discretion to set priorities and spend money without any legislative oversight. Their tools for broad discretion include: continuous appropriation of more than \$5 billion, exempting requirements for capital-only spending, allowing DWR to set "statewide priorities" without any legislative involvement, broad categories for fundable projects (with only "preferences" but not priorities), and concentration of all decision authority at DWR. These tools give DWR broad discretion to allocate bond funding among competing water resource priorities.

**Recommendation:** The bond needs to reflect a better balance of executive and legislative discretion, which can be provided through subsequent policy bills or appropriation. Therefore, the bill should be amended to: 1) limit continuous appropriations to flood control subvention program; 2) narrow the Administration's discretion; 3) provide for the Legislature to set "statewide water management priorities" in separate policy bill.

#### 2) Administrative Accountability

The Governor's proposal allocates all funding for water-related activities, including ecosystem restoration, to the Department of Water Resources (DWR), regardless whether DWR enjoys the necessary expertise and experience. The proposal includes only a requirement that DWR "consult" with certain other agencies with such expertise and experience. The director of DWR therefore has complete accountability for use of all these funds, but may lack the necessary Departmental resources to carry out all these programs, which undermines the reliability of such specified accountability. Ensuring that the Legislature can enforce accountability for such comprehensive programs would require accountability of a more senior Administration official, such as the Secretary of Resources.

**Recommendation:** Allocate water and resources bond funding to the Resources Secretary, allowing for delegation to DWR or any other department the Secretary deems appropriate. Also, impose a duty on the Secretary to resolve conflicts among agencies as to appropriate bond expenditures – or independently decide how best to expend bond funding.

---

<sup>1</sup> Not all the recommendations enjoy unanimous support from all committee members.

## Fiscal Issues

### 3) Bond Funds for Non-Capital Assets

Existing law requires that bond funds be used only for capital purposes (Gov't Code § 16727). The Governor's bond proposal exempts \$6.5 billion of the water management funding from this requirement. LAO noted the lack of justification for the proposal's broad exemption, and observed that the exemption "opens the door to expensive debt financing of non-capital expenditures if controls are not put in place to limit this practice." The Administration subsequently indicated that it would accept eliminating this exemption.

**Recommendation:** Delete the exemption, so the bond funds may be used only for capital projects.

### 4) Limits on Administrative Costs

In analyzing the Governor's bond proposal, the LAO observed: "Unlike a number of previous resources bond measures, the two bond acts in the bill do not provide any parameters or caps on bond-funded administrative costs to administer the grant programs funded by the bonds." The Administration subsequently suggested a possible 5% cap on administrative costs.

**Recommendation:** Impose a 3% cap on administrative costs.

### 5) Creation/Use of Sub-accounts

Recent water bonds have created numerous funds, accounts and sub-accounts in the State Treasury, to allow better tracking of the status of bond funding expenditures. While it may allow for more precision in tracking spending on particular types of projects, such sub-accounts have increased costs for administration of bond funds. The Governor's bond proposal creates one fund, two accounts and eight sub-accounts, with little demonstration of the need for so many.

**Recommendation:** Eliminate sub-accounts, but authorize and/or direct expenditure on such categories within the accounts.

## Flood Protection

### 6) Inadequate Funding for Levee Repairs

After the *Paterno* decision and Hurricane Katrina, repairing Central Valley levees has emerged as the most urgent need for State intervention in flood management. In November 2005, DWR estimated the cost of repairing Central Valley levees to original design at no less than \$600 million, but possibly in the range of \$1-1.5 billion. The DWR presentation identified 185 sites on levees in the Sacramento River watershed where serious erosion has occurred, with 31 sites identified as "critical." The Governor's proposal specifically allocates only \$250 million for repair over the next 10 years. The Administration responded that its estimates assume a 65% federal contribution, despite the fact that this federal program now approaches the end of its authorized life. This assumption would require that the federal government triple its average annual contribution to California's flood needs from \$100 million to approximately \$300 million.

**Recommendation:** Increase funding for Central Valley levee repair to \$600 million in 2006, but with spending priorities that include addressing the 31 most critical sites of serious levee erosion and deteriorating conditions that threaten urban areas. It must be clear that this funding goes only to repairs back to the original levee construction design, not improvement to achieve 100-year protection. Also, provide for federal and state cost-sharing, but allow DWR to fix the most urgent problems without cost-sharing. *[See proposed language in appendix.]*

## 7) State Plan of Flood Control

AB 1839 proposes adoption of a "State Plan of Flood Control" to include existing "state and federal flood control works, lands, programs, plans, conditions and mode of maintenance of operations" in the Sacramento and San Joaquin watersheds. In essence, the "Plan" focuses only on structural flood control devices. As the State approaches this crossroads in Central Valley flood management and funding, it is time to adopt a more comprehensive "State Plan of Flood Control" with policies that prepare the State for the future of protecting Californians from floods.

**Recommendation:** Redefine "State Plan of Flood Control" in AB 1839 to include both physical facilities and all policies adopted by the Legislature, and establish the State Plan of Flood Control in a separate policy bill. The policies would include, but not be limited to: top priority for protecting human life; objective of 200-year protection for urban areas; floodplain land-use with sufficient flood protection, federal-state-local collaboration on Central Valley flood protection; identification of "levee protection zones" under State law; broad-based flood insurance; and flood emergency preparedness. *[See proposed language in appendix.]*

## 8) Federal, State and Local Responsibilities for Levee Repair Costs

In addition to assuming a substantial federal contribution to flood protection efforts, AB 1839 fails to establish clear lines of responsibility among federal, state and local agencies for repair costs. Historically, local levee agencies had responsibility for levee maintenance and repair, although the *Paterno* decision held the State liable for not repairing an identified levee weakness. AB 1839 appears to shift primary responsibility for funding levee repairs to the State, with an implicit – and unsubstantiated – assumption of substantial federal contributions. The bill requires, for levee repairs, only a 30% local cost-share for urban areas and 15% for rural areas, but still prohibits State funding of repairs caused by poor levee maintenance or erosion of the channel bank or levee surface. In effect, maintenance may remain a local responsibility, but if the levee deteriorates enough, the State will assume responsibility for at least 70% of the repair cost.

**Recommendation:** Amend the bill to require DWR to seek local cost-sharing in addition to the proportions now in the bill, but allow DWR to proceed with urgent levee repairs without cost-share, subject to certain conditions. *[See proposed language in appendix.]*

## 9) Flood Protection Improvements

AB 1839 proposes \$200 million for Central Valley "flood control system improvements" in 2006 and another \$200 million in 2010, specifying \$115 million of 2006 funding for particular flood control projects in the Sacramento River watershed. These funds either "shall be expended for improving facilities to the State Plan of Flood Control to provide high levels of protection for urban areas," or "may be used to advance cost shared funds to the federal government." Several ambiguities about this funding arise. First, the sufficiency of this funding for necessary improvements remains uncertain. Second, it is unclear whether this funding may be contributed to local flood projects, where cities and counties have shown leadership in improving flood protection for their citizens. Third, this additional funding is not tied to any comprehensive plan for improvements to the Central Valley flood protection system.

**Recommendation:** This article can be improved in several ways: 1) Increase 2006 funding to \$400 million. 2) Establish a preference for funding improvement projects sponsored by local governments that have shown leadership in addressing local and regional flood protection challenges as part of a multiple-objective project. 3) Ensure the definition of "urban area" includes communities significantly affected by State flood protection policies. 4) Require DWR to develop a comprehensive plan and list of options

for improving flood protection for Central Valley communities, up to the 200-year protection suggested as an objective. 5) This funding also may assist communities in assessing their flood risk and planning for greater flood protection. [See proposed language in appendix.]

## 10) State Flood Protection Funding and Local Land Use

Under the *Paterno* decision, the State has paid \$500 million to settle levee failure lawsuits. The scope of that liability was enlarged by intensified land use (*i.e.* shopping center and homes) in the flooded area. In an October hearing on flood management liability, witnesses (including the DWR representative) testified that if the State lacks sufficient flood protection funding, the least expensive way to minimize State liability for flood damages is to limit floodplain development. Land use and flood management decisions, however, suffer from a lack of connection. Local governments control land use and the State manages Central Valley floods.

AB 1839 appears to hint at improving the connection between the State's flood protection efforts and local land-use decisions. First, the bill's findings refer to 200-year protection for developed areas and "wise" floodplain land use decisions. The levee improvement funding article also requires that local cities and counties indemnify and hold the state harmless from any and all liability for damages associated with such improvements, which would encourage such local governments to think more carefully about their floodplain land-use decisions.

**Recommendation:** Connect additional flood protection spending, particularly for levee improvements, to good land-use policy that keeps Californians out of harm's way. Funding for levee improvements should be conditioned on affected local governments assessing flood risks in their jurisdiction and adopting policies that require 200-year flood protection for new developments (*i.e.* not infill). The state and local governments should share flood management decisions. [See proposed language in appendix.]

## 11) Delta Levee Subventions and Special Projects

AB 1839 proposes \$910 million (\$210 in 2006 and \$700 in 2010) for levee subventions to local agencies and DWR's Special Projects in the Sacramento-San Joaquin Delta. The smaller part of such funding goes to the subventions program (\$60 million in 2006), requiring consistency with both existing policy (P.L. 84-99 and CALFED Record of Decision) and the future "Delta Risk Management Strategy" (expected in 2008). The current subvention cost-sharing formula (75% State/25% local), however, expires in July 2006, and it is uncertain whether local Delta levee agencies can afford a 50% cost-share. The future success of the Delta levee subvention program is therefore uncertain.

**Recommendation:** Delay the sunset of the 75-25 cost-sharing formula and the Delta Flood Protection Fund to July 2010, allowing adoption of DWR's Delta Risk Management Strategy on January 1, 2010, unless amended by the Legislature. [See AB 798 (*Wolk*) and proposed language in appendix.]

## 12) Non-Central Valley Flood Control Subventions

DWR estimates that, by year-end, the State will owe \$237.4 million to local agencies for the State's contributions to flood control projects outside the Central Valley. In 10 years, the State will owe \$655.3 million for such authorized projects. AB 1839, however, proposes only \$450 million (\$250 in 2006 and \$200 in 2010) in continuous appropriations for such projects. The Administration defends the continuous appropriations of this funding based on historic practice and the established policies and requirements for such State funding.

**Recommendation:** Increase 2006 bond to \$400 million, and expand eligibility for State flood subventions to include non-traditional methods, such as watershed

management programs to prevent flooding of urban creeks and streams. **The amount of bond funds allocated for this purpose could be reduced if these one time payments of past due state contributions are paid for out of the budget surplus the Legislative Analyst's Office has projected the state will have through additional projected revenues of \$2.3 billion in 2006-07.**

### **13) Floodplain Mapping Program**

AB 1839 proposes \$90 million for new State floodplain mapping programs that comply with the standards of the National Flood Insurance Program (NFIP), including \$3 million for mapping of alluvial fans and related floodplain management. NFIP mapping looks almost exclusively at determining where floodplains enjoy 100-year flood protection, despite the bond setting a priority for 200-year protection in the bill's findings. At this point, there is a need for a broader array of flood mapping. First, DWR also has emphasized the importance of "awareness mapping" for informing the public as to public risks, which may not be as precise as NFIP mapping. Second, DWR has proposed State mapping of "levee protection zones" or other areas that suffer risk. Finally, in light of the *Paterno* decision, there is renewed effort to engage local governments in collaborating on assessment (and improvement) of their communities' level of flood protection, which will require State funding.

**Recommendation:** Allow DWR to expend this funding on studies and mapping for NFIP purposes, awareness mapping, "levee protection zone" mapping, public information, local flood risk assessments, and maps showing where floodplains enjoy 200-year protection. Some of these efforts may require an exemption from the prohibition on spending bond funds for non-capital purposes.

### **14) Floodway Corridors**

The Governor's proposal includes \$140 million (\$40 million in 2006 and \$100 million in 2010) for floodway corridors. Floodway corridors can be an important component of flood management systems. Flood plains, including wetlands, absorb storm surges that rivers cannot hold. Environmental restoration also helps projects qualify for major federal funding, which is typically 65% of the cost of a levee project. Funding for wetlands, watersheds, riparian and other floodplain corridor features can enhance flood protection efforts by expanding flood-water holding capacities while simultaneously providing wildlife habitat.

**Recommendation:** Increase 2006 bond funding to \$75 million for floodway corridors, floodways, wetlands and riparian restoration projects that enhance and complement flood management efforts.

### **15) Environmental Compliance of Flood Projects**

During the flood hearing, some Committee members objected to the costs and delays arising from complying with environmental laws. DWR testified that 90% of the delays and significant cost increases for levee projects were due to federal requirements and not to California law. The federal laws which have been triggered on levee projects include the federal Endangered Species Act and the Clean Water Act. The Federal Government, however, contributes substantial funding to flood control, requiring environmental restoration to receive funding under its current priority system. DWR explained that they are addressing the federal issues through development of mitigation banks and multi-purpose projects that will receive priority for federal cost-sharing. Since then, three bills addressing environmental issues in flood protection have been introduced.

Under CEQA, levee repairs necessary to maintain a factor of safety are categorically exempt. A review of the CEQA net database for the past two years showed that most flood control projects have not required a full EIR, and have either been exempt or received Negative Declarations or

Mitigated Negative Declarations. Environmental compliance and mitigation are necessary components of flood control projects, particularly when the State relies on federal funding. At hearings, the California Central Valley Flood Control Association proposed that the State implement a Valley-wide habitat conservation plan (HCP) and Natural Community Conservation Plan (NCCP) to help local agencies comply with both federal and state law.

**Recommendation:** Expand DWR's role in assisting local agencies in environmental compliance, beyond the Administration's proposal for State-developed mitigation banks. Require DWR to develop an HCP/NCCP for Central Valley levee maintenance.

## Water Management

### 16) Integrated Regional Water Management

The proposal commits \$3 billion (plus billions more from water fee revenues) to "integrated regional water management" projects, which is a concept still in development. The CALFED Bay-Delta Program introduced this concept in State policy in 2000, and Proposition 50 (2002 water bond initiative) funded development of such plans. In the recently issued California Water Plan update, DWR advocated greater integrated water management to address statewide water issues.

At the hearings, various stakeholders raised questions about how the State could impose regional water management at this point in time. Several issues arose: geographic scope of the regions, regional water governance, the status of regional plans (including current conflicts regarding those plans), and cooperation among State agencies. Through CALFED, DWR and the State Water Resources Control Board jointly developed regulations to implement Proposition 50. The bond nevertheless requires expenditures to comply with new regulations that DWR will adopt in the future, subject only to "consultation" with certain other State agencies.

While the Legislature has supported integrated regional water management, AB 1839 commits too much of the State's resources to this developing concept. Such a commitment will make it difficult for the State to use bonds or other funding for important statewide water management priorities as they arise in the next decade. Integrated regional water management is a good policy that should be pursued, but needs further development.

**Recommendation:** Reduce funding for integrated regional water management to \$500 million in 2006, applying the existing or amended regulations. This would eliminate the allocations to the regions defined in the bond proposal, leaving regional definitions to regional collaboration. Preferences should be given to regions that incorporate flood protection and water resource planning, to maximize the use of flood waters.

### 17) Statewide Water Management Program

The bond proposal creates a "Statewide Water Management Subaccount" with \$3.5 billion (\$1 billion continuous appropriation in 2006 and \$2.5 billion in 2010) and allocations to broad categories, including water quality (\$250/500), water storage (\$250/1 billion), water resource technology (\$300/500), resource stewardship and ecosystem restoration (\$200/500). The last category includes a \$20 million reimbursement of State Water Project support for fish and wildlife and public recreation. The bond proposal generally allows spending for "statewide water management priorities" or "water infrastructure of statewide significance" – without specifying such priorities or infrastructure.

The basis for these allocations remains unclear. In fact, the proposal includes a provision allowing DWR to reallocate such funding to regional water management upon its own

determination that the money is not needed for these other specified purposes. AB 1839 makes large sums available for long lists of possible activities, but the Administration has not given any estimates for any particular needs. The "resource stewardship and ecosystem restoration" category, for example, *may* include funding for the San Joaquin, the Delta, habitat conservation planning, conservation easements, the Salton Sea, or "other ecosystem restoration projects and programs." With no further information, the Legislature lacks sufficient information to determine whether these allocations reflect too little or too much funding. Moreover, the alleged "statewide priorities" are too numerous to reflect any sort of priority scheme.

**Recommendations:** Retain the Statewide Water Management Program, but reallocate funding as reflected below.

### 18) Sacramento-San Joaquin Delta

The proposal does not include any specific allocation to the water management needs of the Sacramento-San Joaquin Delta (as opposed to Delta levees) or the CALFED Bay-Delta Program. Instead, the Delta falls in two regions under the regional management structure (Sacramento and San Joaquin Rivers) and CALFED enjoys a "preference" for regional funding. Presumably, the Delta also may fall under unspecified "statewide water management priorities," but there is no allocation specifically for the Delta under this category. For most of the last 40 years, conflict regarding California water policy has concentrated on the Delta. The State has spent the last decade working closely with the Federal Government to improve conditions in the Delta, although the Federal Government has provided annual funding in the range of only \$35-40 million. Last year, the Legislature cut more than \$100 million in State funding for the CALFED Bay-Delta Program, calling for a long-term finance plan to assure that Delta needs get addressed. At the same time, the Department of Fish and Game reported a dangerous decline in the health of the Delta ecosystem.

**Recommendation:** Allocate \$200 million to the CALFED Bay-Delta Program as part of the Statewide Water Management Program, but encourage further work on financing.

### 19) Surface Water Storage

The proposal allocates \$1.25 billion (\$250 million in 2006 and \$1 billion in 2010) for development of storage pursued through the CALFED Bay-Delta Program. CALFED has been studying five reservoir sites for the last five years, and it is unclear when those studies, for which the Governor's proposal allocates bond funds, will be completed. While the 2006 funding allows for some groundwater storage development, the larger 2010 funding is directed only at surface water reservoirs. If the money is not spent for such reservoirs, then DWR may reallocate the funding to other integrated regional water management projects. The applicable conditions on the funding suggest that only two reservoirs are eligible (Upper San Joaquin River reservoir and Sites Reservoir in the Sacramento River watershed), although the Governor recently stated that all five CALFED-proposed reservoirs remain eligible. The Republican Caucus has identified surface storage reservoirs as a top priority for water management funding.

**Recommendation:** Allocate \$500 million to water storage, but allow all expenditures for groundwater projects and conjunctive use. Ensure that public funding supports only public benefits. Ensure continuing role for Legislature by requiring legislative approval of reprogramming and specific project construction, including approval of cost-sharing requirements for construction, operation and maintenance of such storage facilities.

### 20) Ecosystem Restoration

The Governor's proposal allocates a total of \$700 million (\$200 in 2006 and \$500 in 2010) – only to DWR – for "resource stewardship and ecosystem restoration" projects related to water, but requires DWR to "consult" with other agencies. Such funding includes reimbursement for

past public recreation or wildlife enhancement. It is unclear whether this funding ultimately accomplishes ecosystem restoration or just mitigation for water projects. While the proposal identifies various water bodies as *potential* targets for funding, there is no prioritization.

The need for ecosystem restoration in watersheds across California has grown substantially in recent years. The Delta ecosystem is crashing. Instream water quality has received increased attention, through agricultural water quality coalitions. Both the San Joaquin and the Klamath Rivers have seen proposed resolutions to long-standing conflicts that would require funding to improve ecosystem conditions, in conjunction with proposed water management changes.

**Recommendation:** Increase 2006 allocation for ecosystem restoration to \$500 million, with a preference that the Resources Secretary allocate funding to agencies with sufficient expertise and experience, such as DFG, CALFED or WCB. Impose preferences for funding that supports: resolution of ecosystem conflicts (*e.g.* with agriculture), anadromous and other native fishery restoration, and ecosystem improvements above regulatory requirements. Require that at least \$20 million be allocated to DFG for fisheries restoration. In addition, add a specific reference to Klamath River restoration, currently in settlement negotiations, as an eligible category for funding.

## 21) Water Resources Capacity Charge/Investment Fund

The Governor proposes a water capacity charge on retail water agencies, based on the number of water service connections, to support both regional management and statewide priorities. Stakeholders expressed almost unanimous opposition to the structure of this fee, because the fee: 1) interferes in local agency revenue generation for local projects; 2) does not reflect any relationship to the "beneficiary pays" concept; 3) fails to encourage water conservation because it has no relationship to the amount of use; and 4) inequitably shifts burden to urban water users, who use less water than agriculture. While the Administration's fee proposal has received criticism, the need for some kind of continuing fee to support California's water and aquatic ecosystem needs remains important – and has received the Legislature's support in recent years.

**Recommendation:** Transfer the water charge proposal to a policy bill and restructure the fee to charge retail agencies based on both volume of water use and service connections.

## 22) Water Quality

The Governor's bond proposal includes \$750 million (\$250 in 2006, \$500 in 2010) for water quality, allocated entirely to DWR. The funding is committed to a long list of possible categories of projects, but with no priorities and few specific allocations. In the last decade, water quality problems have received increased attention, but insufficient funding. These problems include both addressing source water quality and water quality treatment. Mercury contamination, for example, started during the Gold Rush, but in recent years has caused a number of problems such as dangerously contaminated fish.

**Recommendation:** Adopt the funding allocations that are similar to the currently proposed initiative bond measure for water quality, for a total of \$435 million. The precise language, however, may differ. Include, for example, mercury contamination cleanup as part of Delta water quality projects. Funding should be included specifically for the Clean Water revolving fund, groundwater pollution prevention, Delta water quality projects including mercury remediation, agricultural wastewater cleanup, stormwater pollution prevention, and clean beaches.

## 23) Watershed Management

In the last decade, efforts to integrate multiple water resource challenges across entire watersheds have increased. Upstream watershed coalitions have been most successful when diverse interests in local communities work together to address challenges facing their local watershed. The State has a role to play in encouraging such local efforts and expanding their horizons to address challenges throughout an entire river basin.

**Recommendation:** Allocate \$50 million to support local watershed efforts.

#### **24) Consultation with Affected Indian Tribes**

In the 2000 CALFED Record of Decision, both the Federal Government and the State committed to consultation with Indian tribes affected by CALFED projects. An issue as to which tribes must be consulted has arisen because some tribes that the State recognizes are not recognized by the Federal Government. In 2004, the Legislature passed SB 18 (Burton), which required local planning agencies to "consult" with tribes affected by their plans. Similar standards should apply to state agencies for water infrastructure projects when the projects affect tribes recognized by the California Native American Heritage Commission.

**Recommendation:** Apply the standards for tribal consultation, as required by SB 18.

#### **25) Environmental Justice: Safe Drinking Water**

The primary environmental justice issue for water infrastructure relates to drinking water quality. Some of California's poorest – and often rural – communities suffer from outdated and deteriorating drinking water infrastructure. AB 1839 includes a definition of "disadvantaged communities" that may receive preference for certain projects. Environmental justice representatives suggested expanding that definition and requiring DWR to solicit input from such disadvantaged communities. The Administration has indicated that it may accept a broader definition of "disadvantaged communities."

**Recommendation:** Expand the definition for "disadvantaged communities." Allocate \$200 million in funding for the existing SWRCB Safe Drinking Water Program.

### **Parks & Wildlife Resource Issues**

#### **26) State Park Needs**

The Governor's proposal includes a total of \$215 million for capital outlay for repairs and improvements to existing State Park facilities. According to testimony provided by the Department of Parks & Recreation, this represents approximately 12% of the Department's stated need for capital outlay over the next ten years. The State also has chronically under-funded operations and maintenance of state parks, leading to a \$906 million backlog in deferred maintenance. The Governor's strategic growth proposal includes no funding for State Park deferred maintenance, and no funding for acquisition or development of new state parks. According to the LAO, virtually all of the prior bonds authorized for park purposes have been expended. Testimony presented at the hearing also supported the need for funding to meet both the growing need for access to state parks that will accompany population growth, and the need to fund deferred maintenance on the state parks we already have.

**Recommendation:** The \$215 million proposed by the Governor for development, restoration and improvement of existing State Park capital assets appears justified, as DPR's need for funds for capital outlay over the next five to ten years significantly exceeds that amount. However, funding is also needed for State Park deferred maintenance. The committee recommends that the Conference Committee consider including a total of \$900 million for State Park capital outlay, acquisitions and deferred maintenance, but require that at least half of that amount be spent on deferred

maintenance. **The amount of bonds allocated for this purpose could be reduced if the deferred maintenance is funded through the state budget out of the budget surplus the Legislative Analyst's office projects the State will have through additional projected revenues of \$2.3 billion in 2006-07.**

## 27) Regional and Urban Parks

In addition to state parks, information provided to the Committee indicated there is a significant unmet need for regional and local parks, particularly urban parks serving more densely populated urban communities, and for regional parks in underserved rural areas that are also experiencing population growth pressures. Bond funding for park infrastructure should be commensurate with growth in the state's population and the demonstrated need for park access, and should be included as part of an overall state infrastructure package. Access to parks is also an important factor in meeting the quality of life and public health needs of Californians.

**Recommendation:** Include significant funding in the bond for acquisition and development of urban parks and for regional parks in areas of the state that have been determined to be underserved. Costs for acquisition and development of park lands is only likely to increase if those decisions are postponed for five to ten years, and some opportunities will be lost if lands now available are developed or sold for other purposes. The conference committee may want to consider including at least \$500 million for urban and regional parks, with half dedicated to urban parks and half to regional parks. (Note: SB 153 proposes \$1.15 billion -- \$500 million for local and regional parks on a per capita basis, \$500 million for urban/special need, and \$150 million for regional parks serving multiple underserved communities.)

## 28) Wildlife Conservation Board

The Governor's proposal includes no funding for programs administered by the Wildlife Conservation Board or the Department of Fish and Game. These programs include regional habitat conservation plans (HCPs) and Natural Community Conservation Plans (NCCPs), agricultural and rangeland conservation easements, wetland and riparian restoration projects, oak woodlands conservation, and other wildlife habitat conservation programs. The NCCP/HCP program is particularly relevant to the expansion of state infrastructure, as these plans are designed to address needs for habitat conservation while at the same time facilitating growth and development. The primary objective of the NCCP program is to conserve natural communities at the ecosystem scale while accommodating compatible land use. The plans focus on multi-species conservation, expedite permitting requirements, and are designed to provide regulatory certainty and local control. Long-term monitoring and management is key to the success of these programs. To date, expenditures for these plans have been primarily in Southern California. A number of Northern California counties are now in the process of developing NCCPs.

The Administration testified that funding was not included for WCB because there was still some bond funds left over from prior bond measures for these purposes. However, information obtained by the committee, as explained further in the committee background report, indicates that these funds are likely to be mostly used up by the end of the next fiscal year. In addition, the Administration indicated that some portion of the \$200 million included in the Governor's proposed water bond for statewide ecosystem restoration projects could be allocated for habitat conservation plans. However, \$200 million will not be enough to fund the ecosystem restoration needs of identified water projects, let alone for all of the needs listed in that section, which include restoration of the San Joaquin River, restoration of the Delta, restoration of the Salton Sea, restoration of the Klamath River, and habitat conservation planning and implementation.

**Recommendation:** Include \$500 million in the bond to the Wildlife Conservation Board for the following:

- Competitive grants to aid the recovery of species through regional conservation plans, including NCCPs or multi-species HCPs managed by local agencies and approved by DFG, with requirement for a 1:1 local match. The NCCP process is key to addressing regulatory challenges associated with infrastructure development. Priority should be given to projects that will link habitat corridors, and funds should be distributed in a manner that will provide geographic balance. In addition, funds should be identified for ongoing monitoring and enforcement, and in the case of easements, the state should have access for monitoring and enforcement.
- To WCB for wetlands and riparian restoration, agricultural and rangeland conservation easements, working landscapes, oak woodland conservation, and for other waterfowl habitat and watershed conservation programs.

## 29) State Conservancies and Coastal Protection

The Governor's infrastructure bond proposes no new funding for the state's conservancies. Protection of California's diverse landscapes and natural resources is accomplished to a large degree through the various state conservancies, such as the State Coastal Conservancy, the California Tahoe Conservancy, the Santa Monica Mountains Conservancy, and the newly established Sierra Nevada Conservancy. The last five-year infrastructure plan provided by the Governor in 2003 estimated the 5-year infrastructure funding needs for the state's conservancies at \$1.1 billion.

The Administration indicated that funding was not included in the Governor's strategic growth plan for the conservancies because there were some funds still available from prior bonds, and because the Governor was proposing a new holistic approach to land and water conservation through the integrated regional water management provisions of his proposed water bond. As explained further in the background report, while it appears there may be some limited funding still available to some of the conservancies from the prior bonds, these remaining funds will not be sufficient to meet future needs, and without additional bond funding, most of the conservancies will run out of money within one to two years. In addition, the integrated regional water management program does not adequately address or fulfill the needs and purposes for which the state conservancies were established.

**Recommendation:** Funding should be included in the bond to address the needs of the state's various conservancies. The funding needs for each of the conservancies varies, depending on the status of project development and other factors. The State Resources Agency should prioritize the need for funding among the conservancies. While the particular funding needs of each conservancy requires further analysis, information received by the committee indicates that at least \$100 million in bond funding appears justified for the California Tahoe Conservancy to meet the state's share of costs for the Environmental Improvement Program for the Lake Tahoe Basin, a program established by inter-governmental compact. It also appears that the State Coastal Conservancy will run out of bond funds within two years if new funds are not authorized. Information received by the committee indicates that funding needs for the State Coastal Conservancy over the next five years may be as high as \$400+ million. At least \$200 million should be included in the 2006 bond for the State Coastal Conservancy. In addition, at least \$100 million should be included for other regional conservancies. (Note: SB 153 proposes from \$10 to \$40 million for each of the state conservancies, for a total of \$300 million, plus an additional \$300+ million for the State Coastal Conservancy.)

**OUTLINE OF FLOOD/WATER/RESOURCE BOND PROPOSAL**  
**(unless otherwise described, dollars in Millions)**

<b>Program/Project</b>	<b>Gov 2006</b>	<b>Gov 2010</b>	<b>AWPW: 2006</b>
<b>FLOOD PROTECTION</b>	<b>\$1B</b>	<b>\$1.5B</b>	<b>\$1.775B</b>
<b>Project Levee &amp; Facilities Repairs</b>	<b>\$210</b>	<b>\$300</b>	<b>\$600</b>
Sacramento River Sediment Removal	(15)		
Weir, Gates & Pumping Plants Repair/Replacement	(25)		
Channel Bank & Levee Erosion Site Repairs/Setback	(50)		
Levee Evaluation, Drilling, Sampling, Testing & Engineering	(50)		
Establish Maintenance & Repair Mitigation Bank	(20)		
Erosion Repair, Channel & Bypass Sediment Removal		(100)	
Evaluate, Repair, Replace Levees & Other State Plan Facilities		(100)	
Unallocated	(50)	(100)	
<b>Flood Control System Improvements</b>	<b>\$200</b>	<b>\$200</b>	<b>\$400</b>
Folsom Dam Improvements & Downstream Bridge	(70)		
American River Common Features Project	(25)		
South Sacramento County Streams Project	(10)		
Enhanced Flood Response & Emergency Preparedness Project	(10)		
Unallocated	(85)	(200)	
<b>Delta Levee Subventions &amp; Special Projects</b>	<b>\$210</b>	<b>\$700</b>	<b>\$210</b>
Delta Levees Maintenance Subventions	(60)	(60)	
Delta Special Flood Control Projects	(150)	(640)	
<b>Flood Control Subventions</b>	<b>\$250</b>	<b>\$200</b>	<b>\$400*</b>
<b>Floodplain Mapping Program</b>	<b>\$90</b>	<b>\$0</b>	<b>\$90</b>
Community Assistance for Floodplain Mgmt on Alluvial Fans	(3)		
Uncommitted	(87)		
<b>Floodway Corridor Program</b>	<b>\$40</b>	<b>\$100</b>	<b>\$75</b>

<b>INTEGRATED REGIONAL WATER MGMT</b>	<b>\$2B</b>	<b>\$4.5B</b>	<b>\$2.385B</b>
<b>Regional Water Mgmt</b>	<b>\$1,000</b>	<b>\$2,000</b>	<b>\$500</b>
North Coast	(45)	(90)	
San Francisco Bay	(147)	(294)	
Central Coast	(61)	(122)	
Los Angeles-Ventura	(220)	(440)	
Santa Ana River	(121)	(242)	
San Diego	(98)	(196)	
Sacramento River	(81)	(162)	
San Joaquin River	(66)	(132)	
Tulare Lake	(68)	(136)	
Lahotan	(48.5)	(97)	
Colorado River Basin	(44.5)	(89)	
<b>Statewide Water Mgmt</b>	<b>\$1,000</b>	<b>\$2,500</b>	<b>\$1,885</b>
Protect & Improve Water Quality	(250)	(500)	(435)
Water Storage Development	(250)		(500)
Water Resources & Quality Science & Technology	(300)	(500)	-0-
Resource Stewardship & Ecosystem Restoration	(200)	(500)	(500)
State Share of Water Storage Projects Under CALFED		(1,000)	-0-
CALFED Bay-Delta Program			(200)
Watershed Management			(50)
Small Community Safe Drinking Water			(200)
<b>NATURAL RESOURCE PROTECTION</b>			<b>\$2.3B</b>
State Park Needs	(\$215)		*(900)
Regional and Urban Parks			(500)
Fish & Wildlife Conservation			(500)
State Conservancies and Coastal Protection			(400)
<b>TOTAL</b>			<b>\$6.46B*</b>

**\* This amount could be reduced if one time expenditures, including but not necessarily limited to State Park deferred maintenance and past due non-Central Valley flood control subventions, are funded out of the General Fund in the State Budget, from the additional \$2.3 billion in state revenue projected by the Legislative Analyst Office (LAO). The LAO in their February 23, 2006 budget analysis projects that the state will receive an additional \$2.3 billion in revenues beyond what the Administration has projected, bringing the State budget reserve to \$2.6 billion by the end of 2006-07. The LAO also advises the Legislature to consider how the budget and bond proposals fit with one another and the appropriate mix of General Fund and bond funds in addressing the state's flood management funding requirements.**

## **Additional Funding Needs**

The above recommendations reflect the critical priorities for funding which the committee recommends be included in the bond if the bond dollars authorized for flood, water and resources protection combined are limited to the \$5 to \$6 billion range. If an additional cycle of bond funding is approved, or if the conference committee determines that additional funding for these purposes can be included in the first round, the committee has identified additional flood, water and resource needs which should be considered for funding. Those additional needs include the following:

### **Flood Protection**

At the November 30, 2005, informational hearing on flood management infrastructure, DWR identified "very conceptual" needs for levee repair and improvements as follows:

<b>Project Description</b>	<b>Amount</b>
Return 1,600 miles of Project levees to original design capacity (addresses deferred maintenance and design/construction deficiencies)	\$1 to \$1.5 billion
Upgrade flood protection to higher levels for urban areas	\$1 to \$1.5 billion
Reconstruction of levee/channel system to provide environmental restoration, improved flood protection and the ability to easily maintain the system	\$2 to \$4 billion
Make critical Delta levees reasonably resistant to flood and seismic events	\$3 to \$5 billion
Adequately investigate levee system integrity and develop reasonably accurate cost estimates for upgrading California's flood infrastructure	\$50 to \$100 million

In addition, DWR has estimated funds needed to reimburse local agencies outside the Central Valley for a State share of flood control at \$655.3 million over the next 10 years, or about \$500 million in the next five years.

### **Water Management**

Needs for additional investment in water management infrastructure are large and diverse, but depend on decisions that have not yet been made. The CALFED Bay-Delta Program – and Delta programs in general – are in transition for a number of reasons, including the Legislature's budget action last year, the Governor's CALFED program review, and recent court decisions. Local and regional water agencies also have proposed various projects, but have not proposed how the State and local agencies might provide appropriate cost-share. All these additional projects would add billions of dollars to any potential water bond, but the needs cannot be identified precisely because of the stage of development.

In addition, the State Water Resources Control Board's existing Recycled Water Program has a backlog of projects exceeding \$300 million.

## **Parks and Natural Resources**

### **Additional funding needs identified in SB 153 (Chesbro):**

<b>Identified Funding Need Description</b>	<b>Amount</b>
Urban and Regional Parks	\$500 million (for total of \$1 billion)
Wildlife Conservation Board	\$300 million (for total of \$800 million)
Ocean Protection Trust	\$100 million
Regional state conservancies	\$10 to \$40 million each (for total of \$360 million)
Coastal Trails	\$50 million
CCC	\$30 million
Forest Conservation	\$250 million
River Parkways	\$50 million
Urban forestry	\$10 million
CA Cultural and Historical Endowment	\$100 million
Museums, Aquariums and Botanical	\$50 million

### **Additional Natural Resource Needs identified (not included in SB 153)**

<b>Identified Funding Need Description</b>	<b>Amount</b>
Salton Sea	\$100 million
Fisheries recovery	\$45 million
Grants for Coastal Commission LCPs	\$10 million