

AMENDED IN SENATE MARCH 24, 2014

SENATE BILL

No. 1370

Introduced by Senator Galgiani

February 21, 2014

An act to repeal and add Division 26.7 (commencing with Section 79700) of the Water Code, and to repeal Section 2 of Chapter 3 of the Seventh Extraordinary Session of the Statutes of 2009, relating to a surface water storage program, by providing the funds necessary therefor through an election for the issuance and sale of bonds of the State of California and for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1370, as amended, Galgiani. Reliable Water Supply Bond Act of 2014.

(1) Existing law creates the Safe, Clean, and Reliable Drinking Water Supply Act of 2012, which, if approved by the voters, would authorize the issuance of bonds in the amount of \$11,140,000,000 pursuant to the State General Obligation Bond Law to finance a safe drinking water and water supply reliability program. Existing law provides for the submission of the bond act to the voters at the November 4, 2014, statewide general election.

This bill would repeal these provisions.

(2) Under existing law, various measures have been approved by the voters to provide funds for water supply programs.

This bill would enact the Reliable Water Supply Bond Act of 2014, which, if adopted by the voters, would authorize the issuance of bonds in the amount of ~~\$5,100,000,000~~ \$6,260,000,000 pursuant to the State General Obligation Bond Law to finance surface water storage projects.

The bill would provide for the submission of the bond act to the voters at the November 4, 2014, statewide general election.

(3) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

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

SECTION 1. Division 26.7 (commencing with Section 79700) of the Water Code, as added by Section 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes of 2009, is repealed.

SEC. 2. Division 26.7 (commencing with Section 79700) is added to the Water Code, to read:

DIVISION 26.7. RELIABLE WATER SUPPLY BOND ACT
OF 2014

CHAPTER 1. SHORT TITLE

79700. This division shall be known and may be cited as the Reliable Water Supply Bond Act of 2014.

CHAPTER 2. FINDINGS

79701. The Legislature finds and declares all of the following:

(a) The snowpack's statewide water content is at about 20 percent of average for this time of year, which is a mere 7 percent of the average April 1 measurement when the snowpack normally is at its peak before melting into streams and reservoirs to provide one-third of the water used by California's cities and farms.

(b) *In 2013, California* had the lowest rainfall amounts on record in many areas.

(c) The Department of Water Resources estimates it will be able to deliver only 5 percent of the slightly more than 4 million acre-feet of State Water Project water requested for the 2014 calendar year—2014 by the 29 public agencies that collectively supply water to more than 25 million Californians and nearly a one million acres of irrigated farmland.

1 (d) The irrigation-dependent San Joaquin Valley farms and
2 some other areas will be hard hit if we have another dry year
3 without the reservoir storage.

4 (e) Many farmers are feeling the effects of the drought, and are
5 forced to irrigate orchards during a time of year that water is not
6 usually required.

7
8 CHAPTER 3. RELIABLE WATER SUPPLY BOND FUND OF 2014
9

10 79702. The proceeds of bonds issued and sold pursuant to this
11 division shall be deposited in the Reliable Water Supply Bond
12 Fund of 2014 (*hereafter the "fund"*), which is hereby created in
13 the State Treasury.

14
15 CHAPTER 4. SURFACE WATER STORAGE PROJECTS
16

17 79703. (a) For the purposes of this chapter, "account" means
18 the Water Storage Development Account created by subdivision
19 (b).

20 (b) The Water Storage Development Account is hereby created
21 in the fund.

22 (c) The sum of ~~five billion one hundred million dollars~~
23 ~~(\$5,100,000,000)~~ *six billion two hundred sixty million dollars*
24 *(\$6,260,000,000)* is hereby transferred from the fund to the account.
25 Notwithstanding Section 13340 of the Government Code, the funds
26 in the account are hereby continuously appropriated to the
27 Department of Water Resources, without regard to fiscal years,
28 for the design, acquisition, and construction of surface water
29 storage projects. The following surface water storage projects
30 identified by the department in the CALFED Bay-Delta
31 Programmatic Record of Decision, dated August 28, 2000, are
32 eligible for funding pursuant to this chapter:

33 (1) Sites Reservoir located in the Counties of Colusa and Glenn,
34 as identified in the North-of-the-Delta Offstream Storage
35 Investigation Initial Alternatives Information Report, dated May
36 2006.

37 (2) Temperance Flat Reservoir located in the Counties of Fresno
38 and Madera, as identified in the Upper San Joaquin River Basin
39 Storage Investigation Initial Alternatives Information Report, dated
40 June 2005.

1 ~~(3) Expansion of Los Vaqueros Reservoir located in the County~~
2 ~~of Contra Costa, as identified in the Los Vaqueros Expansion~~
3 ~~Investigation Initial Alternatives Information Report, dated~~
4 ~~September 2005.~~

5 *(3) Expansion of the San Luis Reservoir located in the County*
6 *of Merced.*

7 *(4) Expansion of the storage capacity of Shasta Dam by 18.5*
8 *acre-feet in order to increase the overall storage capacity of Lake*
9 *Shasta.*

10
11 CHAPTER 5. FISCAL PROVISIONS
12

13 79720. (a) Bonds in the total amount of ~~five billion one~~
14 ~~hundred million dollars (\$5,100,000,000)~~ *six billion two hundred*
15 *sixty million dollars (\$6,260,000,000)*, or so much thereof as is
16 necessary, not including the amount of any refunding bonds issued
17 in accordance with Section 79730 may be issued and sold to
18 provide a fund to be used for carrying out the purposes expressed
19 in this division and to reimburse the General Obligation Bond
20 Expense Revolving Fund pursuant to Section 16724.5 of the
21 Government Code. The bonds, when sold, shall be and constitute
22 a valid and binding obligation of the State of California, and the
23 full faith and credit of the State of California is hereby pledged
24 for the punctual payment of both principal of, and interest on, the
25 bonds as the principal and interest become due and payable.

26 (b) The Treasurer shall sell the bonds authorized by the
27 committee pursuant to this section. The bonds shall be sold upon
28 the terms and conditions specified in a resolution to be adopted
29 by the committee pursuant to Section 16731 of the Government
30 Code.

31 79721. The bonds authorized by this division shall be prepared,
32 executed, issued, sold, paid, and redeemed as provided in the State
33 General Obligation Bond Law (Chapter 4 (commencing with
34 Section 16720) of Part 3 of Division 4 of Title 2 of the Government
35 Code), and all of the provisions of that law apply to the bonds and
36 to this division and are hereby incorporated in this division as
37 though set forth in full in this division, except subdivisions (a) and
38 (b) of Section 16727 of the Government Code.

39 79722. (a) Solely for the purpose of authorizing the issuance
40 and sale pursuant to the State General Obligation Bond Law

(Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code) of the bonds authorized by this division, the Water Supply Reliability Finance Committee is hereby created. For purposes of this division, the Water Supply Reliability Finance Committee is ~~“the committee”~~ *the “committee”* as that term is used in the State General Obligation Bond Law. The committee consists of the Director of Finance, the Treasurer, the Controller, the Director of Water Resources, and the Secretary of the Natural Resources Agency, or their designated representatives. The Treasurer shall serve as chairperson of the committee. A majority of the committee may act for the committee.

(b) For purposes of the State General Obligation Bond Law, the Department of Water Resources is designated the “board.”

79723. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this division in order to carry out the actions specified in this division and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

79724. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

79725. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this division, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this division, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 79726, appropriated without regard to fiscal years.

79726. For the purposes of carrying out this division, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the

1 purpose of carrying out this division less any amount borrowed
2 pursuant to Section 79729. Any amounts withdrawn shall be
3 deposited in the fund. Any money made available under this section
4 shall be returned to the General Fund from proceeds received from
5 the sale of bonds for the purpose of carrying out this division.

6 79727. All money deposited in the fund that is derived from
7 premium and accrued interest on bonds sold shall be reserved in
8 the fund and shall be available for transfer to the General Fund as
9 a credit to expenditures for bond interest, except that amounts
10 derived from premium may be reserved and used to pay the cost
11 of bond issuance prior to any transfer to the General Fund.

12 79728. Pursuant to Chapter 4 (commencing with Section
13 16720) of Part 3 of Division 4 of Title 2 of the Government Code,
14 the cost of bond issuance shall be paid out of the bond proceeds,
15 including premium, if any. To the extent the cost of bond issuance
16 is not paid from premiums received from the sale of bonds, the
17 cost shall be shared proportionally by each program funded through
18 this division by the applicable bond sale.

19 79729. The board may request the Pooled Money Investment
20 Board to make a loan from the Pooled Money Investment Account,
21 in accordance with Section 16312 of the Government Code for the
22 purpose of carrying out this division less any amount withdrawn
23 pursuant to Section 79726. The amount of the request shall not
24 exceed the amount of the unsold bonds that the committee, by
25 resolution, has authorized to be sold for the purpose of carrying
26 out this division. The board shall execute any documents required
27 by the Pooled Money Investment Board to obtain and repay the
28 loan. Any amounts loaned shall be deposited in the fund to be
29 allocated in accordance with this division.

30 79730. The bonds issued and sold pursuant to this division
31 may be refunded in accordance with Article 6 (commencing with
32 Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of
33 the Government Code, which is a part of the State General
34 Obligation Bond Law. Approval by the voters of the state for the
35 issuance of the bonds under this division shall include the approval
36 of the issuance of any bonds issued to refund any bonds originally
37 issued under this division or any previously issued refunding bonds.

38 79731. Notwithstanding any other provision of this division,
39 or of the State General Obligation Bond Law, if the Treasurer sells
40 bonds pursuant to this division that include a bond counsel opinion

1 to the effect that the interest on the bonds is excluded from gross
2 income for federal tax purposes, under designated conditions or
3 is otherwise entitled to any federal tax advantage, the Treasurer
4 may maintain separate accounts for the investment of bond
5 proceeds and for the investment of earnings on those proceeds.
6 The Treasurer may use or direct the use of those proceeds or
7 earnings to pay any rebate, penalty, or other payment required
8 under federal law or take any other action with respect to the
9 investment and use of those bond proceeds required or desirable
10 under federal law to maintain the tax exempt status of those bonds
11 and to obtain any other advantage under federal law on behalf of
12 the funds of this state.

13 79732. The proceeds from the sale of bonds authorized by this
14 division are not “proceeds of taxes” as that term is used in Article
15 XIII B of the California Constitution, and the disbursement of
16 these proceeds is not subject to the limitations imposed by that
17 article.

18 SEC. 3. Section 2 of Chapter 3 of the Statutes of 2009, Seventh
19 Extraordinary Session, as amended by Section 1 of Chapter 74 of
20 the Statutes of 2012, is repealed.

21 SEC. 4. Section 2 of this act shall be submitted to the voters
22 at the November 4, 2014, statewide general election in accordance
23 with provisions of the Government Code and the Elections Code
24 governing the submission of a statewide measure to the voters.

25 SEC. 5. Section 2 of this act shall take effect upon the approval
26 by the voters of the Reliable Water Supply Bond Act of 2014, as
27 set forth in that section at the November 4, 2014, statewide general
28 election.

29 SEC. 6. This act is an urgency statute necessary for the
30 immediate preservation of the public peace, health, or safety within
31 the meaning of Article IV of the Constitution and shall go into
32 immediate effect. The facts constituting the necessity are:

33 In order to fund a surface water storage program at the earliest
34 possible date, it is necessary that this act take effect immediately.