

AMENDED IN ASSEMBLY MARCH 18, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 2636

Introduced by Assembly Members Gatto and Skinner
(Coauthors: Assembly Members Rendon, Rodriguez, Ting, and Williams)

February 21, 2014

An act to add Division 30 (commencing with Section 81000) to the Water Code, relating to water, ~~and making an appropriation therefor.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 2636, as amended, Gatto. CalConserve Water Use Efficiency Revolving Fund.

The California Constitution requires the reasonable and beneficial use of water.

This bill would establish the CalConserve Water Use Efficiency Revolving Fund ~~administered by~~ *and provide that the moneys in the fund are available to* the Department of Water Resources ~~and would continuously appropriate moneys in the fund, without regard to fiscal year, to the department, upon appropriation by the Legislature,~~ for the purpose of water use efficiency projects. This bill would require moneys in the fund to be used for purposes that include, but are not limited to, at-or-below market interest rate loans and would permit the department to enter into agreements with local governments or investor-owned utilities that provide water or recycled water service to provide loans.

Existing law, the Costa-Machado Water Act of 2000, a bond act approved by the voters as Proposition 13 at the March 7, 2000, statewide primary election, authorizes the issuance of general obligation bonds in the amount of \$1,970,000,000 for grants, loans, and direct

expenditures for the purposes of financing a safe drinking water, clean water, watershed protection, and flood protection program.

This bill would transfer to the CalConserve Water Use Efficiency Revolving Fund from the bond act specified bond proceeds issued and available for agricultural water projects. This bill would require the department to use these moneys for loans and grants to local agencies to acquire and construct agricultural water conservation projects consistent with provisions of the bond act.

Vote: $\frac{2}{3}$ -majority. Appropriation: ~~yes~~-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) Water is a finite resource in California, and dry hydrologic*
4 *conditions caused by drought and climate change increase the*
5 *uncertainty of water supplies.*

6 *(b) Reliable water supplies are essential for public health and*
7 *safety, stability of local, regional, and statewide economies, and*
8 *food security.*

9 *(c) Water use efficiency, including conservation and recycled*
10 *water, is an effective strategy to improve management of water*
11 *resources at the local and regional levels. Improved resource*
12 *management will help local communities withstand drought and*
13 *other conditions that limit water supplies.*

14 *(d) Water use efficiency projects will become more complex*
15 *and costly in order to increase the water savings potential.*

16 *(e) A sustainable source of funding is needed for urban and*
17 *agricultural water use efficiency projects to assist water and*
18 *recycled water providers in expanding local and regional*
19 *programs.*

20 *(f) A revolving fund program is a mechanism to provide a*
21 *sustainable funding source that provides incentives for matching*
22 *local funds and accelerates local water supply development.*

23 ~~SECTION 1.~~

24 *SEC. 2. Division 30 (commencing with Section 81000) is added*
25 *to the Water Code, to read:*

1 DIVISION 30. CALCONSERVE WATER USE EFFICIENCY
2 REVOLVING LOAN PROGRAM

3
4 PART 1. GENERAL PROVISIONS
5

6 81000. (a) It is the intent of the Legislature in establishing the
7 CalConserve Water Use Efficiency Revolving Fund to create a
8 sustainable funding source for water use efficiency projects.

9 (b) It is further the intent of the Legislature that the funds from
10 the CalConserve Water Use Efficiency Revolving Fund be used
11 for the following purposes:

12 (1) ~~Reduce~~ *Measurable reductions in urban per capita water*
13 *use.*

14 (2) ~~Improve~~ *Improvements in agricultural water use efficiency*
15 *and a measurable reduction in agricultural water use.*

16 (3) ~~Increase~~ *Increased use of recycled water.*

17 (4) ~~Reduce~~ *Measurable reductions in greenhouse gas emissions*
18 ~~*through water efficiency improvements, and water and energy*~~
19 *use.*

20 (c) It is the intent of the Legislature that any public funds made
21 available by this division to investor-owned utilities regulated by
22 the Public Utilities Commission should be for the benefit of the
23 ratepayers or the public and not the investors pursuant to oversight
24 by the Public Utilities Commission.

25 81005. For purposes of this division, ~~“fund”~~ *the following terms*
26 *have the following meanings:*

27 (a) *“Fund” means the CalConserve Water Use Efficiency*
28 *Revolving Fund established pursuant to Section 81020.*

29 (b) *“Technical assistance” means costs incurred for providing*
30 *advice, training, or other assistance to local government and water*
31 *utilities, such as the following:*

32 (1) *Conducting specialized studies to identify water conservation*
33 *opportunities that meet the intent of Section 81000.*

34 (2) *Planning of specific remodeling, renovation, repair,*
35 *replacement, or other projects related to water conservation.*

36 (3) *Developing a project proposal for funding from the fund.*

1 PART 2. CALCONSERVE WATER USE EFFICIENCY
 2 REVOLVING FUND

3
 4 81020. The CalConserve Water Use Efficiency Revolving
 5 Fund is hereby created in the State Treasury. ~~Notwithstanding~~
 6 ~~Section 13340 of the Government Code, all moneys~~ Moneys in
 7 the fund are ~~continuously appropriated, without regard to fiscal~~
 8 ~~year, available, upon appropriation by the Legislature, to the~~
 9 department for expenditure in accordance with this division. The
 10 department is the state agency responsible for administering the
 11 fund.

12 81022. *The proceeds of any bonds authorized to be issued and*
 13 *available for the purposes of Section 79157 shall be transferred*
 14 *to the fund and used by the department for loans and grants to*
 15 *local agencies to acquire and construct agricultural water*
 16 *conservation projects consistent with Article 3 (commencing with*
 17 *Section 79157) of Chapter 8 of Division 26.*

18 ~~81025.~~

19 81024. The department may undertake any of the following:

20 (a) Provide for the deposit of any available and necessary
 21 moneys into the fund.

22 (b) Enter into agreements with local governments or
 23 investor-owned utilities that provide water or recycled water service
 24 to provide loans for the purposes described in subdivision (b) of
 25 Section 81000.

26 (c) Provide for appropriate audit, accounting, and fiscal
 27 management services, plans, and reports relative to the fund.

28 (d) Take additional incidental action as appropriate for the
 29 adequate administration and operation of the fund.

30 (e) *Make requests on behalf of the state for deposit into the fund*
 31 *of available federal moneys.*

32 (f) *Enter into agreements with the federal government for federal*
 33 *contributions to the fund.*

34 (g) *Accept federal contributions to the fund.*

35 81026. (a) *The department may enter into an agreement with*
 36 *the federal government for federal contributions to the fund only*
 37 *if both of the following conditions are met:*

38 (1) *The state identifies any required matching funds.*

1 (2) *The department is prepared to commit to the expenditure of*
2 *any minimum amount in the fund in the manner required by the*
3 *federal government.*

4 (b) *Any agreement between the department and the federal*
5 *government shall contain those provisions, terms, and conditions*
6 *required by the federal government and any implementing federal*
7 *rules, regulations, guidelines, and policies, including, but not*
8 *limited to, agreement to expend moneys in the fund in an*
9 *expeditious and timely manner.*

10 81030. Moneys in the fund shall be used for the following
11 purposes:

12 (a) Loans that meet all of the following requirements:

13 (1) Are made at-or-below market interest rates.

14 (2) Require annual payments of principal and any interest, with
15 repayment commencing not later than one year after loan funding
16 and full amortization not later than ~~15~~ 20 years after loan funding.
17 Full amortization for loans to disadvantaged communities shall be
18 not later than ~~20~~ 25 years after loan funding.

19 (3) Require the loan recipient to establish an acceptable
20 dedicated source of revenue for repayment of a loan.

21 (b) *To guarantee, or purchase insurance for, local obligations*
22 *if that action would improve credit market access or reduce interest*
23 *rates.*

24 ~~(b)~~

25 (c) As a source of revenue or security for the payment of
26 principal and interest on revenue or general obligation bonds issued
27 by the state, if the proceeds of the sale of those bonds will be
28 deposited in the fund.

29 ~~(c)~~

30 (d) To earn interest.

31 ~~(d)~~

32 (e) *Technical assistance.*

33 (f) For payment of the reasonable costs of administering the
34 fund, *not to exceed 4 percent of the fund.*

35 (g) *Grants, principal forgiveness, negative interest rates, and*
36 *any other type of, or variation on, the types of assistance described*
37 *in this section that is authorized by a federal capitalization grant*
38 *deposited in the fund to the extent authorized and funded by that*
39 *federal capitalization grant.*

1 81035. Any repayment of fund moneys, including interest
 2 payments, and all interest earned on, or accruing to, any moneys
 3 in the fund, shall be deposited in the fund and shall be available
 4 for expenditure for the purposes and uses authorized by this
 5 division.

6
 7 PART 3. IMPLEMENTATION
 8

9 81040. *Projects shall have one or more of the following*
 10 *benefits:*

- 11 (a) *Measurably reduce urban per capita potable water use.*
- 12 (b) *Measurably reduce agricultural water use.*
- 13 (c) *Increase the use or availability of recycled water supply.*
- 14 (d) *Reduce greenhouse gas emission and water and energy use.*

15 ~~81040.~~
 16 81042. Subject to all applicable constitutional restrictions, a
 17 local government may borrow money and incur indebtedness
 18 pursuant to this division.

19 ~~81045.~~
 20 81044. The department may adopt rules and ~~regulations~~
 21 *guidelines* necessary or convenient to implement this division.

22 81046. (a) *A local government, municipal utility, or*
 23 *investor-owned utility may implement water-use efficiency loan*
 24 *programs pursuant to this section through on-bill financing.*

25 (b) *Funds available pursuant to this section shall not be*
 26 *expended by local governments, municipal utilities, or*
 27 *investor-owned utilities for administrative costs.*