

2014 water bond proposed by Natural Heritage Institute
April 30, 2014 draft 8 redline version

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

SECTION 1.

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of the Water Code, as added by Section 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes of 2009, is repealed.

SEC. 2.

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

DIVISION 26.7. The Water Supply Reliability and Drought Protection Act of 2014

CHAPTER 1. Short Title

79700.

This division shall be known and may be cited as the Water Supply Reliability and Drought Protection Act of 2014.

CHAPTER 2. Findings and Declarations

79705.

(a) California's water situation requires a comprehensive plan to provide for the water needs of people, agriculture and the environment. This measure will lead to an increase in California water supplies and water supply reliability of at least 25 percent.

(b) This measure will implement all methods of water development to meet California's present and future water needs, including water conservation, wastewater reuse for appropriate uses, desalting of sea water, clean up and use of saline and polluted groundwater, surface and groundwater storage of wet year flows for use in dry years, and capture of stormwater runoff.

(c) Public funds should be invested in the restoration of fish and wildlife through watershed protection and improvement.

(d) Funding for increased water supply provided by this measure will be matched by local water agencies, more than doubling the effectiveness of the funding provided.

(e)) It is the intent of the Legislature that no project funded by this measure will increase the water bill of an average household by more than \$20 per year.

(f) It is the intent of the Legislature that agencies implementing this measure give highest Highest priority ~~will be given~~ to the most cost effective projects and most environmentally beneficial projects. When implementing water development projects, the least environmentally damaging projects shall be selected.

(g) The implementation of this measure will not increase the export of water from the Sacramento-San Joaquin Delta above historic ranges.

(h) Every Californian has a right to safe drinking water. This measure will help achieve that goal.

(i) It is the intent of the legislature that implementation of this Act will provide a fair and reasonable distribution of funds benefitting all regions of the state, and each implementing agency shall consider this intent in awarding and expending funds provided by this Act.

(k) While improvements in water storage and the conveyance of water both are needed to assure reliable water supplies and improved environmental quality, the two will provide the most cost effective benefits if they are coordinated as part of an overall, comprehensive statewide water program.

CHAPTER 3. Definitions

79710.

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

- (a) "Commission" means the California Water Commission.
- (b) "Committee" means the director and the chair of the state board.
- (c) "Delta" means the Sacramento-San Joaquin Delta as defined in Section 85058.
- (d) "Delta counties" means Contra Costa, Sacramento, San Joaquin, Solano, and Yolo counties.
- (e) "Department" means the Department of Water Resources.
- (f) "Director" means the Director of Water Resources.
- (g) "Disadvantaged community" has the same meaning as set forth in subdivision (a) of Section 79505.5.
- (h) "Finance committee" means the Water Supply Reliability and Drought Protection Finance Committee created by Section 79824.
- (i) "Fund" means the Water Supply Reliability and Drought Protection Fund of 2014 created by Section 79770.
- (j) "Initial operation and maintenance costs" mean those initial, eligible, reimbursable costs under a construction funding agreement that are incurred up to, and including, initial startup testing of the constructed project in order to deem the project complete.
- (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) "Interim" means the limited period of time needed to address the identified urgent need for safe drinking water, not to exceed three years.
- (m) "Local match" and "matching funds" mean funds made available by nonstate sources, which may include, but are not limited to, donated services from nonstate sources.
- (n) "Nonprofit organization" means an organization qualified to do business in California and qualified under Section 501(c)(3) of Title 26 of the United States Code.
- (o) "Public agency" means a state agency or department, public water system, special district, joint powers authority, city, county, city and county, or other political subdivision of the state.
- (p) "Secretary" means the Secretary of the Natural Resources Agency.
- (q) "Severely disadvantaged community" has the same meaning as set forth in subdivision (n) of Section 116760.20 of the Health and Safety Code.

(r) “Small water system” means a public water system that serves 15 or more service connections but not more than 3,000 persons and regularly serves drinking water to more than an average of 25 individuals daily for more than 60 days out of the year.

(s) “State board” means the State Water Resources Control Board.

(t) “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).

(u) “State small water system” means a public water system that serves at least five, but no more than 14, service connections and does not regularly serve drinking water to more than an average of 25 individuals daily for more than 60 days out of the year.

CHAPTER 4. Safe Drinking Water and Water Quality Projects 79720.

(a) It is the intent of the Legislature that this chapter provide funds to address the most critical water needs of the state, including the provision of safe drinking water to as many Californians as possible by improving safe drinking water supply reliability and financing urgent public health emergency actions to ensure safe drinking water supplies, and implementing wastewater treatment projects to keep contaminants out of rivers, lakes, streams, groundwater, and coastal waters.

(b) The sum of nine hundred million dollars (\$900,000,000) shall be available for the purposes of this chapter.

79722.

(a) From the funds described in Section 79720, four hundred million dollars (\$400,000,000) shall be available to the state board for grants and loans for public water system infrastructure improvements and related actions to meet primary or secondary safe drinking water standards or contaminants identified by the state or federal government for development of a primary or secondary drinking water standard and ensure affordable drinking water. Priority shall be given to projects that provide treatment for contamination or access to alternative drinking water sources for small water systems or state small water systems serving disadvantaged communities whose drinking water source is impaired by chemical and nitrate contaminants and other health hazards identified by the state board. Eligible recipients either operate small water systems or state small water systems in disadvantaged communities. The state board may make grants for the purpose of financing feasibility studies and to meet the eligibility requirements for a construction grant. Eligible expenses may include initial operation and maintenance costs for systems serving disadvantaged communities. Special consideration will be given to projects that provide shared solutions for multiple communities, at least one of which is a disadvantaged community served by a small or state small water system or private well and that lacks safe, affordable drinking water. Shared or regional projects must devote no less than **ninety fifty** percent (~~50-90~~%) of the project costs to solving drinking water problems in the disadvantaged community. 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 or shared solutions among multiple entities, at least one of which is a small disadvantaged community. Not more than 25 percent of a grant may be awarded in advance of actual expenditures.

(b) The state board may expend up to twenty-five million dollars (\$25,000,000) of the funds allocated in subdivision (a) for technical assistance to eligible communities.

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

(d) Of the funds available pursuant to subdivision (c), the state board may expend up to ten million dollars (\$10,000,000) to finance development and demonstration of new technologies and related facilities for water contaminant removal and treatment appropriate for use by small water systems and state small water systems.

(e) The state board shall deposit two million five hundred thousand dollars (\$2,500,000) of the funds available pursuant to this section into the Drinking Water Capitol Reserve Fund, which is hereby created in the State Treasury. Moneys in the fund shall be available, upon appropriation by the Legislature and shall be administered by the state board for the purpose of serving as matching funds for small, disadvantaged communities. The state board shall develop criteria to implement this subdivision.

79723.

(a) From the funds described in Section 79720, four hundred million dollars (\$400,000,000) shall be available to the state board for deposit in the State Water Pollution Control Revolving Fund Small Community Grant Fund established by Section 13477.6 for grants for wastewater treatment projects to keep contaminants out of rivers, lakes, streams, groundwater, and coastal waters, and for other projects to protect the public and fish and wildlife from contaminated sources of water. Priority shall be given to projects that serve disadvantaged communities and severely disadvantaged communities, and to projects that address public health hazards. Special consideration shall be given to small communities with limited financial resources. Projects ~~shall include, but not be limited to, projects~~ that identify, plan, design, and implement regional mechanisms to consolidate wastewater systems or provide affordable treatment technologies ~~shall be eligible for funding pursuant to this section.~~

(b) The state board may expend up to ten million dollars (\$10,000,000) of the funds allocated in subdivision (a) for technical assistance to eligible communities.

(c) From the funds available pursuant to subdivision (a), twenty million dollars (\$20,000,000) shall be allocated to the state board for deposit into the Domestic Well and Septic Systems Investment Fund, which is hereby created in the State Treasury. Moneys in the fund shall be available, upon appropriation by the Legislature, for the purpose of providing grants and loans to domestic well and septic owners to protect drinking water sources and ensure safe and affordable drinking water for all Californians. The state board shall develop criteria for the allocation of these grants and loans that specify these are for the benefit of small communities to treat drinking water or protect drinking water from septic system contamination and include an income threshold equivalent to the definition of a disadvantaged community.

79724.

From the funds described in Section 79720, one hundred million dollars (\$100,000,000) shall be available to the state board for grants and direct expenditures to finance urgent actions needed to provide drinking water in disadvantaged and severely disadvantaged communities that lack access to safe drinking water to ensure that safe drinking water supplies are available to all Californians. Grants awarded pursuant to this section shall not exceed two hundred fifty thousand dollars (\$250,000). Eligible actions include, but are not limited to, the following:

(a) Providing interim water supplies, for a period not to exceed three years, where necessary to protect public health, including the design, purchase, installation, and operation and maintenance of interim water treatment equipment and systems.

(b) Improvements in existing water systems, including, but not limited to, design, and construction of improvements necessary to resume delivery of safe drinking water.

(c) Establishing connections to an adjacent water system.

(d) Urgent wastewater treatment projects in order to prevent the contamination of a drinking water source.

79725.

The state board may administer together the funds allocated pursuant to subdivision (b) of Section 79722 and subdivision (b) of Section 79724.

79726.

It is the intent of the Legislature that any funds allocated pursuant to this chapter to an investor-owned utility regulated by the Public Utilities Commission or a mutual water company should be for the benefit of the ratepayers or the public and not the investors.

79727.

In allocating funds pursuant to this chapter, the state board shall consider a written statement prepared by a local agency formation commission regarding the consolidation or extension of, or other shared solutions for, water or sewer services.

CHAPTER 5. Water Supply Enhancement Projects

79730.

(a) It is the intent of the Legislature that this chapter provide funds to enhance local and regional water supplies and increase water supply reliability.

(b) The sum of three billion two hundred million dollars (\$3,200,000,000) shall be available for the purposes of this chapter.

79731.

(a) From the funds described in Section 79730, seven hundred fifty million dollars (\$750,000,000) shall be available to the committee for competitive grants for projects that develop, improve, or implement an adopted integrated regional water management plan consistent with Part 2.2 (commencing with Section 10530) of Division 6, as that part may be amended, and improve the quality or supply of safe drinking water, increase regional and local resiliency and adaptability to climate change, or address any of the following other critical water supply reliability issues:

(1) Groundwater clean up or pollution prevention in sources of drinking water.

(2) Advanced water treatment technology projects to remove contaminants from drinking water, water recycling, and related projects, such as distribution or groundwater recharge infrastructure.

(3) Urban and agricultural water conservation and water use efficiency projects.

(4) Water recycling projects.

(5) The repair or replacement of aging water management infrastructure in disadvantaged communities.

(6) Other integrated water infrastructure projects that address one or more water management activities and improve the reliability or quality of regional water supplies.

(b) Projects funded pursuant to this section shall require a local match of not less than 25 percent of project costs, except the committee may suspend or reduce cost share requirements for projects serving disadvantaged communities.

(c) To be eligible for funding under this section, a region shall comply with the following requirements:

(1) Have an adopted integrated regional water management plan.

(2) Each urban and agricultural water supplier that applies for a grant shall adopt and submit an urban or agricultural water management plan in accordance with the Urban Water Management Planning Act (Part 2.6 (commencing with Section 10610) of Division 6) or the Agricultural Water Management Planning Act (Part 2.8 (commencing with Section 10800) of Division 6).

(3) Each local agency whose service area includes a groundwater basin or subbasin that would benefit from a groundwater management project shall adopt and submit a groundwater management plan in accordance with Part 2.75 (commencing with Section 10750) of Division 6.

(4) (A) Have a water budget that describes local and imported water supplies and uses in sufficient detail to inform long-term efforts towards sustainable water management, and, where applicable, include a description of any measures anticipated to increase regional and local resiliency and adaptability to climate change. Only projects determined by the Department to be cost effective compared to other local water supply projects and which provide environmental benefits shall receive funding pursuant to this Chapter.

(B) The department shall develop guidelines for compliance with this paragraph.

(5) Where applicable, an integrated water management plan shall be consistent with and implement Section 85021.

(d) Where applicable, funding pursuant to this section shall be made available to water agencies to assist in directly increasing regional and local resiliency and adaptability to climate change, including but not limited to projects consistent with State policy in Section 85021.

79732.

The California Water Commission shall review the implementation of Section 79731 and shall certify that requirements for grant eligibility pursuant to that section are met prior to the **department committee** making final grant awards.

79733.

Of the funds available pursuant to Section 79731, seven hundred million dollars (\$700,000,000) shall be allocated to hydrologic regions as identified in the California Water Plan and listed below. The North and South Lahontan regions shall be treated as one region for the purpose of allocating funds, but the committee may require separate regional plans. Funds available pursuant to this section shall be allocated in accordance with the following schedule:

(a) North Coast: \$32,500,000.

(b) San Francisco Bay: \$97,500,000.

- (c) Central Coast: \$42,500,000.
- (d) Los Angeles subregion: \$142,000,000.
- (e) Santa Ana subregion: \$87,000,000.
- (f) San Diego subregion: \$69,000,000.
- (g) Sacramento River: \$59,000,000.
- (h) San Joaquin River: \$49,000,000.
- (i) Tulare/Kern (Tulare Lake): \$51,000,000.
- (j) North/South Lahontan: \$37,000,000.
- (k) Colorado River Basin: \$33,500,000.

79734.

(a) From the funds described in Section 79731, fifty million dollars (\$50,000,000) shall be available for grants for projects that significantly advance the application and effectiveness of innovative integrated regional water management strategies, including, but not limited to, the following:

- (1) Tools to model future regional climate change impacts.
 - (2) Groundwater management plans and projects that further sustainable groundwater management.
 - (3) Other projects determined by the committee to advance innovative strategies for the integration of water management.
- (b) The committee shall give priority to projects that address groundwater overdraft and related impacts, including, but not limited to, subsidence.

79735.

(a) From the funds described in Section 79730, two hundred fifty million dollars (\$250,000,000) shall be available to the state board for competitive grants for projects that develop, implement, or improve a stormwater capture and reuse plan consistent with Part 2.3 (commencing with Section 10560) of Division 6, as that part may be amended, and that capture and put to beneficial use stormwater or dry weather runoff.

(b) Stormwater capture and reuse projects developed pursuant to an adopted integrated regional water management plan in compliance with Part 2.2 (commencing with Section 10530) of Division 6 are also eligible for funding under this section if those projects were identified and developed in substantive compliance with Part 2.3 (commencing with Section 10560) of Division 6, as those parts may be amended.

(c) Projects eligible for funding under this section shall assist in the capture and reuse of stormwater or dry weather runoff. Eligible projects include any of the following:

- (1) Projects that capture, convey, treat, or put to beneficial use stormwater or dry weather runoff.

(2) The development of stormwater capture and reuse plans pursuant to Part 2.3 (commencing with Section 10560) of Division 6, as that part may be amended.

(3) Decision support tools, data acquisition, and data analysis to identify and evaluate the benefits and costs of potential stormwater capture and reuse projects.

(4) Projects that, in addition to capturing and reusing stormwater or dry weather runoff, improve water quality, provide public benefits, such as augmentation of water supply, flood control, open space and recreation, and projects designed to mimic or restore natural watershed functions.

(d) The state board shall grant special consideration to plans or projects that provide multiple benefits such as water quality, water supply, flood control, natural lands, or recreation.

(e) The state board shall require a 25-percent local cost share for grant funds, but may suspend or reduce the matching requirements for projects that capture or reuse stormwater or dry weather runoff in disadvantaged communities.

(f) The state board shall adopt a policy establishing criteria for projects funded by this section to ensure that a project funded pursuant to this section complies with water quality laws and does not put at risk any groundwater or surface water supplies.

79736. From the funds allocated in section 79730, five hundred million dollars (\$500,000,000) shall be available to the Board to award grants on a competitive basis for wastewater recycling projects. No award shall exceed 50% of the cost of the project. The board shall make awards on the basis of cost effectiveness with respect to water supply. The most cost effective projects and those which provide the greatest environmental benefits based on the state investment shall receive highest priority for funding.

79737. From the funds allocated in Section 79730, five hundred million dollars (\$500,000,000) shall be available to the department to award grants and loans on a competitive basis for urban water conservation projects. No award shall exceed 50% of the cost of the project. The ~~department~~ ~~board~~ shall make awards on the basis of cost effectiveness with respect to water supply. The most cost effective projects and those which provide the greatest environmental benefits based on the state investment shall receive highest priority for funding.

79738. From the funds allocated in section 79730, five hundred million dollars (\$500,000,000) shall be available to the Board to award grants on a competitive basis for groundwater remediation projects. No award shall exceed 50% of the cost of the project. The board shall make awards on the basis of cost effectiveness with respect to water supply. The most cost effective projects and those which provide the greatest environmental benefits based on the state investment shall receive highest priority for funding.

79739. From the funds allocated in section 79730, five hundred million dollars (\$500,000,000) shall be available to the department to award grants on a competitive basis for seawater desalination projects. No award shall exceed 50% of the cost of the project. The ~~board~~ ~~department~~ shall make awards on the basis of cost effectiveness with respect to water supply. The most cost effective projects and those which provide the greatest environmental benefits based on the state investment shall receive highest priority for funding.

79739.2 Drought relief. From the funds allocated in section 79730, two hundred million dollars (\$200,000,000) shall be available to the department to provide emergency drought relief to urban and rural communities in danger of exhausting their water supplies. If the drought ends before this section can be implemented, these funds shall be used to make grants for capital outlay projects, including water conservation projects, on a matching basis to ensure that they will not exhaust their water supplies in future droughts. First priority in awarding grants shall be given to disadvantaged communities. Except for grants to disadvantaged communities, no award shall exceed 50% of the cost of the project.

CHAPTER 6. Delta and Yolo Bypass

79740.

(a) It is the intent of the Legislature that this chapter provide funds to help implement the following:

(1) Projects to protect, restore, and enhance the Delta ecosystem in a manner that protects and enhances the unique cultural, recreational, natural resource, and agricultural values of the Delta as an evolving place.

(2) Projects to protect the integrity of Delta levees to safeguard the ability to move water through the Delta while simultaneously protecting and enhancing the unique cultural, recreational, natural resource, and agricultural values of the Delta as an evolving place.

(b) The sum of two billion seven hundred million dollars (\$2,700,000,000) shall be available for the purposes of this chapter.

79742.

From the funds provided in Section 79740, one billion dollars (\$1,000,000,000) shall be available to the Delta Conservancy for water quality, ecosystem restoration, fish protection facilities, and community sustainability projects that benefit the Delta, including the following:

(a) Projects that improve long-term economic sustainability in Delta counties by providing multiple public benefits to improve drinking or agricultural water quality or water supplies or flood risk reduction. No less than the following amounts shall be allocated to each of the following projects. No award shall exceed 50 percent (50%) of the cost of the project.

(1) \$200 million to the Solano County Water Agency for the public benefits associated with the relocation of the North Bay Aqueduct intake to the Sacramento River.

(2) \$100 million to the Woodland Davis Clean Water Agency for public benefits associated with the Agency's water supply project.

(3) \$200 million to the Sacramento Regional County Sanitation District for the public benefits associated with improving the treatment of wastewater discharged to the Sacramento River, and for the recycling of that water.

(4) \$50 million to the San Joaquin County Flood Control and Water Conservation District for the public benefits associated with improving flood control facilities along the San Joaquin River.

(5) \$50 million to the Department for the construction of a project to provide flood control and fish restoration along Paradise Cut, provided that the project will not result in any redirected impacts on landowners or water project operators, including additional regulatory constraints. The Central Valley Flood Protection Board shall approve any expenditure pursuant to this paragraph. If the Department and Board determine that comparable flood control and fish restoration benefits can be provided by other projects on the San Joaquin River upstream of Paradise Cut, these projects may be funded from funds provided by this paragraph.

(6) Up to \$200 million to the Contra Costa Water District for the costs of public benefits such as water quality, fisheries, and recreational improvements, associated with increasing the size of Los Vaqueros Reservoir. Expenditures pursuant to this paragraph shall be approved by the California Water Commission, in compliance with regulations adopted pursuant to Chapter 8. This section does not preclude the eligibility of this project to apply for funds pursuant to Chapter 8, subject to the requirements of that chapter.

(7) \$5 million to Reclamation District 800 to dredge channels affecting navigation in Discovery Bay, pursuant to permits issued by the California Department of Fish and Wildlife and appropriate federal agencies.

(b) Habitat restoration, conservation, and enhancement projects to improve the condition of native species that occupy or migrate through the Delta that are either listed under the federal Endangered Species Act; the California Endangered Species Act; Sections 3511, 4700, 5050 and 5515 of the Fish and Game Code; special status native species; at-risk native species; or native species designated by the Department of Fish and Wildlife as species of special concern in the Delta and the Delta counties, including projects to eradicate invasive species. No less than the following amounts shall be allocated to each of the following projects **designed to educate the public about the values of species preservation, and to advance the science needed to preserve these species.**

(1) \$10 million to the Department of Fish and Wildlife for a Yolo Bypass, Pacific Flyway and Vic Fazio Yolo Wildlife Area visitor center to be located near Interstate 80.

(2) \$20 million to the Department of Water Resources for a Delta Science Center **and fish hatchery** at Rio Vista.

(c) Public benefits associated with projects to assist in preserving economically viable and sustainable agriculture and other economic activities in the Delta, including local infrastructure projects and projects to mitigate the economic and community impacts of any conversion of agricultural land to habitat funded by this division.

(d) Public benefits associated with multi-benefit recycled water projects that improve groundwater management and Delta tributary ecosystems.

79743

(a) From the funds provided in Section 79740, one billion five hundred million dollars (\$1,500,000,000) shall be available to the Department of Fish and Wildlife to help fulfill the State's responsibility for ecosystem restoration projects in the Yolo Bypass, Delta and Suisun Marsh designed primarily to improve the status of native species that occupy or migrate through the Delta and are listed under the federal Endangered Species Act; the California Endangered Species Act; Sections 3511, 4700, 5050, and 5515 of the Fish and Game Code; native special status species; native at risk species and native species designated by the Department of Fish and Wildlife as species of special concern. . The Department of Fish and Wildlife shall give priority to ecosystem restoration projects that benefit native species listed under the federal Endangered Species Act; the California Endangered Species Act; and Sections 3511, 4700, 5050, and 5515 of the Fish and Game Code. The Department of Fish and Wildlife may use or make funds available for projects involving the acquisition of property to be preserved, enhanced, or restored to provide seasonal or perennial habitat for such species, including without limitation, tidal and associated subtidal habitat. Of this amount no more than \$40 million may be spent on scientific studies and assessments that support the Delta Science Program as described in Section 85280 or projects authorized under this section. Public recreation features may be included as a part of projects funded pursuant to this section. Projects in the Yolo Bypass shall be consistent with the Central Valley Flood Protection Plan. Habitat restoration projects shall be part of a plan developed by the Department of Fish and Wildlife for the purpose of enhancing species described in this paragraph. After development of the plan ,first priority shall be given to restoration projects consistent with the plan and which involve the acquisition of property, either in fee title or conservation easement, from willing sellers.

(b) For purposes of this section, ecosystem restoration projects may include the transfer or acquisition of water rights from willing sellers to provide ecological benefits if:

(1) the acquisition involves a long-term water transfer, as defined in Section 1735, with a preference for transfers of 20 years or longer, a purchase of water right, or other agreement that results in enhanced stream flow, floodplain restoration, or improvements to water availability for wetlands such as following agreements.

(2) The Department of Fish and Wildlife determines that the acquisition will provide ecosystem improvements.

(3) The acquisition has the primary purpose of enhancing habitat conditions for native fish and wildlife specified in this section and may not be used to meet regulatory requirements adopted by state or federal regulatory agencies.

(4) The acquisition will not lead to long term groundwater overdraft conditions, or exacerbate existing overdraft conditions.

(5) Environmental impacts in the form of reduced flows of tailwater to wildlife areas shall be fully mitigated.

(6) Acquired water shall be used for enhanced stream flow, **floodplain restoration, or wetlands restoration** in the Delta watershed that primarily benefits native species that occupy or migrate through the Delta that are either listed under the federal Endangered Species Act; the California Endangered Species Act; Sections 3511, 4700, 5050, and 5515 of the Fish and Game Code; special status native species; at risk native species; or native species designated by the Department of Fish and Wildlife as species of special concern.

(7) Any acquisition should take into account the economic benefits and costs that result in the county where the transfer or acquisition is made.

(c) The Department of fish and Wildlife shall prioritize habitat restoration projects that increase the area of tidal marsh habitat, **brackish or freshwater marsh habitat**, or frequently inundated floodplain. ~~are integrated into flood management projects funded by the state, or increase the quantity and quality of shaded aquatic habitat, or any combination thereof.~~ Projects which affect rivers or streams managed for flooding shall be integrated into flood management projects on those streams. Projects on rivers or streams shall give priority to improving the quantity and quality of shaded aquatic habitat.

~~(d) The Department of Fish and Wildlife and the Delta Conservancy shall coordinate any habitat restoration work they directly undertake pursuant to this chapter. The Department of Fish and Wildlife, the Wildlife Conservation Board, and the Delta Conservancy shall coordinate habitat restoration work, and development of regional conservation strategies as defined in the Delta Plan, through the Delta Restoration Network, for any habitat restoration work they undertake pursuant to this chapter.~~

79744.

From the funds described in Section 79740, two hundred million dollars (\$200,000,000) shall be appropriated to the Department to improve the long-term economic sustainability of the Delta levees. All expenditures by the Department under this section shall be approved by the Central Valley Flood Protection Board, and shall be consistent with the priorities adopted by the Delta Stewardship Council pursuant to Section 85306 of the Water Code.

(a) Project plans shall include provision for the protection of fish and wildlife habitat determined to be necessary by the Department of Fish and Wildlife and not injurious to the integrity of flood control works **as determined by the Central Valley Flood Protection Board for areas protected by project levees**. The Department of Fish and Wildlife shall consider the value of the riparian and fisheries habitat and the need to provide greater flood protection in preparing its requirements, and shall not approve any plan which calls for the use of channel islands or berms with significant

riparian communities as borrow sites for levee repair materials, unless fully mitigated, or any plans that will result in a net long-term loss of riparian, fisheries or wildlife habitat.

- (b) The Department of Fish and Wildlife shall also make a written determination as part of its review and approval of a plan or project pursuant to this section that the proposed expenditures are consistent with a net long-term habitat improvement program and have a net benefit for aquatic species in the delta in addition to compliance with Water Code sections 12307 and 12987.
- (c) In addition to the requirements in (b) and (c), each project shall accomplish at least one of the following objectives:
 - a. Make a significant contribution to the security of moving water through Old or Middle Rivers.
 - b. Change the island configuration to increase riparian, channel margin, floodplain or other type of habitat needed by aquatic species.
 - c. Provide substantial new recreational opportunities to the public. Preference shall be given to projects which meet the objectives of the "Recreation Proposal for the Sacramento-San Joaquin Delta and Suisun Marsh" report or other recommendations by the Department of Parks and Recreation.

~~(d) The Department shall require projects to include cost sharing if the project is to be implemented on an island containing significant infrastructure dependent upon levees or subject to flood damage due to a levee failure such as highways, utility pipelines, utility transmission lines, or gas fields. Infrastructure which is immune from or designed to withstand flooding shall not be subject to this provision. The cost sharing agreement shall require the owners of the infrastructure to pay a substantial part of the costs of the project. For purposes of this paragraph, "substantial" means the percentage of the project costs that generally reflects the value of the owner's infrastructure as a percentage of the combined value of assets on the island that are dependent upon levees or subject to flood damage due to a levee failure. All projects shall be in compliance with the regulations governing cost sharing in the Delta Subventions Program as described in Part 4.8 of Division 6 of this Code.~~

- (e) All projects shall be in compliance with the regulations governing cost sharing in the Delta Subventions Program ~~as described in Part 4.8 of Division 6 of this Code.~~ pursuant to

(1) The delta levee maintenance subventions program pursuant to Part 9 commencing with Section 12980), associated mitigation and habitat improvement programs, and the administration thereof, and

(2) The special delta flood protection projects pursuant to Chapter 2 (commencing with Section 12310), associated mitigation and habitat improvement programs, and the administration thereof.

The Department shall require projects to include additional cost-sharing if the project is to be implemented on an island containing significant infrastructure dependent upon levees or subject to

flood damage due to a levee failure such as highways, utility pipelines, utility transmission lines, or gas fields. Infrastructure which is immune from or designed to withstand flooding shall not be subject to this provision. The cost-sharing agreement shall require the owners of the infrastructure to pay a substantial part of the costs of the project. For purposes of this paragraph, "substantial" means the percentage of the project costs that generally reflects the value of the owner's infrastructure as a percentage of the combined value of assets on the island that are dependent upon levees or subject to flood damage due to a levee failure.

(f) The Department may not fund a project pursuant to this section that:

- (1) Significantly reduces public access to shorelines in the Delta.
- (2) Is located on an island that the Department of Water Resources determines would provide increased water quality and seismic reliability benefits to the Delta water supply system, or the Department of Fish and Wildlife determines would enhance native habitat, if the island was permanently flooded. Within six months of the approval of this measure by the voters, the Departments shall supply the Board with a list of such islands. No funds appropriated by this Section shall be expended until the Board receives the list.
- (3) Involves restoring a flooded island unless the landowner agrees in advance to provide substantial public benefits to the state as part of the restoration. These benefits may include reshaping the island levees to provide channel margin, floodplain and riparian habitat, including wetlands as part of the restored island, providing public access for fishing and recreation, and other benefits as determined by the California Natural Resources Agency. Only islands which provide these benefits, as well as other benefits such as preservation of water exports from the Delta, state facilities such as highways, or important infrastructure such as utilities or gas storage shall be eligible for restoration.

(f) The Department may allocate up to \$20 million of the funds appropriated by this section to prepare for and reduce the risk of Delta levee failures. These funds must be spent in compliance with the other requirements of this section.

CHAPTER 7. Watershed and Ecosystem Improvement

79750.

(a) It is the intent of the Legislature that this chapter provide funds to protect and restore watersheds and urban rivers, and address water quality deficiencies at state parks.

(b) The sum of two billion one hundred ten million dollars (\$2,110,000,000) shall be available for the purposes of this chapter.

79752.

From the funds described in Section 79750, the sum of eight hundred fifty million dollars (\$850,000,000) shall be available for water quality, river, and watershed protection and restoration projects of statewide importance. Funds provided by this section shall be allocated according to the following schedule:

(a) Two hundred fifty million dollars (\$250,000,000) to implement the Klamath Hydroelectric Settlement Agreement. Up to fifty million dollars (\$50,000,000) of the funds available pursuant to this subdivision may be made available for restoration projects in California pursuant to the Klamath Basin Restoration Agreement if all of the funds available pursuant to this subdivision are not needed for dam removal projects.

(b) One hundred million dollars (\$100,000,000) for projects that help fulfill state obligations under the Quantification Settlement Agreement, as defined in subdivision (a) of Section 1 of Chapter 617 of the Statutes of 2002.

(c) One hundred million dollars (\$100,000,000) for projects that help fulfill state obligations under the San Joaquin River Restoration Settlement, as described in Part I of Subtitle A of Title X of Public Law 111-11.

(d) Fifty million dollars (\$50,000,000) for projects that help fulfill state obligations under the Tahoe Regional Planning Compact pursuant to Section 66800 of the Government Code. Funds provided by this subdivision shall be approved pursuant to Title 7.42 (commencing with Section 66905) of the Government Code, as those provisions may be amended.

(e) The sum of two hundred fifty million dollars (\$250,000,000) shall be available to the department for recreation or for fish and wildlife enhancement at State Water Resources Development System facilities in accordance with Chapter 10, Part 3, Division 6 of this code.

(f) One hundred million dollars (\$100,000,000) shall be available to the Wildlife Conservation Board for direct expenditures or grants for the acquisition of water or water rights from willing sellers and the construction of conveyance or the conveyance of water for the benefit of resident and migratory birds, shorebirds, and other wetland dependent species on wildlife refuges and wildlife habitat areas subject to Section 3406(d) of the federal Central Valley Project Improvement Act (Public Law 102-575), if the expenditure by the Wildlife Conservation Board is consistent with that federal act. All costs associated with the above expenditures or grants by the Wildlife Conservation Board for the purposes set forth under this section shall be paid out of the funds designated for the Wildlife Conservation Board.

Expenditures for the acquisition or conveyance of water shall be for no less than 20 years. Expenditures pursuant to this paragraph which last for 20 years or longer shall be given preference. No more than 30% (thirty percent) of funds provided by this paragraph shall be expended on projects or programs lasting less than 10 years.

79754.

From the funds described in Section 79750, the sum of nine hundred thirty-five million dollars (\$935,000,000) shall be available for projects that protect and improve California's watersheds, wetlands, forests, and floodplains.

(a) Funds available pursuant to this section shall be allocated as follows:

(1) Baldwin Hills Conservancy: \$10,000,000.

(2) California Tahoe Conservancy: \$30,000,000.

(3) Coachella Valley Mountains Conservancy: \$20,000,000.

(4) San Diego River Conservancy: \$10,000,000.

(5) San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy: \$40,000,000.

(6) San Joaquin River Conservancy: \$20,000,000.

(7) Santa Monica Mountains Conservancy: \$65,000,000.

(8) Sierra Nevada Conservancy: \$65,000,000.

(9) State Coastal Conservancy: \$350,000,000.

(10) Wildlife Conservation Board: \$215,000,000. Of this amount, ten million dollars (\$10,000,000) shall be deposited in the California Waterfowl Habitat Preservation Account for the purposes of implementing the California Waterfowl Habitat Program described in 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, and the Permanent Wetlands Easement Program.

(11) California Ocean Protection Council: \$50,000,000.

(12) The Fish & Wildlife Department, Office of Spill Prevention and Response, \$60,000,000 for two best available technology prevention and response tugs with a minimum of 150 tons bollard pull, emergency towing and rescue capability, salvage and firefighting capability, and oil skimming capacity and storage. One tug shall be stationed in San Francisco Bay and one tug shall be stationed at either the Port of Los Angeles or Port of Long Beach. The purpose of this expenditure is to prevent spills of oil and other hazardous substances which can degrade ocean water quality and cause harm to marine mammals and birds threatening recreation, environmental quality, and drinking water supplies from ocean desalination facilities.

(b) Of the funds allocated to the State Coastal Conservancy pursuant to paragraph (9) of subdivision (a), one hundred twenty-five million dollars (\$125,000,000) are available as follows:

(1) Fifty million dollars (\$50,000,000) shall be available for projects that help restore coastal salmonid populations.

(2) Seventy-five million dollars (\$75,000,000) shall be available for flood control projects on public lands that provide critical flood, water quality, and wetland ecosystem benefits to the San Francisco Bay region.

(c) Of the funds allocated to the Wildlife Conservation Board pursuant to paragraph (10) of subdivision (a), \$50 million shall be available to restore, protect and enhance river parkways throughout the state, including, but not limited to, projects pursuant to the California River Parkways Act of 2004 (Chapter 3.8 (commencing with Section 5750) of Division 5 of the Public Resources Code), in the Urban Streams Restoration Program established pursuant to Section 7048, and urban river greenways. Expenditures for riparian habitat shall comply with Sections 1385-1391 of the Fish and Game Code.

79755.

(a) From the funds described in Section 79750, two hundred fifty million dollars (\$250,000,000) shall be available to the secretary for a competitive program to fund multibenefit watershed and urban rivers

enhancement projects, including watersheds that drain to the San Francisco Bay, that increase regional and local water self-sufficiency and that meet at least two or more of the following objectives:

- (1) Promote groundwater recharge and water reuse.
- (2) Reduce energy consumption.
- (3) Use soils, plants, and natural processes to treat runoff.
- (4) Create or restore native habitat.
- (5) Increase regional and local resiliency and adaptability to climate change.

(b) The program described in subdivision (a) shall be implemented by state conservancies, the Wildlife Conservation Board, or other entities designated by the secretary whose jurisdiction includes urban watersheds. The projects are subject to a plan developed jointly by the conservancies, the Wildlife Conservation Board, or other designated entities in consultation with the secretary.

(c) At least 25 percent of the funds available pursuant to this section shall be allocated for projects that benefit disadvantaged communities.

(d) Up to 10 percent of the funds available pursuant to this section may be allocated for project planning.

79756.

From the funds described in Section 79750, twenty million dollars (\$20,000,000) shall be available to the Department of Parks and Recreation to address public health deficiencies in drinking water and wastewater quality at state parks.

79757.

(a) From the funds described in Section 79750, thirty million dollars (\$30,000,000) shall be available to the Department of Conservation to fund watershed activities by resource conservation districts.

(b) To be eligible for the funding available pursuant to this section, the board of a resource conservation district ~~shall be~~ must have been appointed by the local county board of supervisors.

79758.

From the funds described in Section 79750, twenty-five million dollars (\$25,000,000) shall be available to the state board for competitive grants for special districts and nonprofit organizations for projects that reduce or manage runoff from agricultural lands for the benefit of surface and groundwater quality.

CHAPTER 8. Water Storage Projects

79760.

(a) It is the intent of the Legislature that this chapter provide funds to expand the existing capacity to store water in the state.

(b) The sum of three billion dollars (\$3,000,000,000) shall be available for the purposes of this chapter.

79761.1. (a) Notwithstanding Section 162, the commission may make the determinations, findings, and recommendations required of it by this chapter independent of the views of the director. All final actions by the commission in implementing this chapter shall be taken by a majority of the members of the commission at a public meeting noticed and held pursuant to the Bagley-Keene Open Meeting Act

(Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).

(b) Notwithstanding Section 13340 of the Government Code, the sum of three billion dollars (\$3,000,000,000) is hereby continuously appropriated from the funds made available in Section 79760, without regard to fiscal years, to the commission for public benefits associated with water storage projects that ~~improve the operation of the state water system~~, are cost effective, and provide a net improvement in ecosystem and water quality conditions, in accordance with this chapter. Funds authorized for, or made available to, the commission pursuant to this chapter shall be available and expended only for the purposes provided in this chapter, and shall not be subject to appropriation or transfer by the Legislature or the Governor for any other purpose, except in compliance with Section 79767.

(c) Projects shall be selected by the commission through a competitive public process that ranks potential projects based on the expected return for public investment as measured by the magnitude of the public benefits provided, pursuant to criteria established under this chapter.

(d) Any project constructed with funds provided by this chapter shall be subject to Section 11590.

79761.2 Projects for which the public benefits are eligible for funding under this chapter consist of only the following:

(a) Surface storage projects except projects on rivers listed in Public Resources Code Sections 5093.50-5093.70, as those sections may be amended.

(b) Groundwater storage projects and groundwater contamination prevention or remediation projects that provide water storage benefits. No less than five hundred million dollars (\$500,000,000) of the funds expended pursuant to this chapter shall be spent on these groundwater projects.

(c) Conjunctive use and reservoir reoperation projects.

(d) Local and regional surface storage projects that improve the operation of water systems in the state and provide public benefits.

(e) Storage projects necessary to complete wastewater recycling projects.

79763. (a) Funds allocated pursuant to this chapter may be expended solely for the following public benefits associated with water storage projects:

(1) Ecosystem improvements, including changing the timing of water diversions, improvement in flow conditions, temperature, or other benefits that contribute to restoration of aquatic ecosystems and native fish and wildlife, including those ecosystems and fish and wildlife in the Delta and elsewhere.

(2) Water quality improvements in the Delta, or in other river systems, that provide significant public trust resources, or that clean up and restore groundwater resources.

(3) Flood control benefits, including, but not limited to, increases in flood reservation space in existing reservoirs by exchange for existing or increased water storage capacity in response to the effects of changing hydrology and decreasing snow pack on California's water and flood management system.

(4) Emergency response, including, but not limited to, securing emergency water supplies and flows for dilution and salinity repulsion following a natural disaster or act of terrorism.

(5) Recreational purposes, including, but not limited to, those waterfowl hunting, fishing and other recreational pursuits generally associated with the outdoors.

(b) Funds shall not be expended pursuant to this chapter for the costs of environmental mitigation measures or compliance obligations except for those associated with providing the public benefits as described in this section, and to fulfill the requirements of paragraph (h) of Section 79778.

79764. In consultation with the Department of Fish and Wildlife, the State Water Resources Control Board, and the department, the commission shall develop and adopt, by regulation, methods for quantification and management of public benefits described in Section 79763 by December 15, 2016. The regulations shall include the priorities and relative environmental value of ecosystem benefits as provided by the Department of Fish and Wildlife and the priorities and relative environmental value of water quality benefits as provided by the State Water Resources Control Board.

79765. (a) Except as provided in subdivision (c), no funds allocated pursuant to this chapter may be allocated for a project before December 15, 2016, and until the commission approves the project based on the commission's determination that all of the following have occurred:

(1) The commission has adopted the regulations specified in Section 79764 and specifically quantified and made public the cost of the public benefits associated with the project.

(2) The department has entered into a contract with each party that will derive benefits, other than public benefits, as defined in Section 79763, from the project that ensures the party will pay its share of the total costs of the project. The benefits available to a party shall be consistent with that party's share of total project costs.

(3) The department has entered into a contract with each public agency identified in Section 79764 that administers the public benefits, after that agency makes a finding that the public benefits of the project for which that agency is responsible meet all the requirements of this chapter, to ensure that the public contribution of funds pursuant to this chapter achieves the public benefits identified for the project.

(4) The commission has held a public hearing for the purposes of providing an opportunity for the public to review and comment on the information required to be prepared pursuant to this subdivision.

(5) All of the following additional conditions are met:

(A) Feasibility studies have been completed.

(B) The commission has found and determined that the project is feasible, is consistent with all applicable laws and regulations, and will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses.

(C) All environmental documentation associated with the project has been completed, and all other federal, state, and local approvals, certifications, and agreements required to be completed have been obtained.

(b) The commission shall submit to the Legislature its findings for each of the criteria identified in subdivision (a) for a project funded pursuant to this chapter.

(c) Notwithstanding subdivision (a), funds may be made available under this chapter for the completion of environmental documentation and permitting of a project.

79766. (a) The public benefit cost share of a project funded pursuant to this chapter, ~~other than a project described in subdivision (c) of Section 79761~~, shall not exceed 50 percent of the total costs of any project funded under this chapter.

(b) No project may be funded unless it provides ecosystem improvements as described in paragraph (1) of subdivision (a) of Section 79763 that are at least 50 percent of total public benefits of the project funded under this chapter.

79767. (a) A project is not eligible for funding under this chapter unless, by January 1, 2020, all of the following conditions are met:

(1) All feasibility studies are complete and draft environmental documentation is available for public review.

(2) The commission makes a finding that the project is feasible, and will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta, if the project is tributary to the Delta.

(3) The director receives commitments for not less than 75 percent of the nonpublic benefit cost share of the project.

(b) If compliance with subdivision (a) is delayed by litigation or failure to promulgate regulations, the date in subdivision (a) shall be extended by the commission for a time period that is equal to the time period of the delay, and funding under this chapter that has been dedicated to the project shall be encumbered until the time at which the litigation is completed or the regulations have been promulgated.

(c) If after all other requirements of paragraphs (a) and (b) of this section are met, and unallocated funds remain from those funds designated in Section 79760, the unallocated funds can be allocated for the purposes of this chapter by the legislature, but for no other purpose.

79768. Surface storage projects funded pursuant to this chapter and described in subdivision (a) of Section 79761 may be made a unit of the Central Valley Project as provided in Section 11290 and may be financed, acquired, constructed, operated, and maintained pursuant to Part 3 commencing with Section 11100) of Division 6.

79769. (a) The funds allocated for the design, acquisition, and construction of surface storage projects identified in the CALFED Bay-Delta Record of Decision, dated August 28, 2000, pursuant to this chapter may be provided for those purposes to local joint powers authorities formed by irrigation districts and other local water districts and local governments within the applicable hydrologic region to design, acquire, and construct those projects.

(b) The joint powers authorities described in subdivision (a) may include in their membership governmental and nongovernmental partners that are not located within their respective hydrologic regions in financing the surface storage projects, including, as appropriate, cost share participation or equity participation. The department shall be an ex officio member of each joint powers authority subject to this section, but the department shall not control the governance, management, or operation of the surface water storage projects.

(c) A joint powers authority subject to this section shall own, govern, manage, and operate a surface water storage project, subject to the requirement that the ownership, governance, management, and operation of the surface water storage project shall advance the purposes set forth in this chapter.

(d) Any expenditure of funds allocated by this Chapter by the state, or by a local agency receiving funds from the state, shall result in ownership of capital assets, such as reservoir space or improved ecosystems.

Chapter 9. Flood management

79769.1

(a) It is the intent of the Legislature that this chapter provide funds to expand the existing capacity to manage floods in the state.

(b) The sum seven hundred fifty hundred dollars (\$750,000,000) shall be available for the purposes of this chapter.

79769.2 From the funds allocated in section 79769.1, five hundred million dollars (\$500,000,000) shall be available to the department to implement the Central Valley Flood Protection Plan. All expenditures

by the department shall be approved by the Central Valley Flood Protection Board. These funds may be used for flood protection, recreation, and environmental improvements. The department and the board shall assure that substantial recreation and environmental improvements are funded. Expenditures ~~in~~ the on Delta islands shall comply with the requirements of Section 79744.

Of this amount, five hundred thousand dollars (\$500,000) shall be used to educate and provide technical assistance to cities and counties statewide regarding the National Flood Insurance Program and the enrollment process; and five hundred thousand dollars (\$500,000) shall be used to educate and provide technical assistance to cities and counties currently enrolled in the National Flood Insurance Program with regard to the National Flood Insurance Program's Community Rating System and the implementation of activities creditable under that system.

79769.3 From the funds described in Section 79769.1, two hundred fifty million dollars (\$250,000,000) shall be available for the purposes of Article 2.5 of Chapter 5 of Division 26 commencing with Section 79035 , and shall be expended in accordance with the provisions of that Article.

CHAPTER 10. General Provisions

79770.

The proceeds of bonds issued and sold pursuant to this division shall be deposited in the Water Supply Reliability and Drought Protection Fund of 2014, which is hereby created in the State Treasury. Moneys in the fund shall be available, upon appropriation by the Legislature, in the manner and for the purposes set forth in this division.

79771. In implementing chapters 5, 7, and 9 of this act, first priority shall be given to projects which meet the requirements of Section 75065(a) of the Public Resources if the projects also meet the requirements of the section which allocates the funds.

79772.

An amount that equals not more than 5 percent of the funds allocated for a program pursuant to this division may be used to pay the administrative costs of that program.

79774.

Up to 10 percent of funds allocated for each program funded by this division may be used to finance planning and monitoring necessary for the successful design, selection, and implementation of the projects authorized under that program. This section shall not otherwise restrict funds ordinarily used by an agency for "preliminary plans," "working drawings," and "construction" as defined in the annual Budget Act for a capital outlay project or grant project. 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.

79776.

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 other than Chapter 6 (commencing with Section 79760).

79778.

(a) Prior to disbursing grants or loans pursuant to this division, each state agency that is required to administer a financial assistance program under this division shall develop project solicitation and

evaluation guidelines. The guidelines may include a limitation on the dollar amount of grants to be awarded. If the state agency has previously developed and adopted project solicitation and evaluation guidelines that meet the requirements of this division, it may use those guidelines.

(b) Prior to disbursing funds pursuant to this division, the state agency shall conduct public meetings to consider public comments prior to finalizing the guidelines, as determined to be necessary by the implementing state agency. The state agency shall publish the draft solicitation and evaluation guidelines on its Internet Web site at least 30 days before any public meetings. Upon adoption, the state agency shall transmit copies of the guidelines to the fiscal committees and the appropriate policy committees of the Legislature.

(c) Projects funded with proceeds from this division shall not conflict with 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.

(d) To the extent feasible, in implementing Section 79742, the Delta Conservancy shall seek to achieve wildlife conservation objectives through projects on public lands or voluntary projects on private lands. Funds available pursuant to Section 79742 may be used, in consultation with the Department of Fish and Wildlife, for payments to landowners for the creation of measurable habitat improvements or other improvements to the condition of native species that occupy or migrate through the Delta that are either listed under the federal Endangered Species Act; the California Endangered Species Act; Sections 3511, 4700, 5050, and 5515 of the Fish and Game Code; special status native species; at risk native species; or native species designated by the Department of Fish and Wildlife as species of special concern. The Department of Fish and Wildlife may develop and implement a competitive habitat credit bank mechanism in order to maximize voluntary landowner participation in projects that provide measurable habitat or native species improvements in the Delta. These funds shall not be used to subsidize or decrease the mitigation obligations of any party.

(e) In implementing Section 79742, the Delta Conservancy shall coordinate and consult with the city or county in which a grant is proposed to be expended or an interest in real property is proposed to be acquired and with the Delta Protection Commission. Acquisitions pursuant to Section 79742 shall be from willing sellers only.

(f) In implementing Section 79742, the Delta Conservancy shall seek to implement community sustainability projects that enhance the positive and minimize the negative economic impacts of ecosystem restoration, water quality, and fish protection facilities projects.

(g) Restoration and ecosystem protection projects funded by this division shall use the services of the California Conservation Corps or certified community conservation corps, as defined in Section 14507.5 of the Public Resources Code, whenever feasible.

(h) It is the intent of the Legislature that significant impacts to California's working agricultural landscapes be mitigated to the extent feasible pursuant to the California Environmental Quality Act (Public Resources Code section 21000, et seq.). To the extent feasible, watershed objectives included in this division should be achieved through use of conservation easements and voluntary landowner participation, including, but not limited to, the use of easements pursuant to Division 10.4 (commencing with Section 10330) and Division 10.2 (commencing with Section 10200) of the Public Resources Code and voluntary habitat credit exchange mechanisms.

79780.

It is the intent of the people that:

(a) The investment of public funds pursuant to this division result in public benefits.

(b) Special consideration be given to projects that employ new or innovative technology or practices, including decision support tools that demonstrate the multiple benefits of integration of multiple jurisdictions, including, but not limited to, water supply, flood control, land use, and sanitation.

79782.

The State Auditor shall annually conduct a programmatic review and an audit of expenditures from the fund. The State Auditor shall report its findings annually on or before March 1 to the Governor and the Legislature, and shall make the findings available to the public.

79783.

Funds provided by this division shall be expended in a manner consistent with the applicable regional water quality control plan adopted pursuant to Chapter 4 (commencing with Section 13200) of Division 7 in effect at the time the project is approved.

79784.Funds provided by this division shall not be used to support or pay for the costs of environmental mitigation measures except as part of the environmental mitigation costs of projects financed by this division including mitigation for impacts caused by environmental restoration supported or paid for by this division to working agricultural landscapes. Funds provided by this division may be used for environmental enhancements or other public benefits.

79786.

Funds provided by this division shall not be expended to pay costs associated with design, construction, operation, maintenance, or mitigation of new Delta conveyance facilities.

79788.

The Legislature may enact legislation necessary to implement programs funded by this division. The Legislature may not reallocate funds allocated by this division.

79790.

Eligible applicants under this division are public agencies, nonprofit organizations, public utilities, mutual water companies, and Indian tribes having a federally recognized governing body carrying out substantial governmental duties in, and powers over, any area. 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 shall benefit the customers of the water system.

79792.

(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 otherwise 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, 2014.

(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 limits or otherwise affects the application of Chapter 2 (commencing with Section 85320) of Part 4 of Division 35.

(f) 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) and funds available pursuant to this division shall not be available for any project that could have an adverse effect on the free flowing condition of a wild and scenic river or any other river afforded protections pursuant to the California Wild and Scenic Rivers Act, as it may be amended.

79794. Every agency, department and commission of state government and every agency of local government implementing this Division shall give highest priority funding projects which are the most cost effective projects and provide the most environmental benefits.

79796. No state or local agency shall expend funds provided by this Division if that expenditure will increase the export of water from the Sacramento-San Joaquin Delta above historic ranges. The purpose of this section is protect the environment and water rights of the Sacramento-San Joaquin Delta watershed, and assist in increasing wet year water export so that exports can be minimized in dry years.

79798. Notwithstanding any other provision of law, any agency acquiring land pursuant to this Division may use the Natural Heritage Preservation Tax Credit Act (Public Resources Code Sections 37000 to 37042) to acquire land.

79799. (a) (1) In expending grant money pursuant to this division to acquire an interest in any particular parcel of land, a local public agency or nonprofit organization may use the money to establish a trust fund in the amount of not more than 20 percent of the amount of money paid for the acquisition. Interest from the trust fund shall be used only to maintain the lands that are acquired pursuant to this division.

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

- (b) If the local public agency or nonprofit organization does not establish a trust fund pursuant to subdivision (a), it shall certify to the department that it can maintain the land to be acquired from funds otherwise available to the agency or organization.
- (c) This section does not apply to state agencies.

CHAPTER 11. Fiscal Provisions

79820.

(a) Bonds in the total amount of twelve billion six hundred sixty million dollars (\$12,660,000,000), or so much thereof as is necessary, not including the amount of any refunding bonds issued in accordance with Section 79840 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 sell the bonds authorized by the finance committee pursuant to this section. The bonds shall be sold upon the terms and conditions specified in a resolution to be adopted by the finance committee pursuant to Section 16731 of the Government Code.

79822.

The bonds authorized by this division shall be prepared, executed, issued, sold, paid, and redeemed as provided in 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), and all of the provisions of that law 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.

79824.

(a) Solely for the purpose of authorizing the issuance and sale pursuant to the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code) of the bonds authorized by this division, the Water Supply Reliability 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. The finance committee consists of the Director of Finance, the Treasurer, the Controller, the Director of Water Resources, and the Secretary of the Natural Resources Agency, or their designated representatives. The Treasurer shall serve as chairperson of the finance committee. A majority of the finance committee may act for the finance committee.

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

79826.

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

79828.

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.

79830.

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

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

(b) The sum necessary to carry out Section 79832, appropriated without regard to fiscal years.

79832.

For the purposes of carrying out this division, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the finance committee to be sold for the purpose of carrying out this division less any amount borrowed pursuant to Section 79838. Any amounts withdrawn shall be deposited in the fund. Any moneys made available under this section shall be returned to the General Fund from proceeds received from the sale of bonds for the purpose of carrying out this division.

79834.

All moneys deposited in the fund that are derived from premium and accrued interest on bonds sold 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.

79836.

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

79838.

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 79832. The amount of the request shall not exceed the amount of the unsold bonds that the finance committee, by resolution, has authorized to be sold for the purpose of carrying out this division. The board shall execute any 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.

79840.

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 the approval of the issuance of any bonds issued to refund any bonds originally issued under this division or any previously issued refunding bonds.

79842.

Notwithstanding any other provision of this division, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this division 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 investment of bond proceeds and for the investment of earnings on those proceeds. The Treasurer 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 required or desirable under federal law 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.

79844.

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.

SEC. 3.

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

SEC. 4.

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

SEC. 5.

Sections 2 of this act shall take effect upon the approval by the voters of the Water Supply Reliability and Drought Protection Act of 2014, as set forth in that section at the November 4, 2014, statewide general election.

SEC. 6.

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

In order to fund the Water Supply Reliability and Drought Protection Act at the earliest possible date, it is necessary that this act take effect immediately.