

# Water Financing Reform Act

2/16/11

## General Concept:

Task the California Water Commission with overseeing and allocating water funding at the state level based on a new Master Plan for Financing and Developing Water Resources in California (similar to the California Transportation Commission's role in transportation funding allocation). (Based on concept from Little Hoover Commission report "Managing for Change: Modernizing California's Water Governance" August 2010 <http://www.lhc.ca.gov/reports/listall.html> pgs 47-48 & 50 and State Treasurer's "Debt Affordability Report Oct 2009: California needs a master plan" - <http://www.treasurer.ca.gov/publications/2009dar.pdf> and needs for funding and oversight expressed in background documents listed at the end of this outline.)

## New Duties for the California Water Commission:

- Develop a "Master Plan for Financing and Developing Water Resources" (based on the needs outlined in California Water Plan, Delta Plan, Central Valley Flood Control Plan and other state and local plans) (see related recommendation from Treasurer "Debt Affordability Report Oct 2009: California needs a master plan" intro, executive summary and pages 9-10).
- The Master Plan shall include the following:
  - Assessment of the State's capital outlay and ongoing maintenance needs for water resources through 2050 (based on the needs outlined in California Water Plan, Delta Plan, Central Valley Flood Control Plan and other state and local plans as the Commission deems to be appropriate).
  - Assessment/identification of beneficiaries/users whose needs will be met by the plan.
  - Recommend guidelines for the Legislature and Governor for use in establishing and maintaining investment priorities. The guidelines should allow policymakers to adapt priorities to changing circumstances, (including availability of funding from beneficiaries, users and other sources), when necessary, without abandoning overall planning objectives.
  - Determine State, federal and local public funds, likely to be available during the period, and the size of any funding shortfall that may remain.

- Identify the beneficiaries/users and availability of funding from those entities. Identify any gap between availability of funding and need for funding to meet priorities. Clearly articulate the consequences (or needs that will not be met) should beneficiaries and users not contribute toward meeting needs identified in the plan.
- Provide recommendations to the Legislature regarding a financing framework that, on an on-going basis, fully integrates water resources needs, including capital investments and on-going operational expenses, with the State budget process. The financing framework should include a recommended mix of state and matching funding sources to pay for infrastructure financing and on-going operational needs, including General Fund, Revenue bonds, and user fees. Funding should be based on the beneficiary pays principle.
- Evaluate the feasibility and applicability of alternative financing sources to meet the needs of water resources and reduce stress on the General Fund. Alternatives to be evaluated should include, but not be limited to:
  - Private financing
  - User fees/beneficiary pays fees
  - Benefit assessment districts
  - Revenue bonds
  - Fee-backed general obligation bonds
  - Revolving loan programs
  - Others as appropriate
- Evaluate the feasibility of meeting water resources needs through alternatives to capital outlay (i.e. savings through “lifecycle financing,” reducing the need for new infrastructure through greater efficiency, etc.).
- Establish a means to measure the rate of return on projects and mechanisms to finance those projects that are most cost-effective and highest priority.
- Establish a timetable for capital outlay and ongoing expenditures. Include a timeline that demonstrates which priorities can be achieved based on currently available funds, and a timeline that demonstrates the needs and priorities that could be met with additional sources of funding.

**Other Duties:**

- Oversight responsibilities for resource-related general obligation bonds and other resources expenditures. This would include oversight of the bonds passed in 2002 and 2006 as well as previous bond programs in the Natural Resources Agency (LHC recommendation).
- Award state funds (including grants, loans and any fee generated funding) based on a prioritized list of proposed projects (developed as part of plan discussed above) and programs that improve water supply, water quality, water conservation, water use efficiency, flood management, ecosystem and watershed restoration, and integrated regional water management and planning and implementation. (NOTE: ecosystem restoration funding from the state shall NOT include mitigation associated with specific projects-that should be paid for by the proponents of the specific project.)
- Ensure that programs and projects funded through bonds/other potential state funds have strategic plans for the planned spending, that the projects proposed for spending are ranked by priority, as done for bond-funded transportation projects by the California Transportation Commission, and that all bond/state funded projects have performance measures and publically available progress reports.
- Establish guidelines for minimum qualifications and competitive criteria for IRWM plans.

**References/background documents:**

Little Hoover Commission "Managing for Change: Modernizing California's Water Governance" August 2010 <http://www.lhc.ca.gov/reports/listall.html>

State Treasurer Office "Debt Affordability Report Oct 2009: California needs a master plan"-  
<http://www.treasurer.ca.gov/publications/2009dar.pdf>

PPIC Report "Fixing the Delta: How will we pay for it?" Dean Mischynski August 2009  
<http://www.ppic.org/main/publication.asp?i=908>

California State Auditor "Department of Water Resources: Its administration of grants under the Flood Protection Corridor Program needs improvement" November 2007 Report 2007-108 <http://www.bsa.ca.gov/reports/agency/104>

Delta Vision Blue Ribbon Task Force "Final Report: Our vision for the California Delta"  
January 2008

[http://deltavision.ca.gov/BlueRibbonTaskForce/FinalVision/Delta\\_Vision\\_Final.pdf](http://deltavision.ca.gov/BlueRibbonTaskForce/FinalVision/Delta_Vision_Final.pdf)

Delta Vision Blue Ribbon Task Force "Delta Vision Strategic Plan" October 2008

[http://deltavision.ca.gov/StrategicPlanningProcess/StaffDraft/Delta\\_Vision\\_Strategic\\_Plan\\_standard\\_resolution.pdf](http://deltavision.ca.gov/StrategicPlanningProcess/StaffDraft/Delta_Vision_Strategic_Plan_standard_resolution.pdf)

Delta Vision Committee "Delta Vision Implementation Plan" December 2009

[http://deltavision.ca.gov/DV\\_Committee/Jan2009/08-1231\\_Delta\\_Vision\\_Committee\\_Implementation\\_Report.pdf](http://deltavision.ca.gov/DV_Committee/Jan2009/08-1231_Delta_Vision_Committee_Implementation_Report.pdf)