

Introduced by Senator Wolk
(Coauthor: Assembly Member Huber)

February 17, 2011

An act to amend Section 10546 of, and to add Sections 167 and 168 to, the Water Code, relating to the California Water Commission.

LEGISLATIVE COUNSEL'S DIGEST

SB 571, as introduced, Wolk. California Water Commission: master plan for financing and developing water resources: state-funded projects and programs.

Existing law establishes the California Water Commission in the Department of Water Resources and requires the commission to conduct an annual review of the progress and operation of the State Water Project and to carry out various other related functions.

This bill would require the commission on or before January 1, 2013, to develop a master plan for financing and developing water resources in the state, including specified assessments and recommendations. The bill would require the commission to update the master plan every 5 years. The bill would require the commission to annually review and audit the award of state funds for water resources projects and programs; to develop, consistent with the master plan, a prioritized list of projects and programs relating to water supply, water quality, water conservation, water use efficiency, ecosystem and watershed restoration, and integrated regional water management planning and implementation, for purposes of awarding state financial assistance for those projects and programs; and to establish guidelines for the award of state financial assistance allocated for integrated regional water management plans, as specified. The bill would also declare legislative intent that the

commission be given authority to allocate specified state funds for water resources projects and programs.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) Numerous agency reports from the Office of the Treasurer,
4 the Little Hoover Commission, the State Auditor, and the
5 Legislative Analyst’s Office have expressed concern with the level
6 of reliance on bond funds for water- and resource-related state
7 expenditures, and the lack of oversight and prioritization of funding
8 allocations associated with the current method of managing
9 resource-related bond funds. These reports call for a new water
10 and resource financing governance strategy, one that includes
11 greater transparency, a broader use of available funding
12 mechanisms, and a stronger focus on prioritization and strategic
13 investments.

14 (b) The Treasurer has warned that continued reliance on general
15 obligation bonds to finance the state’s infrastructure, including
16 water, will consume 10 percent or more of the state’s General Fund
17 by the middle of the next decade, unless the budget improves. The
18 Treasurer estimated that debt service costs will be at historically
19 high levels through the coming decade and beyond.

20 (c) The Treasurer has further found that bond spending freezes
21 in 2008 and 2009, in response to the budget crisis, halted 5,000
22 infrastructure jobs, affected thousands of jobs for workers, billions
23 of dollars in revenue for private businesses, and imperiled many
24 community-based and nonprofit organizations.

25 (d) The office of the Treasurer has also noted that the state has
26 virtually eliminated pay-as-you-go capital allocations and used
27 the savings to finance operating expenses. This practice can lead
28 to underinvestment or disinvestment in infrastructure. To avoid
29 this practice, the Treasurer recommended that the Legislature and
30 the Governor actively, consistently, and prudently make capital
31 finance decisions an ongoing part of the budget process.

32 (e) Current reliance on general obligation bonds, coupled with
33 continued and growing budget gaps, requires the Legislature to

1 weigh the need for water infrastructure against the need to provide
2 vital public services during a period of greatly reduced revenues.

3 (f) The Little Hoover Commission recently reported that general
4 obligation bond debt accounted for 52 percent of the budget in the
5 Governor’s proposed General Fund Expenditures for all Resources
6 and Environmental Protection in the 2010–11 fiscal year.

7 (g) In its report, “Managing for Change,” the Little Hoover
8 Commission expressed concern about the state’s use of bond
9 borrowing to fund ongoing operational expenses related to water
10 management. The commission further stated that the state’s role
11 of managing and planning for California’s future water use is not
12 a one-time investment, but part of the ongoing business of
13 government and, as such, requires a sustainable funding source,
14 either through fee revenue, General Fund support, or special fund
15 support.

16 (h) The Little Hoover Commission further recommended that
17 the Legislature be more assertive in oversight of bond expenditures
18 and be more strategic in how it prioritizes and finances
19 infrastructure investments.

20 (i) Addressing these concerns will better enable California to
21 meet its water supply, water quality, and water management needs
22 during difficult financial times.

23 SEC. 2. Section 167 is added to the Water Code, to read:

24 167. On or before January 1, 2013, the California Water
25 Commission shall develop, and shall update by January 1 every
26 five years thereafter, a master plan for financing and developing
27 water resources in the state. The master plan shall include all of
28 the following:

29 (a) An assessment of the state’s capital outlay and ongoing
30 maintenance needs for water resources through 2050. In making
31 this assessment, the commission may use the most recent update
32 of the California Water Plan, if the commission determines that it
33 is sufficient to meet the requirements of this subdivision.

34 (b) Recommended guidelines for the Legislature and the
35 Governor to set and maintain investment priorities. The guidelines
36 should allow policymakers to adapt priorities to changing
37 circumstances, when necessary, without abandoning overall
38 planning objectives.

1 (c) A determination of state, federal, and local public funds
2 likely to be available through 2050, and the size of any funding
3 shortfall that may remain.

4 (d) Recommendations to the Legislature regarding a financing
5 framework that, on an ongoing basis, fully integrates water
6 resources needs, including capital investments, and ongoing
7 operational expenses with the state budget process. The financing
8 framework should include a recommended mix of state funding
9 sources to pay for water infrastructure financing and ongoing
10 operational needs, including General Fund, revenue bonds, and
11 user fees.

12 (e) An evaluation of the feasibility and applicability of
13 alternative financing sources to meet the state's water resources
14 needs and reduce reliance on General Fund expenditures.
15 Alternatives to be evaluated shall include, but shall not be limited
16 to, all of the following:

17 (1) Private financing.

18 (2) User fees.

19 (3) Revenue bonds.

20 (4) Fee-backed general obligation bonds.

21 (5) Revolving loan programs.

22 (f) An evaluation of the feasibility of meeting water resources
23 needs through alternatives to capital outlay. Examples of these
24 alternatives may include, but are not limited to, savings through
25 life cycle financing and reducing the need for new infrastructure
26 through greater efficiency.

27 (g) Establishment of a means to measure the rate of return on
28 water resources projects and mechanisms to finance the most
29 cost-effective projects and the highest priority projects.

30 (h) A timetable for capital outlay and ongoing expenditures.

31 SEC. 3. Section 168 is added to the Water Code, to read:

32 168. (a) It is the intent of the Legislature that the California
33 Water Commission should be given authority to allocate state
34 general obligation bond revenues and other state funds for water
35 resources projects and programs consistent with the master plan
36 developed pursuant to Section 167 and the prioritized list developed
37 pursuant to subdivision (c).

38 (b) The California Water Commission shall annually review
39 and audit the expenditure of revenues from resource-related general
40 obligation bonds that are appropriated for financing and developing

1 water resources projects and programs in the state, to ensure that
2 the intent and purposes of the applicable bond acts are met by the
3 agencies responsible for the allocation of state general obligation
4 bond revenues.

5 (c) Consistent with the master plan developed pursuant to
6 Section 167, the California Water Commission shall develop a
7 prioritized list of projects and programs that improve water supply,
8 water quality, water conservation, water use efficiency, ecosystem
9 and watershed restoration, and integrated regional water
10 management planning and implementation. The commission shall
11 award any state funds that are appropriated to the commission for
12 state financial assistance for any of those purposes, including funds
13 allocated pursuant to a general obligation bond act or any other
14 law, based on that prioritized list.

15 (d) To the extent consistent with any applicable general
16 obligation bond act or any other law appropriating state funds, for
17 the purposes described in this section, the commission shall ensure
18 that projects and programs funded by state general obligation bond
19 revenues and other state funds have developed strategic plans for
20 spending those state funds, that the projects and programs are
21 ranked by priority, and that performance measures and publicly
22 available progress reports are provided for the projects and
23 programs.

24 SEC. 4. Section 10546 of the Water Code is amended to read:

25 10546. (a) An integrated regional water management plan
26 prepared pursuant to this part shall be eligible for funding pursuant
27 to Section 75026 of the Public Resources Code, and for any funding
28 authorized on or after January 1, 2009, that is allocated specifically
29 for implementation of integrated regional water management.

30 (b) *The California Water Commission shall establish guidelines,*
31 *including minimum qualifications and competitive criteria, for the*
32 *award of state financial assistance for integrated regional water*
33 *management plans prepared pursuant to this part.*

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