

AMENDED IN SENATE AUGUST 19, 2014
AMENDED IN SENATE JUNE 30, 2014
AMENDED IN SENATE JUNE 19, 2014
AMENDED IN ASSEMBLY MAY 23, 2014
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 Bocanegra, Rendon, Rodriguez,
Ting, Wieckowski, and Williams)**

February 21, 2014

An act to add Division 30 (commencing with Section 81000) to the Water Code, relating to water.

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 and provide that the moneys in the fund are available to the Department of Water Resources, 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 to local agencies, as defined, and would permit the department to enter into

agreements with local agencies 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.

~~Existing law, the California Global Warming Solutions Act of 2006, designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act authorizes the state board to include use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation. Existing law requires the Department of Finance, in consultation with the state board and any other relevant state agency, to develop, as specified, a 3-year investment plan for the moneys deposited in the Greenhouse Gas Reduction Fund. Existing law permits moneys from the fund to be allocated for the purpose of reducing greenhouse gas emissions in this state through specified investments.~~

~~This bill would provide that the Legislature may appropriate moneys in the Greenhouse Gas Reduction Fund for water-use efficiency projects under the CalConserve Water Use Efficiency Revolving Loan Program that reduce greenhouse gas emissions. The bill would prohibit the encumbrance of any funds appropriated in accordance with these provisions until the board, in consultation with the department, publishes findings on how all operational aspects of the projects result in greenhouse gas emission reductions, and reports those findings to the Legislature.~~

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) 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 recycling
10 of 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 programs.

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

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

24

25 DIVISION 30. CALCONSERVE WATER USE EFFICIENCY
26 REVOLVING LOAN PROGRAM

27

28 PART 1. GENERAL PROVISIONS

29

30 81000. (a) It is the intent of the Legislature in establishing the
31 CalConserve Water Use Efficiency Revolving Fund to create a
32 sustainable funding source for water use efficiency projects.

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

36 (1) Measurable reductions in urban per capita water use.

37 (2) Improvements in agricultural water use efficiency and
38 measurable reductions in agricultural water use.

- 1 (3) Increased use of recycled water.
- 2 (4) Reductions in greenhouse gas emissions and water and
- 3 energy use.

4 (c) It is the intent of the Legislature that any public funds made
 5 available by this division to private water companies regulated by
 6 the Public Utilities Commission should be for the benefit of the
 7 ratepayers or the public and not the investors pursuant to oversight
 8 by the Public Utilities Commission.

9 81005. For purposes of this division, the following terms have
 10 the following meanings:

11 (a) "Fund" means the CalConserve Water Use Efficiency
 12 Revolving Fund established pursuant to Section 81020.

13 (b) "Local agency" means a city, county, city and county,
 14 municipal utility district, community services district, sanitary
 15 district, sanitation district, water district as defined in Section
 16 20200, public water system as defined in Section 116275 of the
 17 Health and Safety Code, or private water company under the
 18 jurisdiction of the Public Utilities Commission.

19 (c) "On-bill financing" means a utility-based method for
 20 providing ~~low interest or no interest~~ *low-interest or no-interest*
 21 financing for water use efficiency improvements through the
 22 monthly utility bill.

23 (d) "Technical assistance" means costs incurred for providing
 24 advice, training, or other assistance to local agencies, such as the
 25 following:

- 26 (1) Conducting specialized studies to identify water conservation
- 27 opportunities that meet the intent of Section 81000.
- 28 (2) Planning of specific remodeling, renovation, repair,
- 29 replacement, or other projects related to water conservation.
- 30 (3) Developing a project proposal for funding from the fund.

31

32 PART 2. CALCONSERVE WATER USE EFFICIENCY
 33 REVOLVING FUND

34

35 81020. The CalConserve Water Use Efficiency Revolving
 36 Fund is hereby created in the State Treasury. Moneys in the fund
 37 are available, upon appropriation by the Legislature, to the
 38 department for expenditure in accordance with this division. The
 39 department is the state agency responsible for administering the
 40 fund.

1 81022. The proceeds of any bonds authorized to be issued and
2 available for the purposes of Section 79157 shall be transferred to
3 the fund and used by the department for loans and grants to local
4 agencies to acquire and construct agricultural water conservation
5 projects consistent with Article 3 (commencing with Section
6 79157) of Chapter 8 of Division 26.

7 ~~81023. (a) The Legislature may appropriate moneys in the
8 Greenhouse Gas Reduction Fund created pursuant to Section
9 16428.8 of the Government Code for projects under this division
10 that reduce greenhouse gas emissions through water use efficiency
11 improvements or improved water use efficiency consistent with
12 Chapter 4.1 (commencing with Section 39710) of Part 2 of Division
13 26 of the Health and Safety Code and Article 9.7 (commencing
14 with Section 16428.8) of Chapter 2 of Part 2 of Division 4 of Title
15 2 of the Government Code.~~

16 ~~(b) (1) Any funds appropriated in accordance with subdivision
17 (a) shall not be encumbered until the State Air Resources Board,
18 in consultation with the department, publishes findings, and reports
19 those findings to the Legislature, on how all operational aspects
20 of the projects result in greenhouse gas emission reductions.~~

21 ~~(2) A report submitted pursuant to paragraph (1) shall be
22 submitted in compliance with Section 9795 of the Government
23 Code.~~

24 81024. The department may undertake any of the following:

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

27 (b) Enter into agreements with local agencies that provide water
28 or recycled water service to provide loans for the purposes
29 described in subdivision (b) of Section 81000.

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

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

34 (e) Make requests on behalf of the state for deposit into the fund
35 of available federal moneys.

36 (f) Enter into agreements with the federal government for federal
37 contributions to the fund.

38 (g) Accept federal contributions to the fund.

39 (h) Provide technical assistance to local agencies.

1 81026. (a) The department may enter into an agreement with
2 the federal government for federal contributions to the fund only
3 if both of the following conditions are met:

- 4 (1) The state identifies any required matching funds.
- 5 (2) The department is prepared to commit to the expenditure of
6 any minimum amount in the fund in the manner required by the
7 federal government.

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

14 81030. Moneys in the fund shall be used for the following
15 purposes:

16 (a) Loans to local agencies that meet all of the following
17 requirements:

- 18 (1) Are made at or below market interest rates.
- 19 (2) Require annual payments of principal and any interest, with
20 repayment commencing not later than one year after loan funding
21 and full amortization not later than 20 years after loan funding.
22 Full amortization for loans to disadvantaged communities shall be
23 not later than 25 years after loan funding.

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

26 (b) To guarantee, or purchase insurance for, local obligations
27 if that action would improve credit market access or reduce interest
28 rates.

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

33 (d) To earn interest.

34 (e) Technical assistance.

35 (f) For payment of the department's reasonable costs of
36 administering the fund, not to exceed 4 percent of the fund.

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

1 deposited in the fund to the extent authorized and funded by that
2 federal capitalization grant.

3 81033. Funds made available pursuant to this division to a
4 local agency shall not be used for that local agency's administrative
5 costs.

6 81035. Any repayment of fund moneys, including interest
7 payments, and all interest earned on, or accruing to, any moneys
8 in the fund, shall be deposited in the fund and shall be available
9 for expenditure for the purposes and uses authorized by this
10 division.

11

12 PART 3. IMPLEMENTATION

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14 81040. Projects shall have one or more of the following
15 benefits:

- 16 (a) Measurably reduce urban per capita potable water use.
- 17 (b) Measurably reduce agricultural water use.
- 18 (c) Increase the use or availability of recycled water supply.
- 19 (d) Reduce greenhouse gas emission and water and energy use.

20 81042. Subject to all applicable constitutional restrictions, a
21 local agency may borrow money and incur indebtedness pursuant
22 to this division.

23 81044. The department may adopt rules and guidelines
24 necessary or convenient to implement this division.

25 81046. A local agency may implement ~~water-use~~ *water use*
26 efficiency loan programs pursuant to this section through on-bill
27 financing.