



California's Proposition 3: A Policy Analysis

November 2018



This report is not intended to be an advocacy document. Rather, this report is intended to serve as an objective analysis of this key measure appearing on California's November 2018 general election ballot.

This report was primarily researched and written by Sunshine Saldivar, J.D., Environmental Law Fellow for the California Environmental Law & Policy Center (CELPC) at the UC Davis School of Law. In addition, this report was completed under the guidance of and review by Richard M. Frank, Executive Director for CELPC and Professor of Environmental Practice at the UC Davis School of Law.

For further information about this report, please contact Sunshine Saldivar at sbsaldivar@ucdavis.edu or Nina-Marie Bell, CELPC Administrative Assistant, at nbell@ucdavis.edu.

Introduction and Executive Summary

California faces many water challenges. Due to the state's growing population and the impacts of a changing climate, these challenges will require greater financial investment, as well as changes in policy, technology, laws and human behavior.¹ On November 6, 2018, California voters will decide the fate of Proposition 3, the Water Supply and Water Quality Act of 2018.² If passed, Proposition 3 would authorize the issuance of \$8.877 billion in general obligation bonds to be used for water-related infrastructure and environmental projects.³ Funds from Proposition 3 fall into six general categories, and there are more than one hundred subcategories specifying how allocated amounts should be spent.⁴ The initiative states that bond funds will "directly and indirectly benefit every region of the state."⁵

If Proposition 3 is enacted, it would designate \$2.5 billion for watershed protection, \$2.1 billion for water supply improvements including wastewater treatment, \$1.4 billion for habitat restoration, \$1.1 billion for groundwater management, \$500 million for flood protection projects and \$1.2 billion for upgrades and repairs to traditional water infrastructure such as canals and dams.⁶

Regarding the fiscal impact of Proposition 3, the Legislative Analyst estimates the bonds would generate about \$8.4 billion in interest over a 40-year period. Accordingly, the actual cost of Proposition 3 to the government and taxpayers, after repayment, would total \$17.3 billion.⁷ This would result in average costs to the General Fund of approximately \$430 million annually over the next 40 years and represents about one-third of one percent of the state's current General Fund budget.⁸

A "yes" vote on Proposition 3 means the state could sell \$8.9 in general obligation bonds to fund water infrastructure, groundwater supplies and storage, surface water storage and dam repairs, watershed and fisheries improvements, and habitat protection and restoration.⁹

This analysis focuses on the following topics:

- **State Spending on Water:** This background discussion provides context as to how money is spent on water in California and provides voters as well as interested observers with a better understanding of additional expenditures proposed in Proposition 3.
- **The Impetus for Proposition 3:** This discussion explains the origins of Proposition 3 and provides insight into some of the California water challenges the initiative seeks to address.
- **Development of Proposition 3:** Gerald Meral is the principal author of Proposition 3; this section summarizes the development process of Proposition 3.
- **The Initiative's Path to the Ballot:** This discussion provides an explanation of how Proposition 3 was placed on the November 2018 election ballot.
- **An Overview of Recent Water Bonds in California:** Here, Proposition 1 (November 2014), Proposition 68 (June 2018) and the current Proposition 3 (November 2018) are summarized and distinguished from one another.
- **Proposition 3's Provisions:** Funds from Proposition 3 fall into six general categories; this section offers an overview of the kinds of projects that would be targeted and ultimately funded by the initiative measure.

- A Social Justice Component: This section highlights the benefits Proposition 3 offers to disadvantage communities and the funds designated for safe drinking water projects.
- Proponents: In this discussion, the principal parties supporting Proposition 3 are identified, as well as their arguments in favor of the initiative.
- Opponents: The key opposing parties to Proposition 3 are listed and their arguments against the initiative are summarized here.

The UC Davis School of Law’s California Environmental Law and Policy Center (CELPC) does not take an advocacy position for or against Proposition 3. CELPC instead offers this legal and policy analysis to help inform the public debate on Proposition 3, in the hope that the analysis can be of use to California voters and interested observers leading up to the state’s general election on November 6, 2018.

Background of the Initiative Measure

State Spending on Water

Government agencies in California spend approximately \$30 billion annually on the state’s water sector.¹⁰ Over three-quarters of that amount is spent locally, and that amount is largely financed by industrial, commercial and residential customers when they pay their water and sewer bills.¹¹

The State and Federal governments play a key role by creating regional water supply infrastructure, setting and enforcing water quality standards and allocating finite water supplies among competing uses and users.¹² Additionally, the state makes grants and loans to local government agencies by paying part of the costs for some of their water projects.¹³ In recent years, the state has spent approximately \$4 billion annually to support such local and regional water and environmental projects.¹⁴ But there have not been any new major federal infrastructure investments made in California in recent years.¹⁵

Increasing water demands for environmental concerns, the impacts of climate change and population growth have all added to the pressures on California’s existing yet outdated water system.¹⁶ As a result, the state in recent years has helped fill a funding gap by passing a series of water bonds.¹⁷

Water Bonds

Bonds are a way for the State of California to borrow money to pay for planning, construction and renovation of infrastructure projects such as bridges, dams, parks and schools.¹⁸ To finance these projects, the state sells bonds to investors in order to receive up-front funding.¹⁹ The state repays those investors over time, with interest.²⁰

Accordingly, bonds are *not* “free money.” However, they can be very useful because often the large costs of such infrastructure projects can be difficult to finance all at once. Furthermore, the types of infrastructure or development projects covered by bonds usually provide services over many years to many people. Thus, it is often reasonable for current and future beneficiaries of those projects to help pay their costs.²¹

Proposition 3 is a general obligation bond. The state typically repays general obligation bonds from the state's General Fund, which is primarily supported by income and sales tax revenues.²² In California, general obligation bonds must be approved by voters.²³ When voters approve a general obligation bond, they commit to paying back the amount of the bond, plus interest, from the state's General Fund.²⁴

The Impetus for Proposition 3

California's water supply faces many challenges in light of competing demands, periodic droughts and a changing climate.²⁵ With unusually wet or dry years, the amount and location of available water can vary widely from year to year.²⁶ The recent (2012-16) historic drought in California has provoked serious questions about the long-term reliability of our current water supplies and infrastructure.²⁷ In the Findings and Declarations portion of Proposition 3, the text emphasizes how drought underscores a strong need for California water users to use the state's existing water supplies more efficiently, to increase investment in water infrastructure and for the state's water system to be more effectively integrated.²⁸

Major droughts can be viewed as an opportunity to review water management responses and derive policy lessons to better prepare society for the next one.²⁹ From 2012–2016, California experienced the hottest and driest drought in the state's recorded history. This period of water scarcity offered a window into the state's future under a warming climate.³⁰

A key stated objective of Proposition 3 is to provide short and long-term, cost-effective actions to address water shortages caused by the recent drought. Such measures, it is argued, could help prepare local communities for future drought.³¹ But change and preparation can be very costly. New sources are needed to pay for necessary water-management investments and to fill funding gaps in the state's water system.³² Proposition 3, it is argued, could assist in filling this funding gap and consequently help support a statewide effort to make California more resilient in the face of a changing climate.

With dams in deteriorating condition, devastating landslides and deadly fires brought on by especially dry conditions, it appears "California's infrastructure is not ready for the impacts of climate change."³³ A recent paper published by the Union of Concerned Scientists identifies the need to develop climate-resilient infrastructure in California.³⁴ The paper defines climate-resilient infrastructure as "infrastructure that is able to withstand extreme events and climate impacts to recover quickly and adapt to them in a way that enables it to function better in a future that is defined by climate extremes."³⁵ The author observes that when the American Society of Civil Engineers graded the state's infrastructure in 2012, it graded California's levee and flood control a D and urban runoff infrastructure and programs a D+.³⁶ Proponents of Proposition 3 argue the state's water infrastructure is outdated; and if left unchanged, defects and hazards will grow more pronounced over time.

Investments in water infrastructure are critical because the state needs to efficiently and effectively transfer water throughout the state. In California, most precipitation falls north of Sacramento, yet most of California's population and irrigated farmland are located in the drier

southern half of the state.³⁷ California's precipitation is highly variable year-to-year, but the long warm summers are always dry.³⁸ And while most of the population lives near the coast, most rivers and groundwater resources are located inland.³⁹ Huge state and federal investments have been required in order to move water hundreds of miles from north to south and east to west for the benefit of most Californians.⁴⁰

Notably, there have not been any major new federal infrastructure investments in California water for nearly 40 years.⁴¹

The water system in California broadens in complexity because California water users get their supply from several different sources. For instance, most water used for drinking and farming comes from rain and melted snow.⁴² Rain and melted snow flow into streams and rivers, and the areas where these streams and rivers begin are referred to as "watersheds."⁴³ Also, to provide additional water storage California has built an extensive system of dams, reservoirs and canals to store and deliver water throughout the state.⁴⁴ Additionally, groundwater is pumped from underground aquifers.⁴⁵ Finally, other water sources exist (e.g., desalination, water recycling), which provide a small share of the state's water supply.⁴⁶

People, agriculture and the environment are all impacted by the diverse set of water challenges California faces. Therefore, a sustainable solution must balance the need to provide public health and safety (e.g., safe drinking water, clean rivers, lakes and beaches, etc.), protect the environment and support California's growing economy.⁴⁷ Proposition 3 reflects this sentiment. The impetus for Proposition 3 arises from a goal reflected in the text of the initiative – if California makes its water supply more reliable, the state's water resources will also be more resilient in the face of an expanding population, periodic drought and a changing climate.⁴⁸

Proposition 3's Path to the Ballot

Placing a bond measure on the ballot in California can take one of two different paths: through the legislative process or via an initiative measure proposed by interest groups and qualified for the ballot through signature gathering.⁴⁹ Unlike California's two previous water measures, Proposition 3 was not placed on the ballot by the state Legislature.⁵⁰ Instead, it was qualified for the ballot by advocates led by Gerald Meral, and these advocates collected the requisite 365,880 signatures needed to do so.⁵¹

Meral is the principal author and proponent of Proposition 3 and a familiar face in California's water world. Meral previously served as the Deputy Director of the California Department of Water Resources and as Executive Director of the Planning and Conservation League. In addition, Governor Jerry Brown appointed Meral to serve as Deputy Secretary of the California Natural Resources Agency from 2011-2013.⁵²

On July 14, 2017, Meral submitted a letter to state election officials requesting that a title and summary be prepared for the initiative eventually designated for the ballot as Proposition 3. On September 20, 2017, the California Attorney General issued an official title and summary for the measure, thereby allowing proponents to begin collecting voter signatures.⁵³ On April 25, 2018, the Secretary of State declared that the Meral initiative had qualified to appear on the November

2018 ballot because 604,805 signatures were filed and approximately 463,896 (76.7% of those submitted) were deemed valid.⁵⁴

Development of Proposition 3 included Meral traveling across the state seeking comments and suggestions regarding the contents of his proposed initiative.⁵⁵ He heard from farmers who seek more water for crops, cities looking for ways to survive the next drought and towns seeking to clean up contaminated water supplies.⁵⁶ The initiative that emerged reflects Meral's response to that public input, along with his own views of California's future water-related needs.

Because Proposition 3 was placed on the ballot directly by Meral and his supporters rather than through the state Legislature, critics of the measure have complained that it has been created "behind closed doors" in a non-transparent fashion or even a "pay-to-play" political scheme. Both criticisms will be discussed further below.

Recent Water Bonds in California

Water bonds regularly appear on California's election ballots because bond financing is generally viewed as an essential strategy to deal with water issues in large states, such as California.⁵⁷

State water bonds are used in different ways, sometimes to fund large infrastructure projects and in other cases to facilitate other types of new water projects in which local or regional agencies haven't previously invested.⁵⁸ Water bonds in California are usually used by the state to partner with local or regional water agencies in some fashion.⁵⁹ In general, voters have a history of supporting California water bond proposals at the polls.⁶⁰

Specifically, in the past 25 years California voters have approved nine separate water bonds by large voter majorities, totaling \$27.1 billion.⁶¹ This year, California voters have been given the task of deciding whether to approve a total of \$13 billion in water bonds – in June, the \$4.1 billion California Clean Water & Safe Parks Act (Proposition 68) and in November, the \$8.9 billion Water Supply and Water Quality Act of 2018 (Proposition 3).⁶² As detailed below, Proposition 68 was approved by California voters.

A summary of California's most recently proposed water bond measures is set forth below:

Proposition 1 – November 2014

Gerald Meral has described Proposition 3 as a follow-up to 2014's Proposition 1. The latter was heavily focused on California groundwater restoration, wastewater recycling and providing water resources for fish and wildlife.⁶³

In November 2014, California voters approved Proposition 1, which authorized the sale of \$7.12 billion in new general obligation bonds for state water supply infrastructure projects such as surface and groundwater storage; ecosystem and watershed protection and restoration; drinking water protection; water supply management; water recycling and advanced water treatment

technology; and flood control.⁶⁴ Proposition 1 also reallocated an additional \$425 million of previously authorized, but unissued, bonds for similar purposes.⁶⁵

Proposition 1 and the current Proposition 3 are similar regarding the types of projects that could be funded by each measure, but include some critical differences. For instance, Proposition 1 includes \$2.7 billion to fund a portion of the cost of new surface storage projects—i.e., dams.⁶⁶ In contrast, Proposition 3 does not include any money for new surface storage.⁶⁷

Proposition 68 – June 2018

Californian voters have actually been asked to consider *two* water bonds in 2018, a fact that can be confusing to some voters. In June, the California electorate approved Proposition 68 (SB 5), authored by then-Senate President Pro tem Kevin de León. Proposition 68 authorized \$4.1 billion in general obligation bonds for state and local parks, environmental protection and restoration projects, water infrastructure projects, and flood protection projects.⁶⁸ The measure also reallocated \$100 million in unissued bonds, approved via the above-mentioned Proposition 1 (2014), as well as from Proposition 84 (2006) and Proposition 40 (2002).⁶⁹

However, it is noteworthy that most of the funding in Proposition 3 differs from that contained in Proposition 68.⁷⁰ While Proposition 3 and Proposition 68 overlap in some areas, there are significant differences between the two measures. First, Proposition 68 provides funds for both parks and water projects, whereas Proposition 3 would only fund water-related projects.

Furthermore, Proposition 3 is geared towards the interests of urban and agricultural water suppliers, while Proposition 68 includes funding for parks, coastal protection, outdoor access and natural resource management.⁷¹ Despite the differences between both initiatives, Meral and his supporters reportedly developed Proposition 3 with the intent that it would complement Proposition 68.⁷²

Overlap between Proposition 68 and Proposition 3 includes: funding of safe drinking water and wastewater treatment, wastewater recycling, Central Valley flood management, San Francisco Bay Restoration authority, state conservancies and environmental agencies, Salton Sea restoration and groundwater management.⁷³ But even with some overlap in funding, the funds from both measures arguably falls short of the amount necessary to solve all of the water challenges identified in the measures.⁷⁴

Key Elements of Proposition 3

Proposition 3, formally titled the Water Supply and Water Quality Act of 2018, allows the State of California to sell \$8.9 billion in new general obligation bonds to fund a wide array of water and environmental projects. These funds fall into 6 general categories: (1) Watershed Lands (\$2.5 billion), (2) Water Supply (\$2.1 billion), (3) Fish and Wildlife Habitat (\$1.4 billion), (4) Water Facility Upgrades (\$1.2 billion), (5) Groundwater (\$1.1 billion) and (6) Flood Protection (\$500 million).⁷⁵

Watershed Lands (\$2.5 billion)

In this category, funding would go towards improving the health of watershed lands, including forests, meadows, wetlands, and areas near rivers.⁷⁶ To qualify for Proposition 3 funding, a proposed project must protect or improve the supply and quality of the water that comes from these lands.⁷⁷ Many projects in this category could have environmental benefits, for instance improvement of fish and wildlife habitat or reducing the risk of forest fires.⁷⁸

There are 50 subcategories within this general category of Proposition 3 bond funding. Specific requirements are articulated as to how each amount must be spent in different areas of the state.⁷⁹ For example, Proposition 3 provides \$250 million for Sierra Nevada forests, \$200 million for remediation of the Salton Sea in Southern California and \$100 million for watersheds in the San Francisco Bay region.⁸⁰

According to the text of Proposition 3, improving the condition and water productivity of California watershed lands will help communities become more self-reliant with respect to water supply, and local environmental quality will be increased.⁸¹

Water Supply (\$2.1 billion)

The water supply category of Proposition 3 bond proceeds would fund projects designed to increase the amount of water available for people to consume. Those projects include the collecting and cleaning of rainwater (\$550 million); drinking water (\$500 million); and recycling wastewater (\$400 million).⁸² Proposition 3 also provides funding (\$300 million) for water conservation activities that decrease the amount of water Californians use. For instance, this could include paying some of the costs for water users to install low-flow toilets or replace their lawns with native vegetation that consumes less water.⁸³ Implementation of cost-effective methods for water development and conservation are, according to the language of Proposition 3, necessary for the state's present and future water needs, and Proposition 3 aims to back that objective.⁸⁴

Notably, many of the water supply and water quality investments funded by Proposition 3 would require a match by agencies and grant recipients, thereby increasing the effectiveness of the bond funding provided.⁸⁵ According to the text of Proposition 3, a goal is that water reliability will be enhanced in California by reducing waste, increasing the amount of water available to meet the state's needs and improving water quality.⁸⁶

Fish and Wildlife Habitat (\$1.4 billion)

The third category would fund projects designed to improve fish and wildlife habitat. Eligible types of projects could include those that would increase the amount of water that flows to a wetland or river, remove invasive plants from California waterways and purchase undeveloped land to preserve it in a natural state for habitat purposes.⁸⁷ The text of Proposition 3 notes that the State Water Resources Control Board, the Department of Fish and Wildlife and many other agencies have recognized that funding for fish habitat enhancement is vital to restoring native California fish populations.⁸⁸ Relying solely on water flow requirements to restore those

populations, the initiative asserts, will no longer be sufficient, so providing necessary funding for fish habitat enhancement is critical to protect fisheries populations.⁸⁹

Proposition 3 also targets projects designed to promote certain fish and bird species. These include native fish in the Central Valley (\$400 million), salmon and steelhead trout (\$300 million) and migratory birds (\$280 million). Proposition 3 notes that wetlands provide food, water and shelter for birds, fish, mammals, reptiles, amphibians and a vast number of plant species.⁹⁰ However, the measure notes, “California has lost 95% of its historical wetlands.”⁹¹ As a result, Proposition 3 asserts, many species may become endangered or threatened without additional wetland protections.⁹² Proposition 3 funds would be used to protect current wetlands and work towards increasing the number of wetlands in California.⁹³

Water Facility Upgrades (\$1.2 billion)

The funding for water facility upgrades covers four main projects, and the goal of these projects is to improve the availability of water in specified areas of the state.⁹⁴ These projects include:

(1) Repairing the federally-owned Madera and Friant-Kern canals in California’s San Joaquin Valley (\$750 million): The effects of drought are still felt in many areas throughout the state, including the San Joaquin Valley. A consequence of the drought was a significant increase in groundwater pumping as a means of replacing reduced surface water supplies.⁹⁵ That increased groundwater pumping and, in turn, lowered regional groundwater aquifers, which caused some wells to go dry and surface lands to subside.⁹⁶ Some of that ground subsidence has caused buckling and related damage to the Friant-Kern Canal. As a result, that canal has lost 60% of its capacity to convey water for both consumptive uses and groundwater recharge.⁹⁷ Unless conveyance capacity is restored to the Madera and Friant-Kern canals, ground subsidence is expected to worsen and many communities relying on this source of water will continue to suffer adverse effects.⁹⁸

(2) Building canals and other types of water conveyance projects that connect local reservoirs and communities in the San Francisco Bay Area (\$250 million): These funds would go to a group of eight water agencies collectively known as the Bay Area Regional Reliability Partnership (BARR).⁹⁹ The BARR Partners include Alameda County Water District, Bay Area Water Supply and Conservation Agency, Contra Costa Water District, East Bay Municipal Utility District, Marin Municipal Water District, San Francisco Public Utilities Commission, Santa Clara Valley Water District and Zone 7 Water Agency.¹⁰⁰ The funds would pay for new facilities that extend the benefits of surface water storage in any or all of the following areas: drought supply reliability, drinking water quality and emergency storage.¹⁰¹ However, in no case can the bond funds be designated for more than 50% of any single eligible project’s total cost.¹⁰² Additionally, Proposition 3 specifies that no funds appropriated pursuant to this section may be spent on building new surface storage or raise existing reservoirs.¹⁰³

(3) Repairing the state-owned Oroville Dam in Butte County (\$200 million): These funds would pay for repair and reconstruction of the spillways at the Oroville Dam, in the much-publicized damage to the spillway suffered as the result of abnormally heavy rainfall in 2017.¹⁰⁴ The Oroville Dam is important because the dam and accompanying reservoir are the largest

components of the State Water Project; they also provide critical flood control for the Sacramento Valley.¹⁰⁵ The flood control function of Oroville Dam was originally funded by the federal government, but flood control was not included as a repayment obligation of the public water agencies that benefit from the project by receiving water from the Oroville Dam.¹⁰⁶

(4) Planning changed for the North Bay Aqueduct that serves Solano and Napa Counties (\$5 million): These funds are designated to plan for the diversion of water from the Sacramento River to the North Bay Aqueduct.¹⁰⁷ The goal of this funding is to reduce the adverse impact of these diversions on listed fish species and to provide a higher quality of drinking water to those served by the Aqueduct in the urban areas north of San Francisco.¹⁰⁸

Groundwater (\$1.1 billion)

Proposed bond proceeds benefitting groundwater would fund activities designed to clean up contaminated groundwater aquifers by removing salts to make them more usable for agricultural and urban uses (\$400 million), and to finance projects that help pumped groundwater to soak back into the aquifer so that it can be reused in the future (a process known as “groundwater recharge”).¹⁰⁹ Other funds would be devoted to projects and programs that support better groundwater management, including faster implementation of California’s landmark 2014 Sustainable Groundwater Management Act and to better understand the hydrological connection between surface water and groundwater.¹¹⁰ The overall objective of this category of proposed Proposition 3 funding is to ensure that California’s currently-overtaxed groundwater resources will remain available and sustainable in the future.¹¹¹

Flood Protection (\$500 million)

Flooding can devastate urban and rural communities, as well as state infrastructure.¹¹² This component of Proposition 3 funding would be devoted to projects that reduce the risks associated with floods.¹¹³ Eligible projects include expanding floodplains (i.e., providing areas where floodwaters can be allowed to spread and dissipate without causing substantial harm) and repairing reservoirs.¹¹⁴ Correlative benefits of these projects, according to the initiative, include improving fish and wildlife habitats, increasing available water supplies and improving recreational opportunities.¹¹⁵ Some of this proposed funding is designated for projects in specific areas of the state, including the Central Valley (\$200 million) and the San Francisco Bay Area (\$200 million).¹¹⁶

Providing funds to intelligently manage California floodplains, the initiative asserts, will help avoid flood damage, improve fish and wildlife habitat, remove pollutants from the state’s water supply, enhance groundwater supply, remediate groundwater aquifers and otherwise improve the environment.¹¹⁷

Fund Distribution

Proposition 3, if approved by California voters, would provide funding to more than a dozen different state departments, agencies and boards.¹¹⁸ Some of the funds could be spent on projects carried out by those state entities. However, almost all of the funds would eventually be

redistributed in the form of competitive grants to local governments, regional agencies, Native American tribes, nonprofit organizations and private water companies for specific projects.¹¹⁹

Environmental Justice Component

“Disadvantaged Communities”

If enacted, Proposition 3 would require that \$1.398 billion be spent on projects benefitting disadvantaged communities, and an additional \$2.637 billion is designated to benefit these communities through programs where they are given high priority and cost sharing waivers.¹²⁰ Under California law, “disadvantaged communities” are defined as communities with an annual median household income less than 80 percent of the statewide annual median household income.¹²¹ (California’s statewide median household income as of 2017 was \$63,783, according to the U.S. Census Bureau.)¹²²

Funding for Safe Drinking Water

“An estimated 360,000 Californians are served by water systems with unsafe drinking water,” according to data compiled by California’s State Water Resources Control Board (State Board).¹²³ In many disadvantaged—and primarily rural communities—throughout the state people drink, shower, cook and wash dishes with water containing excessive amounts of pollutants, including arsenic, nitrates and uranium.¹²⁴ Moreover, during California’s most recent multiyear drought many domestic groundwater wells in rural communities ran dry, requiring disadvantaged communities to rely on bottled water for their domestic water requirements.

Indeed, the state’s long-term water problems relating to California’s disadvantaged communities may be worse than the existing numbers indicate, considering that “at least 6 million Californians are served by water providers that have been in violation of state standards at some point since 2012” according to the State Board’s analysis.¹²⁵ Contaminated drinking water is so common in some areas that residents have come to expect it.¹²⁶

In September 2012, the “Human Right to Water Act” (AB 685) was signed into law by Governor Brown, which became effective on January 1, 2013 (Water Code section 106.3).¹²⁷ The law declares that, “Every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.”¹²⁸ However, in enacting the Human Right to Water Act, the Legislature failed to appropriate any money or levy any taxes to fund its stated statutory objectives.¹²⁹

Proposition 3 would provide dedicated funding for safe drinking water to help achieve the stated legislative intent of Water Code section 106.3.¹³⁰ The initiative measure designates \$750 million to fund improvements in drinking water or sanitation systems for disadvantaged communities. Technical assistance funding is also included.¹³¹ Of the designated \$750 million, \$500 million is allocated to safe drinking water programs, while the remaining \$250 million is devoted to improved wastewater treatment systems for these communities.¹³²

Legal & Policy Analysis

The analysis that follows focuses on some of the more controversial provisions of Proposition 3, many of which have been publicized by critics of the measure and some media outlets. The analysis first identifies the controversial elements of Proposition 3, then discusses the stated views regarding those elements that have been advanced by both proponents and opponents of the initiative measure, and concludes with a few additional comments.

The Controversy

Water bond measures placed before California voters in recent years have generally been approved with widespread voter support. Polling of California voters related to those earlier measures have conveyed a clear message: the California electorate wants a reliable water supply and is willing to pay for it.¹³³ But legislators, multiple stakeholders and others who routinely work behind the scenes to draft, debate and lobby the specific provisions of past water bond measures and Proposition 3 often disagree on what projects and policy initiatives should be funded by bond proceeds. That disagreement is especially pronounced when, as with Proposition 3, the funding source is general obligation bonds funded by the state's General Fund.

It is therefore unsurprising that proponents and opponents of Proposition 3 strongly disagree as to whether Proposition 3 should be approved by California voters this November.¹³⁴

Proposition 3 – Proponents

Many agricultural organizations, environmental groups and social justice advocates have joined with regional and municipal water agencies to support Proposition 3.¹³⁵ To date, these groups have contributed nearly \$5 million to the campaign in support of the measure. A non-exhaustive list of Proposition 3's supporters includes:

Government Officials: U.S. Senator Dianne Feinstein, U.S. Representatives Jim Costa, Tony Thurmond and John Garamendi, State Senator and President Pro tem Toni Atkins, 2018 Republican candidate for Governor John Cox and 2018 Democratic candidate for State Treasurer Fiona Ma.

Organizations: League of California Cities, California Chamber of Commerce, Ducks Unlimited, Western Growers Association and the Nature Conservancy. (See waterbond.org for a complete listing).

Newspaper Editorial Boards: Fresno Bee, Monterey County Weekly and Bakersfield Californian.

Campaign Finance Committees: Three ballot measure committees registered in support of Proposition 3.¹³⁶ The committees Californians for Safe Drinking Water and a Clean and Reliable Water Supply in Support of Proposition 3 received most of the funds. Together, the support committees received \$4.03 million and have to date spent \$2.24 million.¹³⁷ The single largest contributor to the support committees was Ducks Unlimited, a conservation organization that donated \$400,000.¹³⁸

Proposition 3 Proponents – What Are They Saying?

Environmental proponents of the initiative insist that California’s crumbling water infrastructure requires urgent action.¹³⁹ David Lewis, executive director of Save the Bay (an environmental nonprofit), shares this sentiment. Lewis argues that bond measures are sometimes passed to help local agencies cover infrastructure costs.¹⁴⁰ He contends that, “leaving infrastructure to decay because a local agency can’t afford to fix it, that’s not a sustainable practice.”¹⁴¹

In order to help secure the state’s future water supply, investment in water infrastructure is desperately needed, proponents argue. This position is advanced throughout the official argument submitted in support of Proposition 3, which can be found in the California Secretary of State’s November 2018 Voter Information Guide.¹⁴²

Proposition 3 advocates also contend that the measure will help disadvantaged communities gain greater access to safe drinking water.

*The state can't continue to underinvest in water. We have people who don't have adequate water supplies. It is a human rights problem.*¹⁴³ – Gerald Meral

Some Proposition 3 proponents, including local water districts, support Proposition 3 because they believe it will fund safe, reliable and clean drinking water.¹⁴⁴ Proposition 3 funding, they argue, would help provide safe drinking water to millions of Californians, with priority given to those living in disadvantaged communities.¹⁴⁵ A little more than \$4 billion, almost half of the funding authorized by Proposition 3, is devoted to the state’s disadvantaged communities.¹⁴⁶ In the opinion of Susana de Anda of the “water justice” organization Community Water Center, by providing disadvantaged communities with safe drinking water, Proposition 3 moves the state closer to guaranteeing every Californian is afforded a basic human right to water.¹⁴⁷

Similarly, proponents of Proposition 3 assert that its passage will help better prepare the state for future droughts.

“We’re in a climate-driven situation now where droughts will be part of our future forever,” says Gerald Meral; he argues that California needs to make its water supply more reliable and that Proposition 3 would help achieve this goal.¹⁴⁸ Other proponents similarly see Proposition 3 as an investment to help the state become more prepared for the state’s next, inevitable drought, which could be worsened by climate change.¹⁴⁹ According to Betty Andrews, a water resources engineer, Proposition 3 would help California prepare for changes in water supply and water quality if it invests in water conservation and recycling.¹⁵⁰

Proposition 3 Opponents

Officials: Anthony Rendon, Speaker of the California State Assembly.

Organizations: Sierra Club of California, Friends of the River, League of Women Voters of California, Save the American River Association and Southern California Watershed Alliance.

Newspaper Editorial Boards: Los Angeles Times, San Francisco Chronicle, Santa Cruz Sentinel, San Jose Mercury News, Sacramento Bee and San Diego Union-Tribune.

Campaign Finance Organizations: No campaign committees have registered to oppose Proposition 3.¹⁵¹

Proposition 3 Opponents – What Are They Saying?

One of the key objections to Proposition 3 raised by the initiative’s opponents is that the measure lacks transparency and is untrustworthy because it was developed “behind closed doors.” These critics are referring to how the initiative was developed and placed on the ballot, arguing that instead of first going through the legislative process like other recent state water bond measures, Proposition 3 was placed on the ballot directly by its drafters and proponents through the signature-gathering process.¹⁵²

The legislative process for proposed state bond measures requires a bill to be introduced in the California Legislature and considered at public hearings conducted by numerous legislative policy and budget committees. This process provides opportunities for public comment and media coverage. Additionally, proposed bond measures must be approved by a two-thirds vote of the legislators in both the Senate and Assembly.¹⁵³ In contrast, the signature-gathering process is very different because it allows a proposed bond measure to be developed by private parties in the absence of public and media scrutiny.¹⁵⁴ As a result, some are hesitant to endorse Proposition 3 because they perceive that the public engagement component and, consequently, transparency is missing from the measure.

Another major allegation of Proposition 3’s opponents is that the measure is a so-called “pay-to-play” scheme. Campaigning and signature gathering to put a bond measure on the ballot can be very expensive. Some opponents of Proposition 3 argue that the high cost of putting it on the ballot has resulted in a “pay-to-play” structure, because private groups allegedly provided money to support the campaign in exchange for receiving funding from the bond proceeds.¹⁵⁵

Many of California’s major newspapers have been especially outspoken about this perceived aspect of Proposition 3. They claim, in particular, that it would unjustly benefit wealthy individual farmers and agribusiness interests.¹⁵⁶ For example, the San Francisco Chronicle editorialized:

This scheme was devised as an initiative that is being funded, in part, by individuals and entities that are going to be receiving a share of the bond money. The pay-to-play aspect in itself should give voters ample reason to reject Proposition 3.¹⁵⁷

The Sierra Club agrees with this position, stating, “While many of the projects to be funded are worthwhile, others are generous giveaways to private entities.”¹⁵⁸ The Sierra Club argues that several projects specified for bond funding in the initiative directly relieve existing financial obligations of the initiative’s financial backers, including corporate agriculture. Prominent examples cited by the Sierra Club include proposed funding of repairs for both the Friant-Kern Canal and the Oroville Dam. The Club contends that using General Fund bond proceeds for these

repairs would absolve the responsible parties of their responsibility to cover the costs themselves, which sends the wrong public policy message.¹⁵⁹ The Friant-Kern Canal was damaged due to water users over-pumping groundwater. Oroville Dam is part of the State Water Project, with water contractors operating under a “beneficiary pays model,” where normally those who profit from water deliveries from public water projects are expected to pay for the costs of building and maintaining the infrastructure.¹⁶⁰

An additional criticism of Proposition 3 is how the funds are continuously appropriated, meaning that the Legislature would not be required to appropriate the funds from the measure in a given fiscal year through the annual state budget.¹⁶¹ Instead, the department recipients of bond funds designated in the initiative would receive those funds automatically, without legislative oversight.¹⁶²

Opponents of Proposition 3 also argue that the initiative, if enacted by voters, might fund water projects that could actually worsen environmental quality. For example, these opponents argue that the language of Proposition 3 fails to prevent all activities that could harm the environment, such as potential adverse impacts to wildlife habitat and forest ecosystems.¹⁶³

Similarly, the Sierra Club contends that only chapters 8, 9 and Section 6 of Proposition 3 prohibit the expenditure of funds for new surface storage facilities or the raising and expansion of existing reservoirs.¹⁶⁴ But the Club expresses concern that these same prohibitions are not found elsewhere in the measure, which leaves room for uncertainty.¹⁶⁵

Regarding potential adverse impacts to wildlife habitat, opponents of Proposition 3 argue that it could create incentives that harm threatened and endangered species listed under the federal and California Endangered Species Acts. For instance, section 86032 of the initiative provides funding for agricultural water conservation in the tributaries of the Delta for the benefit of flow and to expedite water transfers.¹⁶⁶ But as explained by the Sierra Club, the problem is that this provision does not explicitly prohibit the expenditure of funds on activities that create adverse impacts to wildlife.¹⁶⁷ While those impacts are unknown, Proposition 3 opponents contend that this section could provide perverse incentives that could actually decrease wildlife habitat.¹⁶⁸

Conclusion

Proposition 3 touches on many of California’s longstanding water-related issues and controversies. A wide array of water stakeholders with competing interests are actively involved in the political campaign over this initiative measure.

A steadily-growing population, an expansive agricultural economy, compelling environmental demands and a changing climate may make a grand political water bargain of some sort necessary for California.¹⁶⁹ Until then, the state’s diverse water stakeholders remain divided as to whether Proposition 3 represents wise water policy and whether it should be approved by California voters on November 6, 2018.

The goal of this analysis is to provide an objective analysis of Proposition 3 in order to better inform California voters and interested observers and thereby elevate the public dialogue concerning these water and fiscal issues affecting every Californian.

Endnotes

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**APPENDIX: FULL TEXT OF CALIFORNIA’S PROPOSITION 3, THE
WATER SUPPLY AND WATER QUALITY ACT OF 2018**

17 - 0010 Arndt# /

RECEIVED

AUG 11 2017

INITIATIVE COORDINATOR

ATTORNEY GENERAL'S OFFICE

August 11, 2017

Attorney General Xavier Becerra

Attention: Ashley Johansson, initiative coordinator

1300 I Street, 17th floor, Sacramento, Ca 95814

Dear Attorney General Becerra:

Enclosed are amendments to our water bond initiative, 17-0010. Please prepare a title and summary based on this amended initiative. A copy in underline and strikeout is provided, as well as a clean copy. Please let me know if you have any questions.

Sincerely

Gerald H. Mera!

A handwritten signature in black ink that reads "Gerald H. Mera". The signature is written in a cursive style with a large, stylized initial "G".

Cc: Legislative analyst

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1.

Division 38 (commencing with Section 86000) is added to the Water Code, to read:

DIVISION 38. State water supply infrastructure, water conveyance, ecosystem and watershed protection and restoration, and drinking water protection act of 2018.

CHAPTER 1. Short Title.

86000. This division shall be known and may be cited as the Water Supply and Water Quality Act of 2018.

CHAPTER 2. Findings and Declarations.

86001. The people find and declare the following:

(a) In our frequently very dry state, our high-tech, agricultural and urbanized economy relies on an uninterrupted and high-quality water supply. By making water use more efficient, reducing the demand for water, providing new and diverse water supplies, improving the quality of our source watersheds, and protecting key environmental uses of water, this measure will assure that the economic and environmental engines of California are not derailed by a shortage of water.

(b) California's recent historic drought raises serious questions about the long-term reliability of our current water supplies. The drought underscores the need to use our existing water supplies more efficiently, increase investments in our water infrastructure, and more effectively integrate our water system from the headwaters to the enduser.

(c) California's water situation requires implementation of the Governor's Water Action Plan to provide for the water needs of people, agriculture and the environment. This division will help provide a more reliable water supply by reducing waste, increasing the amount of water available to meet our needs, and improving water quality. This division also provides additional protection for our communities from floods.

(d) This division will implement cost effective methods of water development and conservation to meet California's present and future water needs in a changing climate, including capture of urban drainage and stormwater runoff, groundwater and brackish water desalting, groundwater storage, water recycling, waterconservation, and watershed management, restoration, enhancement and protection.

(e) Many of the water supply and water quality investments provided by this division will be matched by agencies and grant recipients, more than doubling the effectiveness of the funding provided.

(f) Agencies implementing this division will give high priority to cost-effective projects, and to the most durable and most environmentally beneficial projects. Funding will go to projects that contribute to implementation of the Governor's Water Action Plan, the goal of which is to increase the resiliency of the California water system and the ability of California communities to cope with drought conditions.

(g) Every Californian has a right to safe, clean, affordable, and accessible drinking water. By complying with Section 106.3, agencies providing funds for safe drinking water pursuant to this division will help achieve the intent of that Section.

(h) This division provides a fair and reasonable distribution of funds directly and indirectly benefitting every region of the state.

(i) This division provides short and long-term cost-effective actions to address the water shortages caused by the recent drought, and will help prepare local communities for future droughts. Droughts reduce water supplies for people, agriculture and the environment. This division will help meet the water needs of people, agriculture, and the environment and make California more resilient in the face of a changing climate.

(j) By improving the health and water productivity of watersheds, communities will become more self-reliant with respect to water supply, and local environmental quality will be increased.

(k) By removing invasive plants such as yellow starthistle, giant reed (*Arundo donax*) and tamarisk, water supply will be increased and habitat for fish and wildlife will be improved.

(l) Flooding can devastate communities and infrastructure. We can make better use of floodwaters by capturing waters and putting them to use in our communities, on our farms, and by recharging groundwater basins. By providing funds to intelligently manage our watersheds and floodplains, this division will also help avoid flood damage, improve fish and wildlife habitat, remove pollutants from our water supply, enhance groundwater, remediate aquifers and improve the environment. Better floodplain management may allow improved operation of upstream reservoirs for water supply purposes.

(m) Severe fire conditions can lead to significant erosion, reduced water quality and impacts on water infrastructure. This division provides funding to manage forests and watersheds to reduce fire danger, mitigate the effects of wildfires on water supply and quality, and enhance water supplies.

(n) This division funds the following programs, which respond to human and environmental water needs in California:

(1) Improvement of water supply and water quality utilizing cost effective methods, including water conservation, desalting of groundwater and other inland saline water, stormwater management, wastewater recycling, and similar water management measures.

(2) Better management of forest and rangeland watersheds, such as through the Sierra Nevada Watershed Improvement Program to improve the pattern, quantity and quality of water runoff and groundwater recharge. Improving soil health improves the ability of the ground to better contain groundwater and moderate the rate of water runoff.

(3) Better groundwater management, including faster implementation of the Sustainable Groundwater Management Act, and better recognition of the connection between surface and groundwater.

(4) Provision of water for fish and wildlife, including restoration of the Pacific Flyway and management of habitat in a dynamic way to respond to changing environmental conditions.

(5) Increased capacity to convey water resulting in greater groundwater recharge and improved conveyance and utilization of floodwaters for use in drought years.

(o) The State Water Resources Control Board, the Department of Fish and Wildlife, and many other agencies have recognized that providing funding for fish habitat enhancement is vital to restoring native California fish populations, and that relying solely on flow to restore those populations will not be sufficient. Providing funding for fish habitat enhancement is a vital complement to reasonable flows to protect fish.

(p) California has lost ninety-five percent (95%) of its historical wetlands. These wetlands provide food, water and cover for migratory and other birds, fish, mammals, reptiles, amphibians and a vast number of plant species. Many species may become endangered or threatened without wetlands and many more survive only due to wetlands available today. This division combines work to sustain and protect current wetlands with the potential to increase wetlands in California to support a thriving flora and fauna.

(q) The implementation of this division will result in cost savings to local governments immediately by substantially more than one billion dollars, and reduce local government operating costs by hundreds of millions of dollars per year. This division will provide funding that displaces local government funding, resulting in the implementation of projects in the following areas. These projects would have eventually been implemented by local government.

(1) Safe Drinking Water. State direct and matching funds will reduce the cost to local government of implementing drinking water and wastewater treatment systems, and to some extent the operation of those systems.

(2) Wastewater recycling. State funds will reduce the cost of these plants, reducing the capital cost of the projects for local governments. By reducing local government capital costs, the cost of water from these plants will also be reduced. Implementation of wastewater recycling plants will defer the need for more expensive alternative sources of water supply, thus further reducing local capital and operating costs.

(3) Groundwater desalting. State funds will reduce the cost of these plants, reducing the capital cost of the projects for local governments. By reducing local government capital costs, the cost of water from these plants will also be reduced. Implementation of groundwater desalting plants will defer the need for more expensive alternative sources of water supply, thus further reducing local capital and operating costs.

(4) Water Conservation. State funds will reduce the cost of these projects, reducing costs to local government. More importantly, reduced water demand resulting from these projects will reduce operating costs, and will temporarily or permanently defer the construction and operating costs of more expensive capital outlay projects needed to provide new water.

(5) Repairing flood control reservoirs. State funds will reduce the costs of these projects for local government.

(6) San Francisco Bay Restoration Authority funds. State investment in wetlands projects providing flood protection around San Francisco Bay will reduce flood risk associated with climate change. This will reduce the cost of other flood control measures, and more importantly will reduce flood damage which often results in tremendous costs to local government for facility repair.

(7) Stormwater funding. Regulations imposed by the State Water Resources Control Board and various regional water quality control boards will result in the construction of various capital outlay projects costing billions of dollars. Providing funds through this measure will reduce the cost of these projects to local government.

(8) Fisheries restoration. This division provides hundreds of millions of dollars for fisheries restoration. Local and regional water agencies are voluntarily undertaking many of these projects. By providing state funds, this division will reduce local costs. In addition, the resulting increase in fish populations will make it possible to improve local water supplies, avoiding local government costs to provide replacement water supplies costing hundreds of millions or even billions of dollars.

(9) Bay Area Regional Reliability. Bay Area water districts are undertaking extensive improvements in their water distribution systems to interconnect their water supplies for greater drought water supply reliability and other benefits. By providing funds for this program, this division will reduce their costs by two hundred and fifty million dollars (\$250,000,000).

(10) Friant Kern Canal Repair. Groundwater overdraft has caused subsidence of the Friant Kern Canal. State funds to repair the canal will reduce the cost of repairing the canal to local water districts. Avoiding the cost to finance this project will also save tens of millions of dollars per year in interest costs which would have to be paid by these districts.

(11) Oroville Dam Repair. Although the costs of repairing Oroville Dam should be covered by the federal government either through the Federal Emergency Management Agency or the Corps of Engineers, the federal government may not fulfill this obligation. If the State Water Resources Development System contractors, all local agencies, are forced to cover all or part of these costs, this division will reduce their costs by two hundred million dollars (\$200,000,000). Interest costs would also be reduced.

(r) Substantial funds remain to be allocated to storage projects pursuant to Division 26.7. For this reason, and so as not to interfere with the work of the California Water Commission in awarding these funds, this measure does not include funding for the construction of specific storage projects.

CHAPTER 3. Definitions.

86002. Unless the context otherwise requires, the definitions set forth in this section govern the construction of this division, as follows:

(a) "Conservation" means rehabilitation, stabilization, restoration, reduced water use, development, and reconstruction, or any combination of those activities.

(b) "Conservation actions on private lands" means projects implemented with willing landowners that involve the adaptive and flexible management of natural resources in response to changing conditions and threats to habitat and wildlife. These investments and actions are specifically designed to create habitat conditions on private lands which, when managed dynamically over time, contribute to the long-term health and resiliency of vital ecosystems and enhance wildlife populations.

(c) "Delta" means the Sacramento-San Joaquin Delta as defined in Section 12220.

(d) "Department" means the Department of Water Resources.

- (e) "Desalination" means removing salt and other contaminants from polluted groundwater or other inland sources of water containing salts, including brackish water.
- (f) "Disadvantaged community" has the meaning set forth in subdivision (a) of Section 79505.5, as it may be amended.
- (g) "Economically distressed area" has the meaning set forth in subdivision (k) of Section 79702, as it may be amended.
- (h) "Finance committee" means the Water Supply Reliability and Drought Protection Finance Committee created by Section 86182.
- (i) "Fund" means the Water Supply Reliability and Drought Protection Fund of 2018 created by Section 86169.
- (j) "Groundwater sustainability agency" means an agency defined in subdivision (j) of Section 10721.
- (k) "Integrated Regional Water Management Plan" means a comprehensive plan for a defined geographic area that meets the requirements of Part 2.2 (commencing with Section 10530) of Division 6, as that part may be amended.
- (l) "Invasive plant" means a terrestrial or aquatic plant not native to California of no or negligible agricultural value which does any of the following: displaces native plants, threatens native plant biodiversity, harms agricultural or rangeland productivity, degrades wildlife habitat, contributes to fire hazard, or uses more water than the plants it displaces.
- (m) "Multi-benefit project" means a project that serves more than one purpose, including but not limited to flood management, water supply, water quality improvement, environmental enhancement, recreation, energy conservation, reduction of emission of climate-changing gases, and fish and wildlife improvement.
- (n) "Nonprofit organization" means an organization qualified to do business in California and exempt under Section 501(c)(3) or Section 501(c)(6) of Title 26 of the United States Code, to the extent permitted by state and federal law.
- (o) "Protection" means those actions necessary to prevent harm or damage to persons, property or natural resources or those actions necessary to allow the continued use and enjoyment of property or natural resources and includes acquisition, development, restoration, conservation, preservation and interpretation as interpretation is defined in subdivision (i) of Section 75005 of the Public Resources Code.
- (p) "Public agency" means a state agency or department, special district, joint powers authority, city, county, city and county, or other political subdivision of the state.
- (q) "Public water systems" are defined in subdivision (h) of section 116275 of the Health and Safety Code and means regional, municipal, and district urban water suppliers, including privately owned water suppliers as defined in Part 2.6, Section 10617 of the Water Code Division 6.
- (r) "Restoration" means the improvement of physical structures or facilities and, in the case of natural systems and landscape features, includes but is not limited to projects that improve physical and

ecological processes, including but not limited to erosion control; sediment management; the control and elimination of invasive species; prescribed burning; fuel hazard reduction; fencing out threats to existing or restored natural resources; meadow, wetland, riparian, and stream restoration; and other plant and wildlife habitat improvement to increase the natural system value of the property. Restoration projects shall include the planning, monitoring and reporting necessary to ensure successful implementation of the project objectives.

(s) "Severely disadvantaged community" means a community with a median household income of less than 60 percent (60%) of the statewide median household income.

(t) "Sierra Nevada Watershed Improvement Program" is a coordinated, integrated, collaborative program to restore the health of California's primary watershed by increasing the pace and scale of forest restoration in order to maintain the important benefits that the Sierra Nevada region provides.

(u) "State board" means the State Water Resources Control Board.

(v) "State General Obligation Bond Law" means 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.

(w) "Stormwater" and "dry weather runoff" are defined as in Section 10561.5.

(x) "Stormwater Resource Plans" are defined as in Part 2.3 (commencing with Section 10560) of Division 6.

CHAPTER 4. Accountability.

86003. (a) (1) The California Natural Resources Agency shall provide for an independent audit of expenditures pursuant to this division no less than every three years.

(2) On or before January 10, 2020, and every six months thereafter, the Natural Resources Agency shall publish on its website a report that contains all of the following information relating to this division for the previous six months with the information summarized by section of this division:

(A) Funding encumbrances.

(B) Summary of new projects funded.

(C) Summary of projects completed.

(D) Discussion of progress towards meeting the metrics of success established pursuant to Section 86157.

(E) Discussion of common challenges experienced by state agencies and recipients of funding in executing projects.

(F) Discussion of major accomplishments and successes experienced by state agencies and recipients of funding in executing projects.

(3) This subsection shall remain in effect only until January 1, 2028, and as of that date is repealed.

(b) The Department of Finance or the Controller, or the California State Auditor at the direction of the

Legislature, may conduct an audit of the expenditures of any state agency receiving funding pursuant to this act.

(c) The state agency issuing any grant with funding authorized by this division shall require adequate reporting of the expenditures of the funding from the grant.

CHAPTER 5. Improvement of Water Supply and Water Quality.

CHAPTER 5.1. Safe Drinking Water.

86004. The sum of seven hundred fifty million dollars (\$750,000,000) is appropriated from the Fund to the State board for expenditures, grants, and loans to improve water quality or help provide clean, safe, and reliable drinking water to all Californians.

86005. The projects eligible for funding pursuant to this chapter shall help improve water quality for a beneficial use. The purposes of this chapter are to:

- (a) Reduce contaminants in drinking water supplies regardless of the source of the water or the **contamination.**
- (b) Assess and prioritize the risk of contamination to drinking watersupplies.
- (c) Address the critical and immediate needs of disadvantaged, rural, or small communities that suffer from contaminated or inadequate drinking water supplies, including, but not limited to, projects that address a public health emergency.
- (d) Leverage other private, federal, state, and local drinking water quality and wastewater treatment funds.
- (e) Provide disadvantaged communities with public drinking water infrastructure that provides clean, safe, and reliable drinking water supplies that the community can sustain over the long term.
- (f) Ensure access to clean, safe, reliable, and affordable drinking water for California's communities.
- (g) Meet primary and secondary drinking water standards or remove contaminants identified by the state or federal government to meet primary or secondary drinking water standards.

86006. The contaminants that may be addressed with funding pursuant to this chapter may include, but shall not be limited to, lead, nitrates, perchlorate, MTBE (methyl tertiary butyl ether), arsenic, selenium, hexavalent chromium, mercury, PCE (perchloroethylene), TCE (trichloroethylene), DCE (dichloroethene), DCA (dichloroethane), 1,2,3-TCP (trichloropropane), carbon tetrachloride, 1,4-dioxane, 1,4-dioxacyclohexane, nitrosodimethylamine, bromide, iron, manganese, total dissolved solids, electrical conductivity, and uranium.

86007. (a) (1) Of the funds authorized by Section 86004, five hundred million dollars (\$500,000,000) shall be available for grants and loans for public water system infrastructure improvements and related actions to meet safe drinking water standards, ensure affordable drinking water, or both. Priority shall be given to projects that provide treatment for contamination or access to an alternate drinking water source or sources for small community water systems or state small water systems in disadvantaged communities whose drinking water source is impaired by chemical and nitrate contaminants and other health hazards

identified by the State board. Eligible recipients serve disadvantaged communities and are public water systems or public agencies.

(2) Eligible expenses may include initial operation and maintenance costs for systems serving disadvantaged communities. Priority shall be given to projects that provide shared solutions for multiple communities, at least one of which is a disadvantaged community that lacks safe, affordable drinking water and is served by a small community water system, state small water system, or a private well. Construction grants shall be limited to five million dollars (\$5,000,000) per project, except that the State board may set a limit of not more than twenty million dollars (\$20,000,000) for projects that provide regional benefits or are shared among multiple entities, including consolidation of two or more drinking water systems, at least one of which shall be a small disadvantaged community. Not more than 50 percent (50%) of a grant may be awarded in advance of actual expenditures.

(3) For the purposes of this subdivision, "initial operation and maintenance costs" means those initial, eligible, and reimbursable costs under a construction funding agreement that are incurred up to, and including, but not limited to, initial startup testing of the constructed project in order to deem the project complete. Initial operation and maintenance costs are eligible to receive funding pursuant to this section for a period not to exceed three years.

(b) Of the funds authorized by this section, up to ten million dollars (\$10,000,000) shall be available for grants to provide school children with safe drinking water under the Drinking Water for Schools Grant Program pursuant to Section 116276 of the Health and Safety Code.

86008. Of the funds authorized by Section 86004, two hundred fifty million dollars (\$250,000,000) shall be available for deposit in the State Water Pollution Control Revolving Fund Small Community Grant Fund created pursuant to Section 13477.6 for grants and loans for wastewater treatment projects. Priority shall be given to projects that serve disadvantaged communities and severely disadvantaged communities, and to projects that address public health hazards. Projects may include, but not be limited to, projects that identify, plan, design, and implement regional mechanisms to consolidate wastewater systems or provide affordable treatment technologies.

86009. Of the funds authorized by Section 86004, up to sixty million dollars (\$60,000,000) shall be made available for drinking water infrastructure and/or wastewater improvements on private property, or for interim replacement drinking water supplies.

(a) Funds may be used for the following purposes:

(1) To conduct water quality testing of drinking water wells.

(2) To install and replace laterals, repair or replace private wells or onsite wastewater systems, properly close abandoned wells and septic system infrastructure, and provide infrastructure necessary to connect residences to a public water or wastewater system.

(3) To replace interior drinking water plumbing and fixtures that contain lead.

(4) To provide interim replacement drinking water supplies.

(b) The State board may establish a revolving loan fund to facilitate financing for activities allowable under this section.

(c) Priority shall be given to projects that assist low-income homeowners, including mobile home owners, and vulnerable populations.

86010. (a) For the purposes of awarding funding pursuant to this chapter, a local cost share of not less than 50 percent (50%) of the total costs of the project shall be required. The cost-sharing requirement may be waived or reduced for projects that directly benefit a disadvantaged community or an economically distressed area.

(b) At least 10 percent (10%) of the funds available pursuant to this chapter shall be allocated for projects serving severely disadvantaged communities.

(c) Up to 15 percent (15%) of the funds available pursuant to this chapter may be allocated for technical assistance to disadvantaged communities. The State board shall operate a multidisciplinary technical assistance program for small and disadvantaged communities which may include, but is not limited to, outreach and education, needs assessments, review of alternative approaches to provide communities with safe drinking water or wastewater services, project selection and design, board and operator training, and other technical, managerial, and financial capacity building assistance for utilities serving disadvantaged communities related to providing communities with safe drinking water or wastewater services. The agency may also contract with a nonprofit organization, resource conservation district, or other local agency to provide these services.

CHAPTER 5.2. Water Recycling and Desalination.

86020. The sum of four hundred million dollars (\$400,000,000) is appropriated from the Fund to the State board to award grants and loans to eligible entities as defined in subdivision (a) of Section 86166 on a competitive basis for wastewater recycling projects. Grants pursuant to this section may be made for all of the following:

(a) Water recycling projects, including, but not limited to, treatment, storage, conveyance, brine disposal, and distribution facilities for potable and nonpotable recycling projects.

(b) Dedicated distribution infrastructure to serve residential, commercial, agricultural, fish and wildlife habitat, and industrial end-user retrofit projects to allow use of recycled water.

(c) Pilot projects for new potable reuse and contaminant removal technology.

(d) Multi-benefit recycled water projects that improve water quality.

(e) Multi-benefit recycled water projects that protect, conserve and restore wetland and other wildlife habitat.

(f) Technical assistance and grant writing assistance related to specific projects for disadvantaged communities and economically distressed areas.

86021. The sum of four hundred million dollars (\$400,000,000) is appropriated from the Fund to the State board to award grants to eligible entities as defined in subdivision (a) of Section 86166 on a competitive basis for desalination of brackish groundwater, and other brackish water desalination projects which do

not directly negatively affect riparian habitat, estuaries, coastal bays, coastal lagoons, or ocean waters of California as defined by the State board. Grants pursuant to this section must comply with the requirements of this section, and may be made for all of the following:

- (a) Treatment, storage, conveyance, and distribution facilities. Projects may remove contaminants in addition to salts, but shall be primarily constructed and operated to remove salt.
- (b) Distribution infrastructure to serve residential, commercial, agricultural, fish and wildlife habitat, and industrial end-user retrofit projects to allow use of desalted water.
- (c) Multi-benefit salt removal projects that improve water quality.
- (d) Technical assistance and grant writing assistance related to specific projects for disadvantaged communities and economically distressed areas.
- (e) Multi-benefit salt removal projects that provide water supply for wetland and other wildlife habitat.
- (f) Technical assistance and grant writing assistance related to specific projects for disadvantaged communities and economically distressed areas.

86022. No grant made pursuant to this chapter shall exceed fifty percent (50%) of the cost of the project, but this requirement may be eliminated or reduced for that portion of projects that primarily serve disadvantaged communities, economically distressed areas, or wildlife habitat.

86023. Projects funded pursuant to this chapter shall be selected on a competitive basis with priority given to the following criteria:

- (a) Water supply reliability improvement.
- (b) Water quality and ecosystem benefits related to decreased reliance on diversions from the Delta or from local rivers and streams, and benefits related to attainment of beneficial uses and water quality objectives in local receiving waters.
- (c) Public health benefits from improved drinking water quality or supply.
- (d) Cost-effectiveness, based on the amount of water produced per dollar invested, and other cost-effectiveness criteria adopted by the State board.
- (e) Energy efficiency and greenhouse gas emission reductions.
- (f) Water supply or water quality improvements benefitting disadvantaged communities.
- (g) Protection and restoration of fish and wildlife habitat, as well as provision of a reliable water supply for fish and wildlife.

CHAPTER 5.3. Water Conservation.

86030. The sum of three hundred million dollars (\$300,000,000) is appropriated from the Fund to the

department for the following purposes:

(a) Statewide turf removal program.

(1) The program shall provide financial incentives to public and private property owners to convert their irrigated or watered landscaping to drought tolerant plantings, including appropriate low water using plants. The department shall set a maximum amount each applicant can receive, and shall allow greater incentives to low-income homeowners who could not otherwise afford to participate in the landscape water conversion program. No less than seventy-five percent (75%) of the funds allocated to this program shall be spent on programs benefitting residential property owners. The department shall make awards to nonresidential applicants on the basis of cost-effectiveness with respect to water supply. Each grant must reduce water consumption by at least fifty percent (50%) compared to current water use.

(2) The most cost-effective projects and those projects that provide the greatest environmental benefits based on the state investment shall receive highest priority for funding. Environmental benefits shall include, but not be limited to, planting appropriate drought resistant native and other plants, reduction in consumptive water use, and increased availability of water for environmental benefits.

(3) The department shall not reject or reduce eligibility to residents residing in service areas which have previously offered turf removal rebate programs as long as the resident was not a participant in the program.

(4) The department shall cooperate with eligible entities as defined in subdivision (a) of Section 86166 and the California Public Utilities Commission to develop an on-bill repayment mechanism to pay for the consumer's share of the landscape conversion project.

(b) Leak detection.

(1) Competitive grants on a matching basis to public water systems to reduce leaks in their water distribution systems, eliminate leaks in the water systems of their customers if the water system operator determines that customer leak detection and elimination is a cost-effective way to improve the water system operator's water supply and provides a public benefit, and install instrumentation to detect leaks at residential, institutional, and commercial properties. The department shall make awards on the basis of cost-effectiveness with respect to water supply. Water system operators receiving grants pursuant to this subdivision shall give highest priority to leak detection and water waste elimination programs in disadvantaged communities and economically distressed areas.

(2) No grant award shall exceed fifty percent (50%) of the cost of the project. Cost sharing may be reduced or eliminated for a grant award that primarily benefits residential property owners in a disadvantaged community or an economically distressed area.

(c) Toilet replacement. Competitive grants on a matching basis to public water systems or eligible entities as defined in subdivision (a) of Section 86166 to replace toilets using more than three gallons per flush with new toilets that conserve water and flush 1.28 gallons per flush or less. The department shall make awards on the basis of cost-effectiveness with respect to water supply. Entities receiving grants pursuant to this subdivision shall give highest priority to toilet replacement programs in disadvantaged communities and economically distressed areas.

(d) Water meters. Installation of water meters in disadvantaged communities that are not metered.

(e) Energy saving water conservation. Competitive grants on a matching basis to public water systems to undertake water conservation projects that promote saving energy. These projects shall document the greenhouse gas emission reductions coming from water conservation programs. The department shall make awards on the basis of cost-effectiveness with respect to water supply as well as energy savings. Highest priority shall be given to programs in disadvantaged communities and economically distressed areas.

(f) In determining how to allocate the funds appropriated pursuant to this section, the department shall determine which technologies are most cost-effective, produce the greatest environmental benefits, and provide the most benefit to disadvantaged communities and economically distressed areas.

(g) Any entity receiving a grant pursuant to this section may use grant funds to establish a revolving fund from which the entity may make loans to implement water conservation programs. The interest rate shall be established by the entity, and the entity may charge a reasonable administration fee to be paid along with the interest on the loan over the lifetime of the loan. Payments made on loans made pursuant to this program shall be returned to the revolving fund to be used for additional loans to implement water conservation programs. Loans made pursuant to this section may be for up to 15 years, or for the useful life of the water conservation project, whichever is shorter.

86031. The sum of fifteen million dollars (\$15,000,000) is appropriated from the Fund to the California Energy Commission for the Water Energy Technology Program to accelerate the deployment of innovative water and energy saving technologies and help continue to make water conservation a California way of life.

86032. (a) The purpose of this section is to help make it possible to improve flows in tributaries to the Delta, and to expedite the transfer of conserved agricultural water while minimizing impacts on water rights holders.

(b) The sum of fifty million dollars (\$50,000,000) is appropriated from the Fund to the department for matching grants to local agencies to aid in the construction and implementation of agricultural water conservation projects, and for grants in accordance with Section 79158.

(c) For the purposes of approving a grant under this section, the department shall determine **if** there will be a net savings of water as a result of each proposed project and if the project is cost-effective and technically sound.

(d) A project under this section shall not receive more than five million dollars (\$5,000,000) in grant proceeds from the department.

(e) The department shall give preference to the most cost-effective and technically sound projects.

(f) Priority shall be given to grants that result in water savings which are used to improve the quality of fish and wildlife through increased flows in tributaries to the Delta. Grants improving internal water district efficiency for other uses and transfers are also eligible for funding.

(g) No project may cause adverse impacts to fish or wildlife without mitigating those impacts below a level of significance. The cost of mitigation may be included in grant funds.

CHAPTER 5.4. Flood Management for Improved Water Supply.

86040. (a) The sum of two hundred million dollars (\$200,000,000) is appropriated from the Fund to the Central Valley Flood Protection Board for:

(1) Enlargement and environmental enhancement of existing floodways and bypasses within the jurisdiction of the Central Valley Flood Protection Board, including providing recreation opportunities.

(2) Improvement of flood control facilities and environmental enhancement within the jurisdiction of the Central Valley Flood Protection Board.

(b) To be eligible for funding under this section, a project shall provide reduced flood risk, reduced liability, or reduced maintenance responsibility for state agencies or local flood control districts or both.

(c) The Central Valley Flood Protection Board shall give preference to:

(1) Those projects that primarily benefit disadvantaged communities or economically distressed areas.

(2) Multi-benefit projects designed to reduce flood risk and enhance fish and wildlife habitat by allowing rivers and floodplains to function more naturally. These projects create additional public benefits such as protecting farms and ranches, improving water quality, increasing groundwater recharge, and providing public recreation opportunities.

(3) Those projects that include matching funds, including but not limited to matching funds from other state agencies. Matching fund requirements may be reduced or eliminated to the extent the project directly benefits disadvantaged communities or economically distressed areas.

(d) The Central Valley Flood Protection Board may make grants to eligible entities as defined in subdivision (a) of Section 86166 to implement this section.

(e) The Central Valley Flood Protection Board may use up to one million (\$1,000,000) of these funds to develop a programmatic permit for authorization of habitat restoration and related multi-benefit floodplain restoration projects whose primary purpose is restoration and that meet the criteria described in paragraphs (a) and (b) of this section.

(f) Of the amount appropriated in paragraph (a), fifty million dollars (\$50,000,000) shall be awarded for matching grants to public agencies to construct flood control improvements to existing dams on rivers in the Sacramento Valley that provide flood protection to urbanized areas. If these funds are not awarded for this purpose by January 1, 2032, they may be used for the other purposes of this section.

86041. (a) The sum of one hundred million dollars (\$100,000,000) is appropriated from the Fund to the department for grants to local agencies on a fifty percent (50%) matching basis to repair or reoperate reservoirs that provide flood control either as a principal purpose or as an indirect effect of their operation. Grantees must demonstrate that the proposed repair or reoperation will increase the amount of water stored in those reservoirs that could be put to beneficial use. No funds appropriated under this section shall be used to raise the height of any dam. Spillway modification projects that do not raise the crest height of the dam are eligible for grant funds.

(b) (1) To be eligible for funding under this section, a project must provide substantial increases in recreational opportunities, such as trails along river channels, and significant net improvements to fish and wildlife habitat in and adjacent to the river channel downstream of the reservoir, and to the extent compatible with safe reservoir operation, within the reservoir. At least ten percent (10%) of project costs shall be allocated to these recreational and habitat purposes. The funds to carry out these purposes shall be allocated by the department directly to a state conservancy if there is a conservancy with jurisdiction over the area of the project. If there is no conservancy, the Natural Resources Agency's California River Parkways Program shall contract with an eligible entity as defined in subdivision (a) of Section 86166 to carry out these purposes. The agency operating the reservoir being repaired or reoperated shall approve the recreational and habitat elements of the project and shall not charge any fees for review, plan check, permits, inspections, or any other related costs associated with the project, and shall provide permanent operation and maintenance of the entire project, including the habitat and recreational elements. Projects may include grants to eligible entities as defined in subdivision (a) of Section 86166 to implement this paragraph.

(2) All costs associated with the requirements of this subdivision may be paid for with funds provided to local agencies by this section, and do not have to be matched by the agency.

(c) Grants made pursuant to this section may be for the purpose of seismic retrofit.

(d) No grants made pursuant to this section shall be for reservoir maintenance or sediment removal from the reservoir or upstream of the reservoir, except as necessary to complete projects authorized under paragraphs (a), (b), and (c).

(e) Applicants shall certify that projects paid for by funds provided by this section will be permanently operated and maintained.

(f) First priority shall be given to projects that benefit disadvantaged communities.

(g) Projects to assist in the reoperation of eligible reservoirs shall increase water supply for beneficial uses through the purchase and installation of water measuring equipment, acquisition of information systems, and the use of technologies and data to improve reservoir management.

(h) (1) A local public agency, Indian tribe or nonprofit organization that receives funding under this chapter to create recreational facilities or wildlife habitat may use up to twenty percent (20%) of those funds to establish a trust fund that is exclusively used to help pay for the maintenance and monitoring of those recreational facilities or wildlife habitat.

(2) A local public agency, Indian tribe or nonprofit organization that acquires an interest in land, recreation facilities or wildlife habitat with money from this chapter and transfers the interest in land, recreation facilities or wildlife habitat to another public agency, Indian tribe or nonprofit organization shall also transfer the ownership of the trust fund that was established to maintain that interest in the land, recreation facilities or wildlife habitat.

(3) This subdivision does not apply to state agencies.

(4) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund

pursuant to this subdivision, the agency, tribe or organization shall certify to the state agency making the grant that it can maintain the land, recreational facilities or wildlife habitat to be acquired or developed from funds otherwise available to the agency, tribe or organization.

(5) If the interest in land, recreational facilities or wildlife habitat is condemned or if the local public agency, Indian tribe or nonprofit organization determines that the interest in land, recreational facilities or wildlife habitat is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated to the agency that provided the money. The funds returned to the agency may be utilized only for projects pursuant to this section.

(i) The department shall give preference to those projects that coordinate reservoir reoperation with the provision of water for groundwater recharge through conjunctive use or other integrated surface/groundwater projects.

86042. The sum of two hundred million dollars (\$200,000,000) is appropriated from the Fund to the San Francisco Bay Restoration Authority to provide matching grants for flood management, wetlands restoration, and other projects consistent with Article 2 (commencing with Section 66704.5) of Chapter 5 of Title 7.25 of the Government Code. For purposes of this section, matching funds may include funds provided by local governments, regional governments, the federal government, private parties, or other funds raised by the San Francisco Bay Restoration Authority. **No** grant shall exceed fifty percent (50%) of the cost of the project.

86043. (a)(i) A local public agency, Indian tribe or nonprofit organization that receives funding under this chapter to acquire an interest in land may use up to twenty percent (20%) of those funds to establish a trust fund that is exclusively used to help pay for the maintenance and monitoring of that interest in land.

(2) A local public agency, Indian tribe or nonprofit organization that acquires an interest in land with money from this chapter and transfers the interest in land to another public agency, Indian tribe or nonprofit organization shall also transfer the ownership of the trust fund that was established to maintain that interest in land.

(3) This subdivision does not apply to state agencies.

(b) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund pursuant to subdivision (a), the agency, tribe or organization shall certify to the state agency making the grant that it can maintain the land to be acquired from funds otherwise available to the agency, tribe or **organization**.

(c) If the interest in land is condemned or if the local public agency, Indian tribe or nonprofit organization determines that the interest in land is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated to the agency that provided the money. The funds returned to the agency may be utilized only for projects pursuant to this chapter.

CHAPTER 5.5. Funding for Water Measurement and Information.

86048. The sum of sixty million dollars (\$60,000,000) is appropriated from the Fund for water measurement and information systems, as follows:

(a) The sum of twenty million dollars (\$20,000,000) is appropriated to the department for development of

methods and installation of water measuring equipment to improve estimates of water balance, water budgets, diversions and water use to support water allocations, drought management, groundwater management, water quality management and water rights.

(b) The sum of ten million dollars (\$10,000,000) is appropriated to the State board for development of information systems, technologies, and data that improve the State board's ability to manage water rights. These systems will include, but not be limited to, digitizing and making available the 10 million pages of paper records on water rights within the State board and in other repositories and the creation of a digital repository for water diversion and use data.

(c) The sum of ten million dollars (\$10,000,000) is appropriated to the Water Data Administration Fund established pursuant to Section 12420, to be used by the department in consultation with the State board for the purpose of making California water information interoperable, consistent with Part 4.9 of Division 6 of the Water Code.

(d) The sum of twenty million dollars (\$20,000,000) is appropriated as follows:

(1) Five million dollars (\$5,000,000) is appropriated to the University of California for its multi-campus Water Security and Sustainability Research Initiative to develop core elements of a water resources information system, in cooperation with the department and the State board.

(2) Five million dollars (\$5,000,000) is appropriated to the California Water Institute at California State University, Fresno to undertake research leading to improvement and conservation of water supplies and improved water quality in California.

(3) Five million dollars (\$5,000,000) is appropriated to the Irrigation Training and Research Center at California Polytechnic State University San Luis Obispo to undertake research leading to improvement and conservation of water supplies and improved water quality in California.

(4) Five million dollars (\$5,000,000) is appropriated to the Office of Water Programs at California State University, Sacramento to undertake research leading to improvement and conservation of water supplies and improved water quality in California.

(5) The institutions of higher education receiving funds pursuant to this paragraph shall work together to assure that their efforts do not conflict or overlap, but are complementary to each other.

CHAPTER 5.6. Capture and Use of Urban Runoff and Stormwater.

86050. (a) The sum of four hundred million dollars (\$400,000,000) is appropriated from the Fund to the State board for projects to capture and use urban dry weather runoff and stormwater runoff. All grants made pursuant to this section by the State board for construction projects must be to counties or cities, a city and county, or a joint powers authority containing a city, county, or city and county with responsibility for flood control or management. The State board may spend up to fifty million dollars (\$50,000,000) for grants to eligible entities as defined in subdivision (a) of Section 86166 to develop Stormwater Resource Plans. Funds available pursuant to this section shall be allocated to projects serving and providing a direct benefit to disadvantaged and severely disadvantaged communities. The State board may use these funds to make grants for technical assistance and outreach to disadvantaged **communities.**

(b) The sum of thirty million dollars (\$30,000,000) is appropriated from the Fund to the California Tahoe Conservancy for projects to capture and use dry weather runoff and stormwater runoff in the Lake Tahoe Basin pursuant to Title 7.42 (commencing with Section 66905) of the Government Code.

(c) The sum of forty million dollars (\$40,000,000) is appropriated from the Fund to the Santa Monica Mountains Conservancy for projects to capture and use dry weather runoff and stormwater runoff pursuant to Division 23 (commencing with Section 33000) of the Public Resources Code in the area defined in paragraph (2) of subdivision (d) of Section 86080.

(d) The sum of forty million dollars (\$40,000,000) is appropriated from the Fund to the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for projects to capture and use dry weather runoff and stormwater runoff pursuant to Division 22.8 (commencing with Section 32600) of the Public Resources Code.

(e) The sum of forty million dollars (\$40,000,000) is appropriated from the Fund to the State Coastal Conservancy for projects to capture and use dry weather runoff and stormwater runoff pursuant to Division 21 (commencing with Section 31000) of the Public Resources.

(f) Funds spent pursuant to this section shall be used for competitive grants for projects that develop, implement, or improve multi-benefit projects identified and prioritized in Stormwater Resource Plans consistent with Part 2.3 (commencing with Section 10560) of Division 6, as that part may be amended, and shall include as many as possible of the following benefits: capture and treatment of stormwater or dry weather runoff for beneficial uses; removal of pollutants from the captured and treated runoff; creation or restoration of habitat or parkland to capture and treat stormwater or dry weather runoff for beneficial uses by using best management practices that improve environmental quality; removal of pollutants from the captured and treated runoff; creation or restoration of habitat or parkland; storage, infiltration or use of the captured and treated runoff to augment local water supplies; creation or restoration of native habitat, trails, park land or other natural open space; reduction of urban heat islands; and provision of other public recreational opportunities. Projects that include wetlands and native habitat or project elements designed to mimic or restore natural watershed functions shall be given the highest priority.

(g) Of the amount appropriated pursuant to subdivision (a), at least forty million dollars (\$40,000,000) shall be available for projects that reduce the flow of trash and other pollutants: (1) into a National Estuarine Research Reserve, onto beaches, or into near-shore coastal waters in San Diego County, or (2) into San Diego Bay. Priority shall be given to projects that reduce the flow of trash or other pollutants into one or more units of the State Parks System.

86051. (a) Each state agency receiving funds pursuant to this chapter shall require at least a fifty percent (50%) cost share by recipients of grant funds, but may eliminate or reduce the matching requirements for that portion of projects primarily benefiting disadvantaged communities or economically distressed areas.

(b) Projects funded by this section must comply with water quality policies or regulations adopted by the State board or the regional water quality control board with jurisdiction over the project.

(c) Project costs may include development of decision support tools, data acquisition, and geographic information system data analysis to identify and evaluate the benefits and costs of potential stormwater capture and reuse projects.

(d) Preference shall be granted to projects that divert stormwater or dry weather runoff from storm drains or channels and put it to beneficial use.

(e) Agencies receiving funds pursuant to this section shall give high priority to projects benefitting disadvantaged communities. Each agency receiving funds pursuant to this chapter shall allocate at least thirty-five percent (35%) of the funds they receive for projects that benefit disadvantaged communities.

(f) In implementing this chapter, each agency receiving funds pursuant to this chapter shall consult with the Natural Resources Agency regarding the integration and prioritization of the habitat, park land, open space, recreational and public use components of stormwater and dry weather runoff capture and reuse projects, and shall seek assistance from the Natural Resources Agency in the review and scoring of proposed projects.

(g) Projects may prevent stormwater and dry weather runoff from entering storm drains or channels.

86052. Entities defined in subdivision (a) of Section 86166 are eligible to receive funds under subdivisions (b), (c), (d) and (e) of Section 86050.

86053. Funds allocated pursuant to this chapter may be granted to an eligible applicant for single or multiple small-scale projects that are consistent with Chapter 6.5 of Division 2 of the Fish and Game Code, regardless of whether that Chapter is still in effect.

Chapter 5.7. Integrated Regional Water Management.

86054. The sum of five million dollars (\$5,000,000) is allocated to the department to provide direct funding support to approved Integrated Regional Water Management (IRWM) regional water management groups for the purpose of maintaining ongoing IRWM planning and implementation efforts, thereby sustaining the significant investment made through IRWM for regional collaboration on water management.

CHAPTER 6. Watershed, Land, and Fisheries Improvements.

CHAPTER 6.1. Watershed Improvement for Water Supply and Water Quality Enhancement.

86080. The sum of two billion three hundred fifty-five million dollars (\$2,355,000,000) is appropriated from the Fund to protect, restore and improve the health of watershed lands, including forest lands (including oaks, redwoods and sequoias), meadows, wetlands, chaparral, riparian habitat and other watershed lands, including lands owned by the United States, in order to protect and improve water supply and water quality, improve forest health, reduce fire danger consistent with the best available science, mitigate the effects of wildfires on water quality and supply, increase flood protection, remediate aquifers, or to protect or restore riparian or aquatic resources. No grants made pursuant to this section shall be for reservoir maintenance or sediment removal from a reservoir or upstream of a reservoir, except as necessary for field research required pursuant to subdivision (a). Funds shall be allocated as follows:

(a) Two hundred million dollars (\$200,000,000) to the Sierra Nevada Conservancy for the protection, restoration and improvement of Sierra Nevada watersheds, pursuant to Division 23.3 (commencing with Section 33300) of the Public Resources Code and including the purposes outlined in Section 33320 of the Public Resources Code. Funds shall also be spent for the implementation and to further the goals and

purposes of the Sierra Nevada Watershed Improvement Program. Projects eligible for funding under the Sierra Nevada Watershed Improvement Program may include research and monitoring to measure the impact of forest restoration work on water supply, climate and other benefits, including long-term air quality, water quality and quantity, greenhouse gas emissions, carbon storage, habitat, recreational uses, and community vitality. Projects funded under the Sierra Nevada watershed Improvement Program shall be based on the best available science regarding forest restoration and must be undertaken to improve water supply and quality, protect and restore ecological values and to promote forest conditions that are more resilient to wildfire, climate change, and other disturbances. The Sierra Nevada Conservancy may make grants to federal agencies if it determines such grants are the most efficient way to implement the intent of this division on federally managed lands.

(b) Sixty million dollars (\$60,000,000) to the California Tahoe Conservancy for the protection and restoration of watersheds of the Lake Tahoe Basin, pursuant to Title 7.42 (commencing with Section 66905) of the Government Code. Funds shall be spent for implementation and to further the goals and purposes of the Lake Tahoe Environmental Improvement Program, pursuant to Article 6 of Chapter 1.692 of Division 5 (commencing with Section 5096.351) of the Public Resources Code.

(c) One hundred million dollars (\$100,000,000) to the San Francisco Bay Area Conservancy Program of the Coastal Conservancy for the protection and restoration of watersheds of the San Francisco Bay Area, pursuant to Chapter 4.5 of Division 21 of the Public Resources Code (commencing with Section 31160).

(d) One hundred eighty million dollars (\$180,000,000) for the protection and restoration of watersheds of Los Angeles, Ventura, and Orange Counties as follows:

(1) Sixty million dollars (\$60,000,000) to the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for the protection and restoration of the watersheds of the San Gabriel and Lower Los Angeles Rivers pursuant to Division 22.8 (commencing with Section 32600) of the Public Resources Code.

(2) Sixty million dollars (\$60,000,000) to the Santa Monica Mountains Conservancy, for the protection and restoration of the watersheds of Santa Monica Bay, the Upper Los Angeles River and the Upper Santa Clara River pursuant to Division 23 (commencing with Section 33000) of the Public Resources Code, and the watersheds defined in subdivision (c) of Section 79570.

(3) Thirty million dollars (\$30,000,000) to the Santa Ana River Conservancy Program of the Coastal Conservancy for the protection and restoration of watersheds of the Santa Ana River pursuant to Chapter 4.6 of Division 21 of the Public Resources Code (commencing with Section 31170).

(4) Thirty million dollars (\$30,000,000) to the Baldwin Hills Conservancy for the protection and restoration of the Baldwin Hills and Ballona Creek watersheds, and for projects to capture dry weather runoff and stormwater runoff pursuant to Division 22.7 (commencing with Section 32550) of the Public Resources Code.

(e) Forty million dollars (\$40,000,000) to the San Diego River Conservancy for the protection and restoration of watersheds in San Diego County pursuant to Division of 22.9 (commencing with Section 32630) of the Public Resources Code.

(f) One hundred thirty-five million dollars (\$135,000,000) to the State Coastal Conservancy for the protection and restoration of coastal watersheds pursuant to Division 21 (commencing with Section

31000) of the Public Resources Code.

(g) One hundred fifty million dollars (\$150,000,000) for the protection and restoration of the watersheds of the Sacramento and San Joaquin Rivers as follows:

(1) One hundred million dollars (\$100,000,000) to the Sacramento-San Joaquin Delta Conservancy for protection and restoration of the Delta pursuant to Division 22.3 (commencing with Section 32300) of the Public Resources Code. Highest priority shall be given to projects that benefit the restoration of native species and that reduce the negative impacts of excessive salinity intrusion. Highest priority shall also be given to projects that restore habitat important to species listed pursuant to the federal Endangered Species Act (16 U.S.C. Chapter 35) and the California State Endangered Species Act (Fish and Game Code Sections 2050-2100). The funds may also be used for improvement of public recreational facilities in the Delta, and for grants to local agencies and nonprofit organizations to increase community access to parks and recreational opportunities for underserved urban communities in the Delta. The Conservancy may implement programs designed to reduce greenhouse gas emissions from the Delta.

(2) Twenty million dollars (\$20,000,000) to the San Joaquin River Conservancy for the implementation of the San Joaquin River Parkway pursuant to Division 22.5 (commencing with Section 32500) of the Public Resources Code.

(3) Thirty million dollars (\$30,000,000) to the Lower American River Conservancy Fund created by Section 5845.9 of the Public Resources Code. The Wildlife Conservation Board shall use these funds to implement Chapter 10.5 of Division 5 of the Public Resources Code (commencing with Section 5845).

(h) One hundred and seventy million dollars (\$170,000,000) for river parkways, as follows:

(1) Seventy million dollars (\$70,000,000) to the California Natural Resources Agency for projects pursuant the California River Parkways Act of 2004, Chapter 3.8 (commencing with Section 5750) of Division 5 of the Public Resources Code. The Secretary of the Natural Resources Agency shall allocate at least sixty-five percent (65%) of these funds for projects that benefit disadvantaged communities. With the remaining funds, the Secretary shall seek to benefit poorer communities that do not qualify as disadvantaged communities.

(2) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Guadalupe River corridor.

(3) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Russian River corridor.

(4) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Santa Clara River corridor.

(5) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Tijuana River corridor.

(6) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Carmel River corridor.

(7) Ten million dollars (\$10,000,000) to the State Coastal Conservancy for grants to nonprofit organizations and local public agencies to implement river parkway projects for habitat restoration, public recreation, and water quality improvement along the Napa River corridor.

(8) Fifteen million dollars (\$15,000,000) to the State Coastal Conservancy for river parkway projects within the San Diego Bay watershed.

(9) Fifteen million dollars (\$15,000,000) to the State Coastal Conservancy for river parkway projects along the Santa Margarita River in San Diego County.

(10) Ten million dollars (\$10,000,000) to the California Tahoe Conservancy to implement habitat restoration, public recreation, and water quality improvements along the Upper Truckee River corridor.

(i) One hundred fifty million dollars (\$150,000,000) shall be available for projects that restore, protect and preserve the Los Angeles River and its tributaries, as follows:

(1) Seventy-five million dollars (\$75,000,000) to the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy pursuant to Division 22.8 (commencing with Section 32600) of the Public Resources Code, and Section 79508 of the Water Code.

(2) Seventy-five million dollars (\$75,000,000) to the Santa Monica Mountains Conservancy pursuant to Division 23 (commencing with Section 33000) of the Public Resources Code, and Section 79508 of the Water Code.

(j) Three hundred million dollars (\$300,000,000) to the Wildlife Conservation Board for the following:

(1) For the protection and restoration of the watersheds of the Sacramento, Smith, Eel, and Klamath Rivers and other rivers of Marin, Sonoma, Mendocino, Humboldt and Del Norte Counties, and the Carrizo Plain pursuant to Chapter 4 of Division 2 (commencing with Section 1300) of the Fish and Game Code.

(2) For protection and restoration of oak woodlands and rangelands pursuant to Division 10.4 (commencing with Section 10330) of the Public Resources Code and Article 3.5 (commencing with Section 1360) of Chapter 4 of Division 2 of the Fish and Game Code.

(3) For acquisition and restoration of riparian habitat, migratory bird habitat, anadromous fisheries, wetland habitat and other watershed lands pursuant to Chapter 4 of Division 2 (commencing with Section 1300) of the Fish and Game Code.

(4) Grants may include funding to help fulfill state commitments to implement Natural Community Conservation Plans adopted pursuant to Chapter 10 of Division 3 (commencing with Section 2800) of the Fish and Game Code, and to large scale regional Habitat Conservation Plans adopted pursuant to the federal Endangered Species Act (16 U.S.C. Chapter 35).

(5) Of the amount made available pursuant to this subdivision, the sum of ten million dollars (\$10,000,000) shall be available to assist farmers in integrating agricultural activities with watershed restoration and wildlife protection. Priority shall be given to projects that include partnerships with resource conservation districts.

(6) Of the amount made available pursuant to this subdivision, the sum of fifty million dollars (\$50,000,000) is appropriated to the Oak Woodlands Conservation Fund established by Section 1363 of the Fish and Game Code, and may be expended pursuant to Article 3.5 of Chapter 4 of Division 2 of the Fish and Game Code.

(7) Of the amount made available pursuant to this subdivision, the sum of thirty million dollars (\$30,000,000) shall be available for grazing land protection pursuant to the California Rangeland, Grazing Land and Grassland Protection Act, commencing with Section 10330 of Division 10.4 of the Public Resources Code.

(8) Of the amount made available pursuant to this subdivision, not less than sixty million dollars (\$60,000,000) shall be available for projects that advance the conservation objectives of natural community conservation plans adopted pursuant to the Natural Community Conservation Planning Act, Chapter 10 (commencing with Section 2800) of Division 3 of the Fish and Game Code. First priority shall be given to plans that include protection of aquatic ecosystems. Funding pursuant to this paragraph shall not be used to offset mitigation obligations otherwise required.

(k) Twenty-five million dollars (\$25,000,000) to the Coachella Valley Mountains Conservancy for the protection and restoration of the Coachella Valley watershed pursuant to Division 23.5 (commencing with Section 33500) of the Public Resources Code.

(l) One hundred fifty million dollars (\$150,000,000) to the Department of Parks and Recreation for protection and restoration of watershed lands within and affecting units of the State Parks System, with high priority to redwood and other forest land important to protecting river and stream flows and quality. In addition to other purposes authorized pursuant to this section, the Department of Parks and Recreation may allocate funds to improve and increase the efficiency and effectiveness of State Park water supply and wastewater treatment systems.

(m) Sixty million dollars (\$60,000,000) to the Department of Conservation for watershed restoration and conservation projects on agricultural lands, rangelands, managed wetlands, and forested lands.

(1) No less than thirteen million dollars (\$13,000,000) shall be used for grants pursuant to Section 9084 of the Public Resources Code.

(2) No less than thirty-one million dollars (\$31,000,000) shall be used for the purposes of Division 10.2 (commencing with Section 10200) of the Public Resources Code.

(3) Ten million dollars (\$10,000,000) shall be used for the Watershed Coordinator Grant Program.

(n) One hundred million dollars (\$100,000,000) to the California Ocean Protection Council for projects that: (1) reduce the amount of pollutants that flow to beaches, bays, coastal estuaries, and near-shore ecosystems; and (2) protect coastal and near-shore ocean resources from the impacts of rising sea levels, storm surges, ocean acidification and related hazards, including, but not limited to, increasing the resiliency of near-shore ocean habitats. Projects may include, but are not limited to, projects that protect

or restore beaches, coastal estuaries and watersheds, bays, and near-shore ecosystems including marine protected areas. Of this amount, the Council shall use at least five million dollars (\$5,000,000) for the Local Coastal Program sea level rise grant program that supports Local Coastal Program updates to address sea level rise, including sea-level rise modeling, vulnerability assessments, and adaptation planning and policy development.

(o) The sum of two hundred million dollars (\$200,000,000) is appropriated from the Fund to the Natural Resources Agency, for water-related projects that implement the Natural Resources Agency's Salton Sea Management Program consistent with provisions of Article 2 (commencing with Section 2940) of Chapter 13 of Division 3 of the Fish and Game Code, and in fulfillment of the obligations of the State of California to comply with the terms of Chapters 611, 612, 613, and 614 of the Statutes of 2003. These statutes were enacted to facilitate the execution and implementation of the Quantification Settlement Agreement, including restoration of the Salton Sea. The Natural Resources Agency may expend these funds on projects that provide multiple benefits of ecosystem restoration, air quality improvement, and economic recovery for severely disadvantaged communities.

(1) Of the amount appropriated pursuant to this paragraph, not less than twenty million dollars (\$20,000,000) shall be available for purposes consistent with the New River Water Quality, Public Health, and River Parkway Development Program, as described in Section 71103.6 of the Public Resources Code.

(2) Of the amount allocated pursuant to this section, the sum of one million dollars (\$1,000,000) shall be available for a Salton Sea Integrated Watershed Plan providing technical assistance for, outreach to, and engagement with severely disadvantaged communities.

(p) Five million dollars (\$5,000,000) to the Delta Stewardship Council for the Delta Science Program as described in Section 85280.

(q) Fifty million dollars (\$50,000,000) to the department for Urban Streams Restoration Program competitive grants pursuant to Section 7048. The department shall allocate at least sixty-five (65%) of these funds for projects that benefit disadvantaged communities. With the remaining funds, the department shall seek to benefit poorer communities that do not qualify as disadvantaged communities.

(r) Twenty million dollars (\$20,000,000) to the California Department of Forestry and Fire Protection for grants for urban forestry projects that manage, capture or conserve stormwater, recharge local groundwater supplies or improve water supplies or water quality through infiltration, sediment management and erosion control pursuant to the California Urban Forestry Act, Chapter 2 (commencing with Section 4799.06) of Part 2.5 of Division 4 of the Public Resources Code.

(s) Fifteen million dollars (\$15,000,000) to the Delta Protection Commission for expenditures, grants, or loans for projects that improve water quality by improving wastewater treatment in Delta legacy communities (as described in section 32301(f) of the Public Resources Code) and at recreational facilities in the Delta. Funds may be expended on wastewater improvement projects serving Delta legacy communities, or Delta legacy community households with failing septic systems which threaten the quality of groundwater or surface water supplies used for urban, agricultural or fisheries purposes. Funds may also be allocated to improve and increase the efficiency and effectiveness of Delta recreational facility wastewater treatment systems. Priority shall be given to projects that address public health hazards. Projects may identify, plan, design, and implement regional mechanisms to consolidate wastewater systems or provide affordable treatment technologies.

(t) Twenty million dollars (\$20,000,000) to the Department of Parks and Recreation for projects that provide access to rivers for non-motorized recreation, and for grants to eligible entities as defined in subdivision (a) of Section 86166 for this purpose. First priority shall be given to projects that include matching funds, and to projects that serve disadvantaged communities and economically distressed areas, whether or not they include cost sharing.

(u) (1) Twenty million dollars (\$20,000,000) to the Wildlife Conservation Board for the construction of a Pacific Flyway Center in the vicinity of the Suisun Marsh, to be operated by the California Department of Fish and Wildlife. The Department of Fish and Wildlife may contract with a nonprofit organization to operate the Center. The Center shall be used to educate the public about the importance of California's wetlands, agricultural lands (including rice) and riparian areas in benefitting waterfowl, shorebirds, native plants and animals, the value of wetlands in absorbing gases that cause climate change, and similar educational purposes. The operator of the Center shall make special efforts to bring people, and especially students, from disadvantaged communities to the Center for educational purposes. If the Wildlife Conservation Board determines that all or part of these funds is not needed to complete this project, it may allocate the unneeded part of the funds to the purposes of paragraph (j) of this section.

(2) (A) Of the amount appropriated by paragraph (1), the Wildlife Conservation Board may make a grant of up to four million dollars (\$4,000,000) to a nonprofit organization whose principal purpose is wildlife conservation to establish a trust fund, the interest from which shall be used exclusively to operate the Pacific Flyway Center and bring people from disadvantaged communities to the Center.

(B) With the approval of the Department of Fish and Wildlife, the nonprofit organization can transfer the operation of the Pacific Flyway Center to another nonprofit organization. If such a transfer takes place, the trust fund shall be transferred to the new nonprofit organization.

(3) If the funds allocated by this section are not all used to construct the Pacific Flyway Center by January 1, 2028, any remaining funds are appropriated to the Wildlife Conservation Board for the purposes of Section 86123.

(v) Eighty million dollars (\$80,000,000) to the Coastal Conservancy for the removal of Matilija Dam, and for associated levee and flood control improvements, water supply improvements, and related projects on Matilija Creek and the Ventura River, and for river parkway projects along the Ventura River. The Conservancy may grant all or part of these funds to Ventura County. Highest priority for the river parkway projects shall be those which benefit disadvantaged communities. If the Coastal Conservancy determines that all or part of these funds is not needed to complete this project, it may allocate the unneeded part of the funds to the purposes of paragraph (f) of this section.

(w) The sum of twenty-five million dollars (\$25,000,000) to the University of California for the Natural Reserve System for matching grants for land acquisition and for the construction and development of facilities that will be used for research and training to improve the management of aquatic ecosystems, natural lands and the preservation or conservation of California's wildlife resources. Priority shall be given to projects that advance research on the impacts of climate change, reduction of greenhouse gas emissions, and adaptation of natural systems to the impacts of climate change.

(x) (1) The sum of fifty million dollars (\$50,000,000) is appropriated from the Fund to the Sierra Nevada Conservancy for the purpose of awarding grants within the jurisdiction of the Conservancy to eligible entities as defined in subdivision (a) of Section 86166 for the purpose of reducing the threat of wildfires which would negatively impact watershed health. Projects may be for the purpose of hazardous fuel

reduction, postfire watershed rehabilitation, forest management practices that promote forest resilience to severe wildfire, climate change, and other disturbances, and development of local plans to reduce the risk of wildfires that could adversely affect watershed health. Preference shall be given to grants which include matching funds, but this preference may be reduced or eliminated for grants which benefit disadvantaged communities or economically distressed areas.

(2) The sum of fifty million dollars (\$50,000,000) is appropriated from the Fund to the Department of Forestry and Fire Protection for the purpose of awarding grants in areas outside the jurisdiction of the Sierra Nevada Conservancy to eligible entities as defined in subdivision (a) of Section 86166 for the purpose of reducing the threat of wildfires which would negatively impact watershed health. Projects may be for the purpose of hazardous fuel reduction, postfire watershed rehabilitation and restoration, forest management practices that promote forest resilience to severe wildfire, climate change, and other disturbances, and development of local plans to reduce the risk of wildfires that could adversely affect watershed health. Preference shall be given to grants which include matching funds, but this preference may be reduced or eliminated for grants which benefit disadvantaged communities or economically distressed areas.

86083. Consistent with the other requirements of this chapter, funds spent pursuant to this chapter may be used for grants to eligible entities as defined in subdivision (a) of Section 86166. Funds awarded to eligible entities may be used for projects on land owned by a state or federal agency. With the exception of funds allocated to grant programs, funds may also be used directly by the state agency receiving the funds to implement watershed improvement projects consistent with this chapter. In making grants pursuant to this chapter, agencies shall give high priority to applications that include cost sharing, and to grants that benefit disadvantaged communities and economically distressed areas whether or not they include cost sharing.

86084. (a) For a project to be eligible for funding pursuant to this chapter, the project shall have watershed protection and restoration, water supply or water quality benefits, or ecosystem benefits relating to rivers, streams, forests, meadows, wetlands or other water-related resources.

(b) (1) Funds appropriated pursuant to this chapter may be used for protection and restoration of forests, meadows, wetlands, riparian habitat, coastal resources, and near-shore ocean habitat; to acquire land and easements to protect these resources and avoid development that may reduce watershed health, and to take other measures that protect or improve the quality or quantity of water supplies downstream from projects funded in whole or in part by this chapter. Forest restoration projects, including but not limited to hazardous fuel reduction, post-fire watershed rehabilitation, and forest management and tree planting using appropriate native plants shall be based on the best available science regarding forest restoration and must be undertaken to protect and restore ecological values and to promote forest conditions that are more resilient to wildfire, climate change, and other disturbances.

(2) Fuel hazard reduction activities on United States Forest Service lands in the Sierra Nevada and similar forest types shall be generally consistent with objectives of the Sierra Nevada Watershed Improvement Program and the best available science, including United States Forest Service General Technical Report 220 as it may be updated.

86085. Any entity receiving funds pursuant to this chapter that expends funds on private lands shall secure an agreement or interest in the private lands to assure the purpose of the expenditure is maintained for such time as is commensurate with the best practices for the type of project.

86086. (a)(l) A local public agency, Indian tribe or nonprofit organization that receives funding for a project pursuant to this chapter may use up to twenty percent (20%) of those funds to establish a trust fund that is exclusively used to help pay for the maintenance and monitoring of that project.

(2) A local public agency, Indian tribe or nonprofit organization that acquires an interest in a project with money from this chapter and transfers the interest in the project to another public agency, Indian tribe or nonprofit organization shall also transfer the ownership of the trust fund that was established to maintain that interest in the project.

(3) This subdivision does not apply to state agencies.

(b) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund pursuant to subdivision (a), the agency, tribe or organization shall certify to the state agency making the grant that it can maintain the project to be undertaken using funds otherwise available to the agency, tribe or organization.

(c) The interest from the trust fund shall be used only to monitor the implementation of a project, and maintain a project and its water supply and water quality benefits implemented pursuant to this chapter.

(d) If an interest in a project is condemned or if the local public agency, Indian tribe or nonprofit organization determines that the interest in the project is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated and shall be returned to the agency that provided the money. The funds returned to the agency may be utilized only for projects pursuant to this chapter.

86087. Funds allocated pursuant to this chapter may be granted to an eligible applicant for single or multiple small-scale projects that are consistent with Chapter 6.5 of Division 2 of the Fish and Game Code, regardless of whether that Chapter is still in effect.

86088. By April 30, 2019, the Natural Resources Agency shall recommend provisions for grant approval guidelines to each state agency that receives an appropriation pursuant to this chapter in order to ensure appropriate consistency of the guidelines. Each agency shall consider the recommendations of the Natural Resources Agency as they adopt their own guidelines.

86089. Agencies receiving funds pursuant to this chapter shall give high priority to projects that benefit the native wildlife, birds and fishes of California.

CHAPTER 6.2. Land and Water Management for Water Supply Improvement.

86090. The sum of one hundred million dollars (\$100,000,000) is appropriated from the Fund to the Wildlife Conservation Board for the purpose of awarding competitive grants to eligible entities as defined in subdivision (a) of Section 86166 to improve the quality of public and private rangelands, wildlands, meadows, wetlands, riparian areas and aquatic areas for the purpose of increasing groundwater recharge and water supply from those lands, and for improving water quality consistent with protecting and restoring ecological values.

86091. Funds allocated pursuant to this chapter may be granted to an eligible applicant for single or multiple small-scale projects that are consistent with Chapter 6.5 of Division 2 of the Fish and Game Code,

regardless of whether that Chapter is still in effect.

86094. In making grants pursuant to this chapter, the Wildlife Conservation Board shall give highest priority to projects which:

(a) Are most cost-effective in producing improved water supply or water quality, and which provide the greatest fish and wildlife benefits.

{b) Include matching funds.

(c) Benefit disadvantaged communities and economically distressed areas.

{d) Are for the purpose of invasive plant control and eradication, restoration of riparian habitat, meadows and wetlands, and other projects that improve the flow of water from the lands, and reduce the use of water by invasive plant species.

86096. For a project to be eligible for funding pursuant to this chapter, the project shall have water supply or water quality benefits or both. A project that targets the removal of invasive plants to increase water supply shall only be funded if the applicant guarantees that the land from which plants will be removed will be maintained.

86097. (a)(l) A local public agency, Indian tribe or nonprofit organization that receives funding under this chapter may use up to twenty percent {20%} of those funds to establish a trust fund that is exclusively used to help pay for the maintenance and monitoring of the funded project.

{2) A local public agency, Indian tribe or nonprofit organization that undertakes a project with money from this division and can no longer maintain the project shall transfer the ownership of the trust fund to another public agency, Indian tribe or nonprofit organization that is willing and able to maintain that project.

(3) This subdivision does not apply to state agencies.

(b) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund pursuant to subdivision (a), the agency, tribe or organization shall certify to the state agency making the grant that it can maintain the project in an appropriate condition.

(c) The interest from the trust fund established from the funds available pursuant to this section shall be used only to maintain a project and its water supply and water quality benefits implemented pursuant to this chapter.

{d) **If** the interest in a project is condemned or if the local public agency, Indian tribe or nonprofit organization determines that the interest in the project is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated and shall be returned to the Wildlife Conservation Board. The funds returned may be utilized only for projects authorized by this chapter.

86098. In implementing this chapter, the Wildlife Conservation Board may provide incentives to landowners for conservation actions on private lands or use of voluntary habitat credit exchange **mechanisms.**

86099. At least ten percent (10%) of the funds available pursuant to this section shall be allocated for projects that provide a direct benefit to disadvantaged communities. These benefits may include range improvement, among other benefits. These projects may include technical assistance for, outreach to, and engagement with disadvantaged communities.

CHAPTER 6.3. Conservation Corps.

86105. The sum of forty million dollars (\$40,000,000) is appropriated from the Fund to the California Conservation Corps for projects to protect, restore, and improve the health of watershed lands, including forest lands, meadows, wetlands, chaparral, riparian habitat and other watershed lands. Projects may include, but are not limited to, regional and community fuel hazard reduction projects on public lands, invasive species removal, and stream, river, and riparian restoration projects. The California Conservation Corps shall allocate at least fifty percent (50%) of the funds pursuant to this section for grants to certified local conservation corps. Projects shall improve water quality, water supply reliability, or riparian or watershed health. Projects shall be undertaken in coordination with a nonprofit organization or public agency.

CHAPTER 6.4. Central Valley Fisheries Restoration.

86106. (a) The people of California find and declare that the protection, restoration and enhancement of native fish populations (including anadromous salmonids) of the Central Valley is necessary for the ecological and economic health of the State of California.

(b) Fish need both suitable habitat and appropriately timed flows in rivers and their tributaries.

(c) The State Water Resources Control Board shall take note of the funding provided by this chapter and the resulting fish habitat restoration as the Board determines flows necessary to restore Central Valley native fish populations and fisheries.

(d) Many state and federal agencies, including the Department of Water Resources, Department of Fish and Wildlife, Delta Stewardship Council, Delta Conservancy, Wildlife Conservation Board, Central Valley Flood Protection Board, and federal Bureau of Reclamation, United States Fish and Wildlife Service, and National Marine Fisheries Service have prepared policies and plans to restore Central Valley native fish and fisheries habitat, but these policies and plans are not fully funded.

(e) Many state and federal laws require the restoration of Central Valley native fish populations and fisheries habitat, but funding has not been fully available to carry out the requirements of these laws.

(f) The sum of four hundred million dollars (\$400,000,000) is appropriated from the Fund to the California Natural Resources Agency for the restoration of Central Valley populations of native fish and fisheries habitat.

(1) (A) The Secretary of the Natural Resources Agency shall appoint a Central Valley Fisheries Advisory Committee made up of representatives from the Central Valley Salmon Habitat Partnership, appropriate local, state and federal fish and water management and other agencies, nonprofit organizations, commercial fishing organizations, universities, local agencies and Indian tribes with relevant scientific expertise including representation from the upper watersheds. The committee shall advise the Secretary on the annual expenditure of funds appropriated pursuant to this Chapter. The

committee may solicit projects, and direct the creation of projects pursuant to this chapter, subject to approval by the Secretary.

(B) The committee shall work closely with representatives from each river basin in the Central Valley, including local government and water agencies, Indian tribes, and nonprofit organizations, to develop projects that are most suitable for the conditions in the basin, and which meet the other requirements of this section.

(C) In proposing projects, the committee shall take into account the entire life cycle of the fish species to be benefitted, and shall consider the interaction of the effects of each project within a river basin with projects in other river basins. The committee shall also consider adverse impacts resulting from poor watershed health, including severe wildfire and extensive tree mortality.

(2) Projects funded pursuant to this section shall increase self-sustaining populations of native fish, or contribute to an existing fish population becoming self-sustaining in the future, with a minimal requirement of expenditures to continue to operate the project. No funds may be expended on fish hatcheries.

(3) The committee shall give high priority to projects that provide multiple benefits, such as improved flood management, improved water quality, improved water supply, enhanced groundwater sustainability, aquifer remediation and reduction of emission of greenhouse gases, while also improving conditions for native fish species and their habitats. The committee shall also give high priority to projects that can be integrated into an existing flow regime and provide multi-species benefits over a range of flow conditions. The committee shall also give high priority to projects that are consistent with recovery plan and resiliency strategies for native California fish species.

(4) Expenditures shall be for capital outlay projects, such as conservation easements, water measurement needed to measure the effects of the project, projects that restore or enhance fisheries habitat such as floodplain expansion, reintroductions of fish into their historical habitat, improved fish passage opportunities, creation or enhancement of spawning and rearing habitat and other projects. Acquisition of land or easements as part of a fisheries enhancement project must be from willing sellers. Project costs shall include the costs of planning, environmental review, mitigation of the impacts of the project, and permitting. High priority shall be given to projects that provide adult and juvenile fish access to or fish passage through agricultural fields or floodplain habitats that will provide enhanced juvenile rearing and food production opportunities.

(5) Of the funds authorized by this section, the Secretary of the Natural Resources Agency may allocate up to ten million dollars (\$10,000,000) for one or more grants for capital outlay and related programmatic purposes to institutions of higher education for facilities that can be used to improve scientific and technical coordination, communication and training among those institutions, the department, the Department of Fish and Wildlife, the State board and other state agencies to assure that developments in ecosystem and fisheries science and management are deployed and employed across higher education institutions and state government agencies.

(g) Based on the recommendations of the committee, the Secretary of the Natural Resources Agency may make grants to any state or local agency, Indian tribe, or nonprofit organization to carry out the purpose of this section. The Secretary shall give high priority to projects that include matching funds, projects with a local agency as the lead agency, and projects supporting proposed actions in the Sacramento Valley Salmon Resiliency Strategy (as published by the California Natural Resources Agency in June 2017, and as

it may be amended), the National Marine Fisheries Service California Central Valley Steelhead Recovery Plan and other similar strategies as they are adopted.

(h) Of the amount appropriated pursuant to this section, not less than thirty-five million dollars (\$35,000,000) shall be available for projects to restore rivers and streams in support of fisheries and wildlife, including, but not limited to, reconnection of rivers with their floodplains, riparian and side- channel habitat restoration pursuant to the California Riparian Habitat Conservation Program, Chapter 4.1 (commencing with Section 1385) of Division 2 of the Fish and Game Code, and restoration and protection of upper watershed forests and meadow systems that are important for fish and wildlife resources. Subdivision (f) of Section 79738 of the Water Code applies to this subdivision. Priority shall be given to projects supported by multi-stakeholder public or private partnerships, or both, using a science-based approach and measurable objectives to guide identification, design, and implementation of regional actions to benefit salmon and steelhead.

(i) Of the amount appropriated pursuant to this section, five million dollars (\$5,000,000) shall be available to assist in the development of the Central Valley Salmon Partnership Habitat Implementation Plan.

(j) The Secretary shall give high priority to the removal of Dennett Dam on the Tuolumne River, if additional funds are still needed to complete removal of the Dam.

(k) A local public agency, Indian tribe or nonprofit organization receiving funding under this chapter may use up to twenty percent (20%) of those funds to establish a trust fund, the proceeds of which shall be used exclusively to pay or help pay for the maintenance and monitoring of the project being funded.

(1) If the local public agency, Indian tribe or nonprofit organization is unable to continue to maintain and monitor the project, it may transfer ownership of the trust fund to another public agency, Indian tribe or nonprofit organization, with the approval of the Secretary of the Natural Resources Agency.

(2) This subdivision does not apply to state agencies.

(3) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund pursuant to paragraph (1), the agency, tribe or organization shall certify to the Secretary of the Natural Resources Agency that it can maintain the project from funds otherwise available to the agency, tribe or **organization**.

(4) If all or part of the project cannot be maintained or is condemned, the trust fund and any unexpended interest are appropriated to the California Natural Resources Agency. The funds returned to the Agency may be utilized only for projects pursuant to this chapter.

(l) Of the amount appropriated to the California Natural Resources agency pursuant to this section, seven million dollars (\$7,000,000) is appropriated to the Department of Fish and Wildlife for native fish restoration projects on the upper Feather River below Oroville dam for gravel restoration, streambed restoration, and salmon habitat restoration projects.

CHAPTER 7. Groundwater Sustainability and Storage.

86110. (a) The sum of six hundred seventy-five million dollars (\$675,000,000) is appropriated from the Fund to the department for projects and programs that support sustainable groundwater management

consistent with Part 2.74 of Division 6 (commencing with Section 10720). The funds shall be used for competitive grants that advance sustainable groundwater management through implementation of groundwater sustainability plans and projects that protect, enhance, or improve groundwater supplies. At least ten percent (10%) of all grants made pursuant to this paragraph shall be made to groundwater sustainability agencies whose groundwater basins underlie disadvantaged communities.

(b) The sum of ten million dollars (\$10,000,000) is appropriated from the fund to the State board, for use by the Office of Sustainable Water Solutions to implement a multidisciplinary technical assistance program for small and disadvantaged communities, and support the involvement of disadvantaged communities and the public in groundwater sustainability agencies and in the development and implementation of groundwater sustainability plans.

86111. (a) Of the funds authorized by section 86110, six hundred forty million dollars (\$640,000,000) shall be available for grants to groundwater sustainability agencies implementing groundwater sustainability plans pursuant to subdivision (k) of Section 10721 for the following purposes:

(1) Groundwater recharge and storage projects including but not limited to acquisition of land and groundwater pumping allocations from willing sellers, planning of facilities such as feasibility studies and environmental compliance, distribution systems, and monitoring facilities. No grant made pursuant to this section shall exceed twenty million dollars (\$20,000,000).

(2) Projects that implement groundwater sustainability plans pursuant to Part 2.74 of Division 6 (commencing with Section 10720). Projects eligible for funding include but are not limited to feasibility studies, environmental compliance, engineering work used to develop groundwater use and sustainable yield for specific projects, well use measurement and innovative decision support tools.

(3) Projects that assess and address saltwater intrusion including future impacts related to climate change.

(4) Matching grants to groundwater sustainability agencies to develop groundwater sustainability plans pursuant to subdivision (k) of Section 10721. No grant shall exceed one million dollars (\$1,000,000), and no groundwater sustainability agency shall receive more than one grant.

(b) Of the funds authorized by this section, the sum of five million dollars (\$5,000,000) shall be available for research to guide investments made pursuant to this section. Research activities may include, but are not limited to, geophysical surveys, system-level modeling and analysis, development of novel methods and tools that can be applicable to local decision-making, cross-sector economic and policy analysis of novel recharge methods, and development of new approaches to significantly enhance groundwater recharge and fit-for-purpose water treatment and reuse.

(c) Of the funds authorized by this section, the department may allocate up to ten million dollars (\$10,000,000) for the development of publicly accessible decision support tools to assist groundwater sustainability agencies in conducting drinking water quality analysis, including the development and assessment of sustainable yield, undesirable results, measurable objectives and other required targets. The decision support tools should also support vulnerability assessments to help determine communities that may be at risk of facing water supply or contamination challenges. The tools should be available for other efforts such as drought vulnerability assessments and shall be linked to the Human Right to Water indicator housed at the State board.

(d) Of the funds authorized by this section, the department may allocate up to five million dollars (\$5,000,000) for one or more grants for capital outlay and related programmatic purposes to institutions of higher education for facilities that can be used to improve communication and coordination among these institutions, the department and the State board in order to assure that developments in groundwater science and management are efficiently deployed and employed across higher education institutions and state government agencies.

(e) A local public agency, Indian tribe or nonprofit organization receiving funding under this section may use up to twenty percent (20%) of those funds to establish a trust fund used exclusively to pay or help pay for the maintenance and monitoring of the agency's or organization's interest in land acquired pursuant to this section.

(1) If the local public agency, Indian tribe or nonprofit organization that acquired an interest in land with money from this section decides to transfer that interest to another public agency, Indian tribe or nonprofit organization, the ownership of the trust fund established to maintain that interest in land shall also be transferred.

(2) This subdivision does not apply to state agencies.

(3) If the local public agency, Indian tribe or nonprofit organization does not establish a trust fund pursuant to this subdivision the agency, tribe or organization shall certify to the state agency making the grant that it can maintain the land to be acquired from funds otherwise available to the agency, tribe or organization.

(4) If the interest in land is condemned or if the local public agency, Indian tribe or nonprofit organization determines that the interest in land is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated to the agency that provided the money. The funds returned to the agency may be utilized only for projects pursuant to this chapter.

86112. (a) The department shall give priority for funding pursuant to this chapter to the following in equal priority:

(1) Groundwater basins designated by the department as critically overdrafted basins, groundwater basins which are in danger of becoming critically overdrafted, and groundwater basins where surface and groundwater are interconnected.

(2) Groundwater basins with documented water quality problems, land subsidence, impacts on surface streams or groundwater dependent ecosystems, or other undesirable results as defined by subdivision (x) of Section 10721.

(3) Groundwater basins that protect important state-owned resources, such as state parks and wildlife areas.

(4) Projects that support the use of floodwaters of acceptable water quality to recharge groundwater basins. This innovative multi-benefit concept brings together four important California water management objectives, including flood hazard reduction, sustainable groundwater management, ecosystem restoration, and water supply reliability.

(A) Projects may include adaptive modification of flood and conservation storage operations at reservoirs, modifications to spillway facilities at existing reservoirs, inundation of new or expanded flood bypasses or temporary flood storage land areas, application of floodwaters to agricultural lands during fallow or dormant seasons, or increased use of existing groundwater recharge facilities.

(B) Projects may include using floodwaters for recharge of groundwater projects, with both flood hazard reduction and groundwater sustainability benefits.

(C) Projects that provide benefits in flood hazard reduction and groundwater sustainability. Project feasibility can also be supported by ecosystem restoration and water supply benefits.

(b) Of the amount appropriated in section 86110, the department may use up to ten million dollars (\$10,000,000) for the following purposes:

(1) Assess statewide potential for use of floodwaters for recharge and prioritize locations based upon proximity and conveyance connections in the State with flood hazard reduction and groundwater sustainability needs.

(2) Complete a pilot study of a priority location to demonstrate potential water resources management innovations to facilitate flood hazard reduction and groundwater recharge.

(3) Identify and demonstrate use of analytical tools and innovative water management techniques to support development of available floodwaters and recharge of groundwater basins.

(4) Develop economic monetization techniques of groundwater recharge benefits.

(5) Demonstrate application of the department's climate change methodology to both water supply and flood management applications.

(6) Provide technical assistance to groundwater sustainability and local flood management agencies, as well as coordination with state and federal flood agencies.

(c) The department shall consider the following criteria when awarding grants:

(1) The potential of the project to prevent or correct undesirable results due to groundwater use.

(2) The potential of the project to maximize groundwater storage, reliability, recharge or conjunctive use.

(3) The potential of the project to support sustainable groundwater management.

(4) The annualized cost-effectiveness of the project to achieve the goals of the Sustainable Groundwater Management Act, Chapter 2.74 of Division 6 (commencing with Section 10720).

(d) Eligible entities as defined in subdivision (a) of Section 86166, including groundwater sustainability agencies, shall be eligible for grants. Priority for funding shall be given to local agencies implementing the Sustainable Groundwater Management Act.

(e) For purposes of awarding funding under this chapter, a local cost share of not less than fifty percent (50%) of the total cost of the project shall be required. The cost-sharing requirement may be waived or reduced for that portion of a project that directly benefits a disadvantaged community or economically distressed area, or for projects the majority of whose benefits are to restore ecosystems dependent on groundwater.

(f) No grant may be made unless the Department of Fish and Wildlife certifies that harm done to fish or wildlife as a result of the project will be mitigated to ensure any potential impacts are less than significant.

(g) Eligible projects may include such infrastructure improvements such as improved canal and infiltration capacity.

86113. (a) For purposes of this section, "District" means the Borrego Water District.

(b) Of the amount appropriated in Section 86110, thirty-five million dollars (\$35,000,000) shall be awarded as a grant to the District for the following programs:

(1) Acquisition of land and acquisition of the right to pump groundwater from willing sellers to reduce groundwater pumping in order to bring groundwater pumping within the boundaries of the Borrego Springs Subbasin of the Borrego Valley Groundwater Basin to a level that is sustainable on a long-term basis pursuant to the Sustainable Groundwater Management Act, Chapter 2.74 of Division 6 (commencing with Section 10720). Lands acquired may be transferred to the Department of Parks and Recreation, a nonprofit organization or another public agency for future management.

(2) Water end-use efficiency, including urban and agricultural water conservation, and water conservation on recreational facilities such as golf courses.

(3) Restoration of lands acquired pursuant to this section.

(4) Stormwater capture for groundwater basin recharge and re-use.

(5) other District projects implementing the Sustainable Groundwater Management Act.

(c) (1) No cost sharing by the District is required to implement this section. This is justified because the community of Borrego Springs is a severely disadvantaged community, and because excessive groundwater pumping can impact important resources in Anza-Borrego Desert State Park whose 500,000 annual visitors contribute an estimated forty million dollars (\$40,000,000) annually to the region, as well as support 600 jobs.

(2) The District may require cost sharing by beneficiaries when making grants pursuant paragraphs (2) and (4) of subdivision (b).

(d) As a condition of this grant, the District must agree to:

(1) Implement measures which assure that lands not presently being irrigated will not come into irrigation, and that presently irrigated lands will not become more intensively irrigated; and

(2) Require new development to pay all costs of water purchases the District incurs, and all costs of water projects the District undertakes in order to accommodate that development.

(e) (1) The District or a nonprofit organization that receives funding pursuant to this chapter to acquire an interest in land may use up to twenty percent (20%) of those funds to establish a trust fund that is exclusively used to help pay for the maintenance, monitoring and restoration of that interest in land.

(2) The District or a nonprofit organization that acquires an interest in land with money from this chapter and transfers the interest in land to another public agency or nonprofit organization shall also transfer the ownership of the trust fund that was established to maintain that interest in land.

(3) This subdivision does not apply to state agencies.

(4) If the District or nonprofit organization does not establish a trust fund pursuant to this subdivision, the agency or organization shall certify to the department that it can maintain the land to be acquired from funds otherwise available to the agency or organization.

(5) If the interest in land is condemned or if the District or nonprofit organization determines that the interest in land is unable to fulfill the purposes for which money from this chapter was expended, the trust fund and any unexpended interest are appropriated to the District. The funds returned to the District may be utilized only for projects pursuant to this chapter.

(f) Any funds not needed by the District to implement the program described in this section may be granted by the District to a nonprofit organization or the California Department of Parks and Recreation to acquire lands adjacent to or in the immediate proximity of Anza-Borrego Desert State Park to prevent development or irrigation of that land which might impact groundwater resources in the Park. These lands may be inside or outside the boundaries of the District, but must be within the boundaries of the Borrego Springs Subbasin of the Borrego Valley Groundwater Basin, which is the source of all potable water for the Borrego Springs community and visitors to the Park. The lands may be used for wildlife habitat.

(g) The District may award grants to nonprofit organizations in order to carry out all or part of the programs authorized by this section.

CHAPTER 8. Water for Wildlife, Pacific Flyway Restoration, and Dynamic Habitat Management.

86120. The sum of three hundred million dollars (\$300,000,000) is appropriated from the Fund to the Wildlife Conservation Board (hereinafter in this section "the Board") to acquire water from willing sellers and to acquire storage and delivery rights to improve conditions for fish and wildlife in streams, rivers, wildlife refuges, wetland habitat areas and estuaries. High priority shall be given to meeting the water delivery goals of the Central Valley Project Improvement Act (Title 34 of Public Law 102-575). The Board may arrange for acquisition, long-term lease agreements, or transfer of water rights if it determines such actions are beneficial to wildlife conservation. The Board may sell, transfer, or store water or storage rights purchased pursuant to this section, if the Board finds that the sale, transfer or storage will not cause harm to fish and wildlife. In years when the Board does not require the water for fish and wildlife purposes, the Board may temporarily sell or lease the water or delivery rights. Notwithstanding Section 13340 of the Government Code, the proceeds of any water sales pursuant to this section by the Board are appropriated directly to the Board without regard to fiscal year. The Board shall use the proceeds of the sale, lease or transfer of water or delivery rights to achieve conservation purposes authorized by this

section. The acquisition of water using funds expended pursuant to this chapter shall only be used for projects that will provide fisheries, wildlife or ecosystem benefits.

86121. The sum of fifty million dollars (\$50,000,000) is appropriated from the Fund to the California Department of Fish and Wildlife for the purpose of improving water supply and water quality conditions for fish and wildlife on private lands. The California Department of Fish and Wildlife may provide incentives to landowners for conservation actions on private lands or use of voluntary habitat credit exchange mechanisms. Such incentives shall be designed to be appropriately flexible and responsive to the highly variable amounts of water required by fish and wildlife.

The Department of Fish and Wildlife shall use a portion of the funds provided by this section to develop a programmatic authorization to expedite approval of habitat restoration and water quality improvement projects not covered under Chapter 6.5 of Division 2 of the Fish and Game Code, and for the implementation of that Chapter.

86122. The sum of three hundred million dollars (\$300,000,000) is appropriated from the Fund to the Wildlife Conservation Board for coastal and Central Valley salmon and steelhead fisheries restoration projects. The Wildlife Conservation Board shall give priority to projects that contribute to the recovery of salmon and steelhead species listed pursuant to the state or federal endangered species acts, to enhance commercial and recreational salmon fisheries and to achieve the goals of Chapter 8 of Part 1 of Division 6 (commencing with Section 6900) of the Fish and Game Code.

(a) Of the amount appropriated by this section, up to one hundred million dollars (\$100,000,000) shall be spent for matching grants to local agencies for capital outlay projects to implement programs to improve fish passage opportunities and to restore anadromous salmonid habitats, particularly juvenile rearing habitat for spring run salmon, on rivers in the Sacramento Valley that have dams blocking the main stem of the river.

(b) Of the amount appropriated by this section, at least one hundred million dollars (\$100,000,000) shall be spent to install fish screens on the Sacramento and San Joaquin Rivers and their tributaries and in the Delta to screen anadromous fish from water intakes. High priority shall go to projects identified as high priority in the Sacramento Valley Salmon Resiliency Strategy (as published by the California Natural Resources Agency in June 2017, and as it may be amended).

86123. (a) The sum of two hundred eighty million dollars (\$280,000,000) is appropriated from the Fund to the Wildlife Conservation Board for projects to protect migratory birds through habitat acquisition, easements, restoration, or other projects, and to provide water for wildlife refuges and wildlife habitat areas to fulfill the purposes identified in the Central Valley Joint Venture Implementation Plan, as it may be amended, including:

- (1) Projects to implement this section which may include conservation actions on private lands.
- (2) Protection and restoration of riparian and wetland habitat in the Sacramento River Basin.
- (3) Protection and restoration of riparian and wetland habitat in the San Joaquin and Tulare

Basins.

(b) Of the amount appropriated by this section, forty million dollars (\$40,000,000) shall be deposited in the California Waterfowl Habitat Preservation Account established pursuant to Section 3467 of the Fish

and Game Code, for the purposes of implementing the California Waterfowl Habitat Program pursuant to Article 7 (commencing with Section 3460) of Chapter 2 of Part 1 of Division 4 of the Fish and Game Code, the California Landowner Incentive Program of the Department of Fish and Wildlife, the Permanent Wetland Easement Program of the Wildlife Conservation Board, and the establishment or enhancement of waterfowl nesting and other wildlife habitat cover on fallowed lands including projects authorized pursuant to Section 1018.

(c) Of the amount appropriated by this section, ten million dollars (\$10,000,000) shall be deposited in the Shared Habitat Alliance for Recreational Enhancement (SHARE) Account established pursuant to Section 1572 of the Fish and Game Code and administered by the Department of Fish and Wildlife for the purposes of providing hunting and other wildlife-dependent recreational opportunities to the public through voluntary agreements with private landowners.

(d) Of the amount appropriated by this section, at least one hundred and ten million dollars (\$110,000,000) shall be expended for acquisition and delivery of water to wildlife refuges, and associated infrastructure projects, to achieve full compliance with the terms of subsection (d) of Section 3406 of the Central Valley Project Improvement Act (Title 34 of Public Law 102-575).

CHAPTER 8.6. Sacramento Region Water Reliability and Habitat Protection.

86124. (a) Ten million dollars (\$10,000,000) is appropriated from the Fund to the department for grants to the Regional Water Authority and to the City of Sacramento on behalf of the Sacramento Area Water Forum for projects that are consistent with the coequal objectives of the Water Forum Agreement. Eligible projects include facilities, studies and other actions to improve flow and temperature conditions and habitat in the lower American River, increase water use efficiency and conservation, or improve the integration of surface water and groundwater supplies to provide for dry year water supply reliability.

(b) The Regional Water Authority and the Water Forum shall jointly develop and approve studies, projects, or programs to be funded by the grants. Highest priority shall be given to improving water temperature conditions in the lower American River, and to projects or programs that contribute to both of the Water Forum's coequal objectives of improving water supply and protecting the environment. The Regional Water Authority will be the grantee for water supply and water efficiency projects. The City of Sacramento, on behalf of the Water Forum, will be the grantee for environmental protection, water temperature studies, and habitat restoration projects.

(c) The amount allocated in aggregate to the package of projects shall not exceed fifty percent (50%) of the projects' total cost.

(d) No funds appropriated pursuant to this section may be spent to build new surface storage or raise existing reservoirs.

CHAPTER 9. Bay Area Regional Water Reliability.

86125. Two hundred and fifty million dollars (\$250,000,000) is appropriated from the Fund to the department for a grant to the group of eight water agencies collectively known as the Bay Area Regional Reliability Partnership (BARR) for new facilities that extend the benefits of surface water storage for region-wide benefits in any of the following areas: drought supply reliability, drinking water quality, and emergency storage, as generally described in the Final Mitigation Project List contained in the San Francisco Bay Area Regional Reliability Drought Contingency Plan. The Contra Costa Water District may

receive the grant on behalf of the Partnership unless the BARR Partnership has a governance structure in place at the time of the grant award that makes its eligible to receive the funds directly. The participating water agencies in the San Francisco Bay Area Regional Reliability Drought Contingency Plan will determine and designate funds to one or any of the listed projects, however in no case will the amount determined for any single project be more than 50% of the project's total cost. No funds appropriated pursuant to this section may be spent to build new surface storage, or raise existing reservoirs.

CHAPTER 10. Improved Water Conveyance and Water Conservation.

86126. Even though the drought has eased, the effects of the drought are still being felt in many areas throughout the state, including the San Joaquin Valley. Further exacerbating the impact of drought conditions on water users were legal requirements restricting pumping from the Sacramento-San Joaquin Delta. One of the consequences of both the drought and pumping restrictions was a significant increase in groundwater pumping as a means to replace reduced surface supplies. Such increase in groundwater pumping lowers groundwater tables, which in turn causes wells to go dry and land to subside, which has particularly been the case on the east side of the San Joaquin Valley. The Friant-Kern Canal has lost 60% of its capacity to convey water for both consumptive uses and groundwater recharge. Unless conveyance capacity is restored and increased, the subsidence will continue to get worse and those local communities, including disadvantaged communities, who largely rely on groundwater to serve their citizens, will continue to suffer adverse effects. Significant public benefits will result from this state investment, including avoiding increased unemployment, stabilization of groundwater, and securing a more stable food supply for California.

86127. The sum of seven hundred fifty million dollars (\$750,000,000) is appropriated from the Fund to the department for a grant to the Friant Water Authority for water conveyance capital improvements, including restored and increased conveyance capacity to and in the Madera and Friant-Kern canals, resulting in greater groundwater recharge, improved conveyance and utilization of floodwaters, and for water conservation. Improvements with funds provided by this paragraph shall be completed consistent with applicable state and federal laws and contracts.

86128. The sum of one hundred million dollars (\$100,000,000) is appropriated from the Fund to the Natural Resources Agency for actions that support projects defined in paragraph 11 in the settlement agreement to restore the San Joaquin River referenced in Section 2080.2 of the Fish and Game Code. Before expenditure may occur, formal concurrence on specific projects to be undertaken is required by the settling parties to the agreement.

86129. The diversion of water from Barker Slough to the North Bay Aqueduct adversely impacts listed fish species, and also adversely impacts water quality served to a large urban area. There would be multiple public benefits to relocating the diversion to the North Bay Aqueduct to the Sacramento River.

86130. The sum of five million dollars (\$5,000,000) is appropriated from the fund to the department to plan for a diversion of water from the Sacramento River to the North Bay Aqueduct to reduce the adverse impact on listed fish species, and provide a higher quality of drinking water to those served by the Aqueduct.

CHAPTER 11. Oroville Dam Flood Safety.

86131. Oroville Dam provides flood control for the Sacramento Valley. The inclusion of flood control at Oroville Dam was not an obligation of the public water agencies that receive water from Oroville Dam. The flood control function of Oroville Dam was paid for by the federal government.

86132. The sum of two hundred million dollars (\$200,000,000) is appropriated from the Fund to the department for repair and reconstruction of the spillways at the Oroville Dam.

86133. The sum of twenty-one million dollars (\$21,000,000) is appropriated from the Fund to the department. Fifteen million dollars (\$15,000,000) shall be spent for Feather River sediment management and removal between Live Oak and Verona in coordination with the Sutter Butte Flood Control Agency. Six million dollars (\$6,000,000) of these funds shall be awarded as a grant to the Sutter Butte Flood Control Agency for floodwater attenuation projects at the Oroville Wildlife Area that provide downstream flood control relief and ecosystem restoration.

86134. The sum of one million dollars (\$1,000,000) is appropriated from the Fund to the department for a grant to Butte County for capital outlay projects and equipment for emergency preparedness coordination and communications consistent with the California Office of Emergency Services Standardized Emergency Management System (SEMS).

CHAPTER 12. General Provisions.

86151. (a) In projects involving voluntary habitat restoration, water quality improvement and multi-benefit floodplain restoration each agency administering provisions of this division shall encourage interagency coordination and develop and utilize efficient project approval and permitting mechanisms, including but not limited to the provisions of Chapter 6.5 of Division 2 of the Fish and Game Code (regardless of whether that chapter is still in effect) and programmatic permits for voluntary habitat restoration, so as to avoid project delays and maximize the amount of money spent on project implementation.

(b) Projects designed to primarily protect migratory birds through acquisition, easements, restoration or other projects shall be consistent with the plans and recommendations established by the federal Migratory Bird Joint Venture partnerships that encompass parts of California.

(c) Any agency providing funds pursuant to this division to disadvantaged communities or economically distressed areas may provide funding to assist these communities in applying for that funding, including technical and grant writing assistance. These funds may be provided to nonprofit organizations and local public agencies assisting these communities.

(d) Any agency receiving funds pursuant to this division may contract for the services of resource conservation districts pursuant to Section 9003 of the Public Resources Code.

(e) Agencies may count in-kind contributions up to twenty-five percent (25%) of the total project cost as part of cost sharing. Agencies may count the value of the donated land in a bargain sale as part of cost sharing.

(f) Agencies considering proposals for acquisition of lands shall also consider the ability of the proposed final owner of the land to maintain it in a condition that will protect the values for which it is to be acquired, and to prevent any problems that might occur on neighboring lands if the land is not properly managed.

(g) Trust funds established pursuant to this act shall be managed pursuant to the requirements of the Uniform Prudent Management of Institutional Funds Act, Part 7 (commencing with Section 18501) of Division 9 of the Probate Code.

(h) Projects designed to primarily protect riparian habitat through acquisition, easements, restoration or other projects shall consider the plans and recommendations established by the California Riparian Habitat Conservation Program pursuant to Chapter 4.1 of Division 2 of the Fish and Game Code (commencing with Section 1385).

(i) The administering agency shall provide advance payment of 50% of grant awards for those projects that satisfy both of the following criteria:

(1) The project proponent is a disadvantaged community or eligible entity as defined in subdivision (a) of Section 86166, or the project benefits a disadvantaged community.

(2) The grant award for the project is less than one million dollars (\$1,000,000).

(j) Eligible grant costs shall include indirect costs as defined in federal Office of Management and Budget guidelines, as well as reasonable overhead costs.

(k) Agencies receiving funds designated for specific programs or grantees shall expedite the expenditure or transfer of those funds with the least amount of process necessary to comply with existing state laws and regulations, and the requirements of this division. It is the intent of this division that the expenditure or transfer of funds shall be efficient, cost-effective, and expeditious, and generally should occur no later than 90 days from demonstrated eligibility by the recipient for the funds requested.

86152. Agencies shall, to the extent practicable, quantify the amount of water generated for human and environmental use resulting from proposed expenditures they make pursuant to this division. Agencies shall, to the extent practicable, quantify the improvement in the quality of water generated for human and environmental use resulting from proposed expenditures they make pursuant to this division.

86153. To the extent consistent with the other provisions of this division, statewide agencies making grants pursuant to this division shall seek to allocate funds equitably to eligible projects throughout the state, including northern and southern California, coastal and inland regions, and Sierra and Cascade foothill and mountain regions.

86154. Applicants for grants pursuant to this division shall indicate whether the grant proposal is consistent with the local Integrated Regional Water Management Plan, if one exists. However, consistency with the Integrated Regional Water Management Plan shall not be required as a condition of any grant, and grant proposals shall not be given lower priority if they are not consistent with Integrated Regional Water Management Plans.

86155. (a) Notwithstanding any other provision of this division, a local public agency with a population of less than 100,000 and a median household income of less than one hundred percent (100%) of the state average household income shall be required to provide matching funds of no more than thirty-five percent (35%) for a grant for a project entirely within their jurisdiction. State agencies making grants to these local public agencies may provide funding in advance of construction of portions of the project, if the state agency determines that requiring the local public agency to wait for payment until the project is completed would make the project infeasible.

(b) Nothing in this section prohibits a state agency from making a grant to a disadvantaged community or economically distressed area that does not require cost sharing.

86156. Any repayment of loans made pursuant to this division, including interest payments, and interest earnings shall be deposited in the Fund and shall be available solely for the purposes of the chapter or section that authorized the loan.

86157. (a) Each state agency that receives an appropriation of funding made available by this division shall be responsible for establishing metrics of success and reporting the status of projects and all uses of the funding on the state's bond accountability Internet Web site.

(b) Each state agency that receives an appropriation of funding made available by this division shall do the following:

(1) Evaluate the outcomes of projects funded by this division.

(2) Include in the agency's reporting pursuant to Section 86003 the evaluation described in subdivision (a) of this section.

(3) Hold a grantee of funds accountable for completing projects funded by this division on time and within scope.

86158. (a) For projects carried out by state agencies pursuant to this division, up to ten percent (10%) of funds allocated for each program funded by this division may be expended for planning, monitoring and reporting necessary for the successful design, selection, and implementation of the projects and verification of benefits. An eligible entity receiving a grant for a project pursuant to this division may also receive sufficient funds for planning, monitoring and reporting necessary for the successful design, selection, and implementation of the projects. This section shall not otherwise restrict funds ordinarily used by an agency for "preliminary plans," "working drawings," and "construction" for a capital outlay project or grant project.

(b) Permit and plan check fees and reasonable administrative and indirect project fees and costs related to managing construction shall be deemed part of construction costs. Project costs allocated for project planning and design, and direct and indirect administrative costs shall be identified as separate line items in the project budget.

86159. Notwithstanding Section 16727 of the Government Code, funding provided pursuant to Chapters 6 and 8 may be used for grants and loans to nonprofit organizations to repay financing described in Section 22064 of the Financial Code related to projects that are consistent with the purposes of those chapters.

86160. Not more than a total offive percent (5%) of the funds allocated to any state agency under this division may be used to pay for its costs of administering programs and projects specified in this division.

86161. (a) Water quality monitoring data shall be collected and reported to the State board in a manner that is compatible and consistent with surface water monitoring data systems or groundwater monitoring data systems administered by the State board, consistent with Part 4.9 of Division 6. Watershed monitoring data shall be collected and reported to the Department of Conservation in a manner that is compatible and consistent with the statewide watershed program administered by the Department of Conservation.

(b) State agencies making grants or loans pursuant to this division may include specific expenditures for compliance with local, state and federal permitting and other requirements.

(c) Up to one percent (1% of funds allocated for each program funded by this division may be expended for research into methods to improve water supply, water related habitat, and water quality relevant to that program, in addition to any other amounts provided for in this division.

86162. (a) Prior to disbursing grants or loans pursuant to this division, each state agency that receives an appropriation from the funding made available by this division to administer a grant or loan program under this division shall develop and adopt project solicitation and evaluation guidelines. The guidelines shall include monitoring and reporting requirements and may include a limitation on the dollar amount of each grant or loan to be awarded. The guidelines shall not include a prohibition on the recovery of reasonable overhead or indirect costs by local public agencies, Indian tribes or nonprofit organizations. If the state agency has previously developed and adopted project solicitation and evaluation guidelines that comply with the requirements of this division, it may use those guidelines. Overhead or indirect costs incurred by a local public agency, Indian tribe or nonprofit organization are eligible for reimbursement and shall not weigh negatively in the evaluation of funding proposals pursuant to this division.

(b) Prior to disbursing grants or loans, the state agency shall conduct three regional public meetings to consider public comments prior to finalizing the guidelines. The state agency shall publish the draft solicitation and evaluation guidelines on its website at least 30 days before the public meetings. One meeting shall be conducted at a location in northern California, one meeting shall be conducted at a location in the Central Valley of California, and one meeting shall be conducted at a location in southern California. Agencies without jurisdiction in one or more of these three regions may omit the meetings in the region or regions within which they do not have jurisdiction. Upon adoption, the state agency shall transmit copies of the guidelines to the fiscal committees and the appropriate policy committees of the Legislature.

(c) At least 45 days prior to soliciting projects pursuant to this division, a state agency administering funds pursuant to this division shall post an electronic form of the guidelines for grant applicants on its website. Project solicitation and evaluation guidelines shall only include criteria based on the applicable requirements of this division.

(d) Nothing in this division restricts agencies from enforcing and complying with existing laws.

86163. Each project funded from this division shall comply with the following requirements:

(a) The investment of public funds pursuant to this division will result in public benefits that address the most critical statewide needs and priorities for public funding, as determined by the agency distributing the funds.

(b) In the appropriation and expenditure of funding authorized by this division, priority will be given to projects that leverage private, federal, or local funding or produce the greatest public benefit. All state agencies receiving funds pursuant to this division shall seek to leverage the funds to the greatest extent possible, but agencies shall take into account the limited ability to cost share by small public agencies, and by agencies seeking to benefit disadvantaged communities and economically distressed areas.

(c) A funded project shall advance the purposes of the chapter from which the project received funding.

(d) In making decisions regarding water resources pursuant to this division, state and local agencies will use the best available science to inform those decisions.

(e) To the extent practicable, a project supported by funds made available by this division will include signage informing the public that the project received funds from the Water Supply and Water Quality Act of 2018.

(f) To the extent feasible, projects funded with proceeds from this division shall promote state planning priorities consistent with the provisions of Section 65041.1 of the Government Code and sustainable communities strategies consistent with the provisions of subparagraph (B) of paragraph (2) of subdivision (b) of Section 65080 of the Government Code.

(g) To the extent feasible, watershed objectives for private lands included in this division should be achieved through use of conservation easements and voluntary landowner participation, including, but not limited to, the use of perpetual conservation easements pursuant to Division 10.2 (commencing with Section 10200) and Division 10.4 (commencing with Section 10330) of the Public Resources Code, voluntary habitat credit exchange mechanisms, and conservation actions on private lands.

86164. Funds provided by this division shall not be expended to pay the costs of the design, construction, operation, mitigation, or maintenance of Delta water conveyance facilities. Those costs shall be the responsibility of the water agencies that benefit from the design, construction, operation, mitigation, or maintenance of those facilities.

86165. (a) This division does not diminish, impair, or otherwise affect in any manner whatsoever any area of origin, watershed of origin, county of origin, or any other water rights protections, including, but not limited to, rights to water appropriated prior to December 19, 1914, provided under the law. This division does not limit or affect the application of Article 1.7 (commencing with Section 1215) of Chapter 1 of Part 2 of Division 2, Sections 10505, 10505.5, 11128, 11460, 11461, 11462, and 11463, and Sections 12200 to 12220, inclusive.

(b) For the purposes of this division, an area that utilizes water that has been diverted and conveyed from the Sacramento River hydrologic region, for use outside the Sacramento River hydrologic region or the Delta, shall not be deemed to be immediately adjacent thereto or capable of being conveniently supplied with water therefrom by virtue or on account of the diversion and conveyance of that water through facilities that may be constructed for that purpose after January 1, 2018.

(c) Nothing in this division supersedes, limits, or otherwise modifies the applicability of Chapter 10 (commencing with Section 1700) of Part 2 of Division 2, including petitions related to any new conveyance constructed or operated in accordance with Chapter 2 (commencing with Section 85320) of Part 4 of Division 35.

(d) Unless otherwise expressly provided, nothing in this division supersedes, reduces, or otherwise affects existing legal protections, both procedural and substantive, relating to the State board's regulation of diversion and use of water, including, but not limited to, water right priorities, the protection provided to municipal interests by Sections 106 and 106.5, and changes in water rights. Nothing in this division expands or otherwise alters the State board's existing authority to regulate the diversion and use of water or the courts' existing concurrent jurisdiction over California water rights.

(e) Nothing in this division shall be construed to affect the California Wild and Scenic Rivers Act (Chapter

1.4 (commencing with Section 5093.50) of Division 5 of the Public Resources Code) or the federal Wild and Scenic Rivers Act (16 U.S.C. Section 1271 et seq.) and funds authorized pursuant to this division shall not be available for any project that could have an adverse effect on the values upon which a wild and scenic river or any other river is afforded protections pursuant to the California Wild and Scenic Rivers Act or the federal Wild and Scenic Rivers Act.

(f) Nothing in this division supersedes, limits, or otherwise modifies the Sacramento-San Joaquin Delta Reform Act of 2009 (Division 35 (commencing with Section 85000)) or any other applicable law, including, but not limited to, Division 22.3 (commencing with Section 32300) of the Public Resources Code.

(g) Notwithstanding any other provision of law, any agency or nonprofit organization acquiring land pursuant to this division may make use of the Natural Heritage Preservation Tax Credit Act of 2000 (Division 28 (commencing with Section 37000) of the Public Resources Code). Funds appropriate pursuant to this division that are not designated for competitive grant programs may also be used for the purposes of reimbursing the General Fund pursuant to the Natural Heritage Preservation Tax Credit Act of 2000.

(h) Funds provided pursuant to this division, and any appropriation or transfer of those funds, shall not be deemed to be a transfer of funds for the purposes of Chapter 9 (commencing with Section 2780) of Division 3 of the Fish and Game Code.

86166. (a) Applicants eligible to receive grants, loans and contracts pursuant to this division are public agencies, state universities (including university-managed national laboratories), resource conservation districts, nonprofit organizations, public utilities, mutual water companies, public water systems as defined in subdivision (h) of Section 116275 of the Health and Safety Code, urban water suppliers as defined in Section 10617 of the Water Code, federally recognized Indian tribes, federal agencies owning or managing land in California, and state Indian tribes listed on the Native American Heritage Commission's California Tribal Consultation List. State agencies granting funds pursuant to this division shall give priority to eligible applicants with experience in planning, designing, and developing the types of projects receiving funding from the agencies, or which have access to consulting help in these areas.

(b)(l) To be eligible for funding under this division, a project proposed by a public utility that is regulated by the Public Utilities Commission, or a mutual water company, shall have a clear and definite public purpose and the project shall benefit the customers of the water system and not the investors.

(2) To be eligible for funding under this division, an urban water supplier shall have adopted and submitted an urban water management plan in accordance with the Urban Water Management Planning Act, Part 2.6 (commencing with Section 10610) of Division 6.

(3) To be eligible for funding under this division, an agricultural water supplier shall have adopted and submitted an agricultural water management plan in accordance with the Agricultural Water Management Planning Act, Part 2.8 (commencing with Section 10800) of Division 6.

(4) In accordance with Section 10608.56, an agricultural water supplier or an urban water supplier is ineligible for grant funding under this division unless it complies with the requirements of Part 2.55 (commencing with Section 10608) of Division 6.

(5) Notwithstanding any other provision of this division, agencies receiving funds pursuant to this division may reduce or eliminate cost sharing requirements when making grants of one million dollars (\$1,000,000) or less to nonprofit organizations with budgets less than one million dollars (\$1,000,000) if

the agency determines that such grants would be the most effective way to achieve the purposes of this division.

86167. Where feasible, projects funded pursuant to this division may use the services of the California Conservation Corps or certified community conservation corps, as defined in Section 14507.5 of the Public Resources Code. Public agencies receiving funding under this division shall give additional priority to projects that involve the services of the California Conservation Corps or a certified community conservation corps, or other nonprofit entities that provide job training and education opportunities for veterans, foster care recipients, farmworkers or local youth in conservation or restoration projects.

86168. Each state agency that receives an appropriation of funding made available by this division shall be responsible for establishing and reporting on the state's bond accountability website each of the following: metrics of success, metrics for benefitting disadvantaged communities and economically distressed areas, progress in meeting those metrics, status of projects funded under this division, and all uses of the funding the state agency receives under this division. The Secretary of the Natural Resources Agency shall annually report to the Legislature expenditures made pursuant to this division, and the benefits derived from those expenditures.

86169. The proceeds of bonds issued and sold pursuant to this division (excluding the proceeds of any refunding bonds issued in accordance with Section 86192) shall be deposited in the Water Supply Reliability and Drought Protection Fund of 2018, which is hereby created in the State Treasury.

86169.1 Notwithstanding Section 13340 of the Government Code, moneys in the Water Supply Reliability and Drought Protection Fund of 2018 are continuously appropriated without regard to fiscal year for the purposes of this division in the manner set forth in this division. Funds authorized by, and made available pursuant to this division shall be available and expended only as provided in this division, and shall not be subject to appropriation or transfer by the Legislature or the Governor for any other purpose.

86170. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the development or implementation of programs or projects authorized or funded under this division.

86171. (a) Funds provided by this division shall not be used to support or pay for the costs of environmental mitigation, except for the costs of environmental mitigation for projects funded pursuant to this division.

(b) Funds provided by this division shall be used for environmental enhancements or other public benefits.

(c) Notwithstanding paragraphs (a) and (b) of this section, the costs of mitigation of the environmental impacts directly related and limited to expenditures under this division may be paid for by funds provided by this division.

(d) Funds available pursuant to this division shall not be expended to pay the costs of the design, construction, operation, mitigation, or maintenance of Delta conveyance facilities.

86172. Every entity implementing this division shall give highest priority to funding projects that combine relatively high cost-effectiveness, durability, and enhanced environmental quality.

86174. Acquisitions pursuant to Chapter 6 of this division shall be from willing sellers only.

86177. The requirement that a project be cost-effective does not require a full benefit/cost analysis.

86178. Agencies implementing this division shall give special consideration to projects that employ new or innovative technology or practices, including decision support tools that support the integration of multiple strategies and jurisdictions, including, but not limited to, water supply, wildfire reduction, habitat improvement, invasive weed control, flood control, land use, and sanitation.

86179. Any contract (including a contract to provide a grant) between a public agency, Indian tribe or nonprofit organization and the Department of Fish and Wildlife or the Wildlife Conservation Board for work funded pursuant to this division, or pursuant to Division 26.7 shall be considered a contract subject to the requirements of Section 1501.5 of the Fish and Game Code, and therefor shall not be considered a public work or a public improvement, and is not subject to Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

86179.1. Priority shall be given to the expenditure of funds on activities that affect the Delta and the species that rely on it that are generally consistent with the report "A Delta Renewed: A Guide to Science-Based Ecological Restoration in the Sacramento-San Joaquin Delta" prepared in 2016 by the San Francisco Estuary Institute-Aquatic Science Center.

86179.2. In the awarding of grants to be made by any agency pursuant to this act or Division 26.7 after the effective date of this act, overhead or indirect costs incurred by a local public agency, Indian tribe or nonprofit organization are eligible for reimbursement and shall not weigh negatively in the evaluation of funding proposals. Eligible grant costs shall include indirect costs as defined in federal Office of Management and Budget guidelines, as well as reasonable overhead costs. For nonprofit organizations, grants shall provide for reimbursement of indirect costs by applying the organization's federally negotiated indirect cost rate, if one exists. If a negotiated rate does not exist, the organization may elect to use the default indirect cost rate of 10 percent (10%) of its modified total direct costs as defined by the Office of Management and Budget.

86179.3. No grants made pursuant to this division shall result in an unmitigated increase in a community's exposure to flood hazards or in a net reduction in flood conveyance capacity of any publicly owned flood protection facility.

86179.4. In awarding grants for land acquisition, the Wildlife Conservation Board shall give preference to organizations that voluntarily pay property taxes.

CHAPTER 13. Fiscal Provisions.

86180. (a) Bonds in the total amount of eight billion eight hundred seventy-seven million dollars (\$8,877,000,000), or so much thereof as is necessary, not including the amount of any refunding bonds issued in accordance with Section 86192 may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this division and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) The Treasurer shall from time to time sell the bonds authorized by the committee pursuant to Section 86182. Bonds shall be sold upon the terms and conditions specified in one or more resolutions to be adopted by the committee pursuant to Section 16731 of the Government Code.

86181. The bonds authorized by this division shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law, and all of the provisions of that law, as that law may be amended, apply to the bonds and to this division and are hereby incorporated in this division as though set forth in full in this division, except subdivisions (a) and (b) of Section 16727 of the Government Code.

86182. (a) Solely for the purpose of authorizing the issuance and sale pursuant to the State General Obligation Bond Law of the bonds authorized by this division, the Water Supply Reliability and Drought Protection Finance Committee is hereby created. For purposes of this division, the Water Supply Reliability and Drought Protection Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law.

(b) The finance committee consists of the Director of Finance, the Treasurer, and the Controller. Notwithstanding any other provision of law, any member may designate a representative to act as that member in his or her place for all purposes, as though the member were personally present.

(c) The Treasurer shall serve as chairperson of the finance committee.

(d) A majority of the finance committee may act for the finance committee.

86183. The finance committee shall determine whether or not it is necessary or desirable to issue bonds authorized by 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**.

86184. For purposes of the State General Obligation Bond Law, "board," as defined in Section 16722 of the Government Code, means the Secretary of the Natural Resources Agency.

86185. 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.

86186. 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 that is necessary to carry out the provisions of Section 86189, appropriated without regard to fiscal years.

86187. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account in accordance with Section 16312 of the Government Code for the purpose of carrying out this division less any amount withdrawn pursuant to Section 86189. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold (excluding any refunding bond authorized pursuant to Section 86192) for the purpose of carrying out this division. The board shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the Fund to be allocated in accordance with this division.

86188. Notwithstanding any other provision of this division, or of the State General Obligation Bond Law, if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions or is otherwise entitled to any federal tax advantage, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds, as may be required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

86189. For the purposes of carrying out this division, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold (excluding any refunding bond authorized pursuant to Section 86192) for the purpose of carrying out this division less any amount borrowed pursuant to Section 86187. Any amounts withdrawn shall be deposited in the Fund. Any moneys made available under this section shall be returned to the General Fund, with interest at the rate earned by the moneys in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this division.

86190. All moneys deposited in the Fund that are derived from premium and accrued interest on bonds sold pursuant to this division shall be reserved in the Fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest, except that amounts derived from premium may be reserved and used to pay the cost of bond issuance prior to any transfer to the General Fund.

86191. Pursuant to the State General Obligation Bond Law, the cost of bond issuance shall be paid out of the bond proceeds, including premiums, if any. To the extent the cost of bond issuance is not paid from premiums received from the sale of bonds, these costs shall be shared proportionately by each program funded through this division by the applicable bond sale.

86192. The bonds issued and sold pursuant to this division may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds under this division shall include approval of the issuance of any bonds issued to refund any bonds originally issued under this division or any previously issued refunding bonds. Any bond refunded with the proceeds of refunding bonds as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing such refunded bonds.

86193. The proceeds from the sale of bonds authorized by this division are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, and the disbursement of these proceeds is

not subject to the limitations imposed by that article.

SECTION 2. Section 1 of this act shall take effect immediately upon approval by the voters of the Water Supply and Water Quality Act of 2018, as set forth in that section at the November 6, 2018, statewide general election. In order to fund a water supply reliability and drought protection program at the earliest possible date, it is necessary that this act take effect immediately.

SECTION 3. Conflicting Provisions.

(a) The provisions and intent of the Water Supply and Water Quality Act of 2018 shall be given precedence over any state law, statute, regulation or policy that conflicts with this section, and the policy and intent of this act shall prevail over any such contrary law, statute, regulation or policy.

(b) If this division is approved by the voters, but superseded by any other conflicting ballot division approved by more voters at the same election, and the conflicting ballot division is later held invalid, it is the intent of the voters that this act shall be given the full force of law.

(c) If any rival or conflicting initiative regulating any matter addressed by this act receives the higher affirmative vote, then all non-conflicting parts of this act shall become operative.

SECTION 4. If any provision of this act or the application thereof is held invalid, that invalidity shall not affect other provisions or applications of this act that can be given effect without the invalid provisions or applications, and to this end the provisions of this act are severable.

SECTION 5.

Section 2799.7 is added to the Fish and Game Code to read:

2799.7. Subdivision (f) of Section 2787 does not apply to Section 2795. Notwithstanding other provisions of this article and Section 13340 of the Government Code, as of July 2, 2020 funds transferred pursuant to Section 2795 shall be continuously appropriated to the Wildlife Conservation Board for purposes of Chapter 8 (commencing with Section 86120) of Division 38 of the Water Code.

SECTION 6.

Part 12 is added to Division 6 of the Water Code to read:

Section 11860. (a) Notwithstanding any other provision of law (including Section 13340 of the Government Code and Sections 39710 through 39723 of the Health and Safety Code), the fees paid, the cost of compliance instruments acquired, and the increased cost of power purchased by the Department of Water Resources, hereafter "Department," as a result of the implementation of Division 25.5 of the Health and Safety Code are continuously appropriated to the Department from the Greenhouse Gas Reduction Fund, as defined in Section 16428.8 of the Government Code, and the fees paid, the cost of compliance instruments acquired and the increased cost of power purchased by the Metropolitan Water District of Southern California (Statutes 1969, chapter 209, as amended), hereafter "District," as a result of the implementation of Division 25.5 of the Health and Safety Code are continuously appropriated to the District from the Greenhouse Gas Reduction Fund, as defined in Section 16428.8 of the Government Code.

(b) The funds appropriated to the Department pursuant to this section shall be expended within the State Water Resources Development System, and on consumer water conservation programs within the jurisdiction of the State Water Resources Development System.

(c) The funds appropriated to the District pursuant to this section shall be expended within the water storage, treatment, conveyance, and distribution system of the District and on consumer water conservation programs within the jurisdiction of the District.

(d) Of the consumer water conservation programs authorized by subdivisions (b) and (c), highest priority shall be given to those benefitting disadvantaged communities (as defined subdivision (a) of Section 79505.5, as it may be amended) and economically distressed areas (as defined in subdivision (k) of Section 79702, as it may be amended).

(e) All expenditures pursuant to this section shall meet the requirements of Chapter 4.1 of Part 2 of Division 26 of the Health and Safety Code. The Department and District will provide an annual report to the Air Resources Board on the prior-year's project implementation along with a plan for current year implementation.

(f) No funds provided by this part shall be expended to pay the costs of the design, construction, operation, mitigation, or maintenance of new Delta water conveyance facilities. No funds provided by this section shall be expended to pay the costs of construction of new surface water storage facilities or to expand the capacity of the California Aqueduct or the Colorado River Aqueduct. Those costs shall be the responsibility of the water agencies that benefit from the design, construction, operation, mitigation, or maintenance of those facilities.

(g) All reasonable and feasible measures shall be taken to reduce, avoid, or mitigate significant negative environmental impacts from projects undertaken pursuant to this section.

Section 11861. (a) Notwithstanding any other provision of law (including Section 13340 of the Government Code and Sections 39710 through 39723 of the Health and Safety Code), the fees paid, the cost of compliance instruments acquired, and the increased cost of power purchased by the Contra Costa Water District, hereafter "District," as a result of the implementation of Division 25.5 of the Health and Safety Code are continuously appropriated to the District from the Greenhouse Gas Reduction Fund, as defined in Section 16428.8 of the Government Code, and the fees paid, the cost of compliance instruments acquired and the increased cost of power purchased by the San Luis and Delta Mendota Water Authority hereafter "San Luis Authority," as a result of the implementation of Division 25.5 of the Health and Safety Code are continuously appropriated to the San Luis Authority from the Greenhouse Gas Reduction Fund, as defined in Section 16428.8 of the Government Code.

(b) (1) The funds appropriated to the Contra Costa Water District pursuant to this section shall be expended within the boundaries of the District, and on consumer water conservation programs within the District.

(2) The funds appropriated to the San Luis Authority pursuant to this section shall be expended within the water storage, treatment, conveyance, and distribution system of the San Luis Authority and on water conservation, water quality improvement, water treatment, water supply and similar water programs within the jurisdiction of the Authority.

(c) Of the funds appropriated pursuant to subdivision (b), highest priority shall be given to those projects

benefitting disadvantaged communities (as defined subdivision (a) of Section 79505.5, as it may be amended) and economically distressed areas (as defined in subdivision (k) of Section 79702, as it may be amended).

(d) All expenditures pursuant to this section shall meet the requirements of Chapter 4.1 of Part 2 of Division 26 of the Health and Safety Code. The District and San Luis Authority will provide an annual report to the Air Resources Board on the prior-year's project implementation along with a plan for current year implementation.

(e) All reasonable and feasible measures shall be taken to reduce, avoid, or mitigate significant negative environmental impacts from projects undertaken pursuant to this section.