

BACKGROUND

California Water Commission

Water Storage Investment Program

Oversight Hearing – March 20, 2018

Proposition 1: 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. Of those bond dollars \$2.7 billion were continuously appropriated to the California Water Commission (Commission) for water storage projects, and that amount may not be appropriated or transferred by the Legislature or Governor (Continuous Appropriation). The Commission has set a timeline of determining project funding in the summer of 2018 and is, according to the voter-approved bond, required to obligate funds by January 1, 2022.

Public Benefits: The proposition specified that funds could *only* be spent on the public benefits associated with water storage projects. The proposition required that at least 50% of the public benefits be for ecosystem improvement and projects to provide measureable improvements to the Delta ecosystem. In addition to ecosystem improvements, the proposition defined public benefits to include the following:

- Water quality improvements,
- Flood control benefits,
- Emergency response, and
- Recreational purposes.

The proposition required the Commission to adopt methods for the quantification and management of the public benefits from water storage projects through regulation. Additionally, the proposition specifically required that the regulations provide for the quantification of the cost of the public benefits (public benefit ratio or PBR) of a project and make those quantifications public. These requirements were addressed through regulations adopted in early 2017 that established a 100 point scoring system. The scoring system included four elements with distinct values and provided the Commission with limited discretion to adjust point values. Those elements and values are as follows: PBR (33 pts), environmental value (27 pts), resiliency (25 pts), and implementation risk (15 pts). The regulations provide the Commission with the authority to adjust project scores. The only component evaluated to date is the PBR.

Public Benefit Ratio (PBR): The regulations identified the years 2030 and 2070 to establish the PBR. This necessarily required forecasting for the PBR determination. The forecasting was required to take into account a variety of factors including, but not limited to, climate change, surface and groundwater operations, infrastructure, population, land use, water use, laws and regulations, and other physical, chemical, biological, and economic conditions.

The PBR is calculated as the value of public benefits provided divided by the requested funding. The result is then translated on a curve relative to other projects to achieve a point total out of the 33 points available. A PBR of less than one point does not preclude a project from being awarded funding. However, a PBR of less than one point would mean that a project is eligible for less funding than requested, and importantly could be an indication of an inability of the project to meet the public benefit requirements in statute. The regulations detailed a process for the determination of a final PBR score.

Appeals Process: In February of this year the Commission released the initial PBR scores. In the initial PBR scores none of the 12 project applicants received a score that would have indicated that the public benefits of a project were greater than the public costs of a project. The initial PBR scores can be appealed and 10 of the project applicants have appealed their initial score. The Commission has said that they are looking for more information on the forecasted elements to justify a revised PBR score.

Key upcoming dates:

- April 20, 2018 - response to PBR appeals are posted online.
- May 1-3, 2018 - the Commission meets to make PBR score determinations.
- June 27-29, 2018 - the Commission meets to determine overall score.