

INFORMATIONAL HEARING OF THE  
ASSEMBLY WATER, PARKS & WILDLIFE COMMITTEE

*Update on the Water Storage Investment Program Quantification Regulations*

Room 437 State Capitol  
November 21, 2016 – 1p.m. to 2:30p.m.

**BACKGROUND**

AB 1471 (Rendon), Chapter 188, Statutes of 2014, placed Proposition 1, a \$7.545 billion general obligation bond for water related projects and programs on the November 4, 2014, ballot where it passed with 67% of the vote. \$2.7 billion of those bond dollars were continuously appropriated with specific conditions to the California Water Commission (Commission). The bond dollars are limited to funding public benefits associated with water storage projects that improve the operation of the state water system, are cost effective, and provide a net improvement in ecosystem and water quality conditions. The proposition defined what projects are eligible for funding. It limited expenditure of funds solely to public benefits associated with water storage projects that provide measurable improvements to the Delta ecosystem, or other ecosystem improvements, water quality improvements, flood control benefits, emergency response, and or recreational purposes as are defined in water code section 79753(a), and further required at least 50 percent of the public benefits be for ecosystem improvement. The proposition also required projects to be selected for funding through a competitive public process that ranks potential projects based on the expected return for public investment. Additionally, the proposition required the Commission in consultation with the Department of Fish and Wildlife, the State Water Resources Control Board, and the Department of Water Resources, to develop and adopt, by regulation, methods for quantification and management of public benefits by December 15, 2016. The Commission was prohibited from allocating funds before December 15, 2016.

The Water Storage Investment Program Quantification Regulations (quantification regulations) will establish the process by which project funding decisions are to be made. The development of the quantification regulations began prior to the passage of the bond, as far back as 2009. The process was stepped up in early 2015 and in late summer of this year, entered the final stretch. What is likely to be the last draft of the regulations is expected to go out for public comment on Friday November 18<sup>th</sup> (Attachment #1). The current draft of the regulations specify what it takes to qualify as eligible for the funds, and how funds can be distributed. These include 1. the components evaluated for projects (Attachment #2), and the process associated with scoring a project; 2. lay out the details and the process of submitting an application for funds; 3. the requirements for quantifying benefits including a process to monetize public benefits, account for climate change, and for state agencies to make a finding that those requirements are being met; and 4. how the public benefits achieved by a project will be maintained over time through a management plan with a specific requirement that projects will be adaptively managed.

The quantification regulations will be the first step toward the Commission making project funding determinations. As currently drafted, the quantification regulations will create a timeline (Attachment #3) that will likely lead to funding determinations being made in mid to late 2018. Public benefits from funded projects will not be realized for some time into the future after a funding decision has been made. Projects may not receive full funding for several years, however, the current draft of the quantification regulations makes projects ineligible for funding, with some exceptions, after January 1, 2022. Once projects receive full funding, it may take several years later for projects to be completed and providing public benefits. At the point when projects are complete, water supply conditions will very likely have changed, compared to today. How projects are selected and managed into the future will determine the total public benefit a project delivers.