PCWA
water • energy • stewardship

PLACER COUNTY WATER AGENCY
SINCE 1957

BUSINESS CENTER
144 Ferguson Road
MAIL
P.O. Box 6570
Auburn, CA 95604

PHONE
530.823.4860
530.823.4960 - fax
WWW.PCWA.NET

NEWS RELEASE

FOR IMMEDIATE RELEASE:

November 6, 2009
Contact: David A. Breninger, (530) 823-4860
or: Dave Carter, (530) 265-NEWS

AUBURN -- The sweeping package of water reform legislation adopted this week (Nov. 4) in Sacramento will bring a variety of changes to the Placer County Water Agency and its many customers, it was reported Thursday (Nov. 5).

PCWA legal adviser Janet Goldsmith, a key participant in the agency's effort to track and influence the legislation, provided an extensive briefing at a regular meeting of the agency Board of Directors.

Goldsmith said many details of the five water bills remain unclear but that the legislation will impact all public water suppliers in California, impose new obligations and costs and perhaps create new opportunities for grant funds to improve aging water system infrastructure.

Goldsmith and PCWA General Manager David Breninger outlined main areas of concern and said the agency will continue its efforts to explore ways to reduce the impact of the legislative reforms upon agency customers.

Concerns were discussed regarding:

- **Water Rights.** Officials are wary of new water flow requirements that could be developed for the Delta eco-system at the expense of water usage and water rights of upstream agencies of the Delta, such as PCWA.

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- **Water Conservation.** The legislation imposes a reduction in urban water use of 20 percent by the year 2020 for inland California areas, such as Placer County. PCWA will explore alternatives as to how best to modify the agency's long-established water use efficiency program in order to comply with the new and unfunded State requirements.
- **Delta and Financial Impacts.** The bills significantly modify the organizations to manage the Delta ecosystem, govern land use and approve projects such as the peripheral canal. They also expand the role of the Department of Water Resources and create a new enforcement role with additional staff for the State Water Quality Control Board. Concerns were expressed that new State fees on water right holders, such as PCWA, would be imposed to pay for the new governances processes and staff.
- **Water Bond**: The Legislature also approved an $11.4 billion bond issue to go before California voters in the November 2010 general election. Goldsmith said, "The new water legislative reforms, however, is not dependent on passage of the bonds and it remains unclear how the state will proceed if the bond issue is not approved."

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Note:

- *For follow--up, please contact Ms. Goldsmith at (916) 321-4500.*
- *Attached is a copy of Ms. Goldsmith's summary of the water reform legislation.*

KRONICK
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& GIRARD
A LAW CORPORATION

MEMORANDUM

TO: Board of Directors, Placer County Water Agency

FROM: Janet K. Goldsmith

DATE: November 5, 2009 FILE NO.: 80-1

RE: Comprehensive Water Legislation

On November 4, 2009, the Legislature passed a sweeping package of legislation that seeks to improve water supply reliability throughout California. The Governor has announced that he will sign the bills.

The package of bills will create a new Delta Stewardship Council charged with adopting a Delta Plan to accomplish ecosystem restoration and water delivery reliability for 25 million Californians and millions of acres of the world's most productive farm land. The State Water Resources Control Board is directed to establish instream flow criteria to protect public trust resources and appoint a Delta Watermaster to enforce its water right orders.

The legislation will support development of new water storage and conveyance facilities, set urban water conservation mandates and require more efficient agricultural water use. It provides for monitoring and reporting of groundwater conditions, and imposes stiff financial penalties on riparian and pre-1914 water rights holders who fail to report their water use..

In connection with the new mandates, the Legislature passed an $11.14 billion bond measure to help pay for water management and ecosystem restoration projects from Siskiyou County to San Diego. The bond measure, titled the "Safe, Clean and Reliable Drinking Water Supply Act of 2010" will go before voters in the November 2010 statewide election.

The legislation seems to affect all public water suppliers in California, imposing new compliance obligations while providing new opportunities to improve aging storage, conveyance and distribution infrastructure. This Legal Alert summarizes the major provisions of the legislation package, which is comprised of the following separate bills:

- SBX7-7: Water conservation ("SB 7") – **See pp. 2-4**
- SBX7-6: Groundwater monitoring ("SB 6") – **See p. 4-5**
- SBX7-8: Water diversion and use reporting ("SB 8") – **See pp. 5-6**
- SBX7-1: Delta Protection Act amendments ("SB 1") – **See pp. 6-9**
- SBX7-2: Water bond ("SB 2") -- **See pp. 9-13**

Although the bond measure requires a popular vote, none of the other legislation is contingent upon the outcome of that vote.

Urban Water Conservation

Under SB 7, urban water suppliers would have until 2020 to cut average daily per capital urban water use by 20 percent statewide, and agricultural water suppliers would have until 2010 to adopt water management plans and carry out certain efficient water management practices.

Water Conservation Goals

SB 7 establishes new water conservation goals and measures to be adopted by urban and agricultural water suppliers. Most significantly, the legislation requires the state to reduce urban average daily per capita water use by 20 percent no later than December 31, 2020, and by at least 10 percent no later than December 31, 2015.

Calculation of urban per capita water use is to be based on all water entering a water supplier's distribution system, excluding recycled water, water placed into long-term storage, water conveyed for use by another supplier, and water delivered for agricultural use. Water use reductions are to be measured against a baseline water use in a 10-year period ending no earlier than December 31, 2004 (If recycled water is at least 10% of the supplier's supply, the baseline period can be 15 years.) The legislation addresses only daily per capita rates, not system-wide totals, acknowledging that it may be possible to achieve the per capita water use reductions while maintaining or even increasing overall water use, depending on the climate change and population growth within each supplier's service area.

Urban Retail Water Suppliers

The legislation applies to urban retail water suppliers, public or private that directly serve potable water – either 3,000 end users or 3,000 acre-feet per year. It requires water suppliers to develop urban water use targets to help achieve the water use reduction goals. While the legislation would not require individual urban retail water suppliers to reduce per capita water usage by more than 20 percent, each supplier would have to reduce per capita daily water use by at least 5 percent, unless the supplier already had a base water use of 100 gallons per capita per day or less. Urban retail water suppliers would have to meet their own urban water use targets, which must be established by one of four methods, after a public hearing:

- a strict 20 percent reduction from baseline water use,
- adoption of established performance standards for indoor and outdoor uses,
- 5 percent reduction from the applicable state hydrologic region target set in the state's draft 20 x 2020 Water Conservation Plan dated April 30, 2009, which can be found at http://www.swrcb.ca.gov/water_issues/hot_topics/20x2020/docs/comment043009/202020_final_report_draft.pdf, or

- A method yet to be developed by DWR for calculating urban water use targets. This fourth method must be developed in a public process by December 31, 2010, and take into account factors such as
    - Climatic differences throughout the state
    - Population density differences within the state
    - Plant water needs in different regions, and
    - Prior investment in water conservation measures.

While it is not clear what will emerge from the DWR "fourth method," it is likely to provide some greater measure of flexibility than the other three.

Baseline and conservation targets for commercial, industrial, and institutional water use will be developed by DWR no later than October 1, 2010. Urban retail water suppliers must use DWR's methods, once they are developed.

Urban retail water suppliers will have to include specific new information in the next round of Urban Water Management Plans, incorporating data and calculations related to their baseline daily per capita water use and their urban water use targets. Although the next Urban Water Management Plan updates would have been due by December 31, 2010, SB 7 grants an extension to July 1, 2011, to allow use of DWR's methods.

Urban retail water suppliers would have to comply with their interim per capita water reductions by July 1, 2016, or else risk losing eligibility for state water grants or loans.

Agricultural Water Conservation

Agricultural water suppliers,-- public or private entities that provide water to at least 10,000 irrigated acres, will not be required to meet a specific percentage reduction in water use. However, they must carry out certain efficient water management practices no later than July 31, 2012, including the volumetric measurement of water deliveries to customers, and adopt tiered pricing structures.

Agricultural water suppliers will have to implement only those efficiency measures that are locally cost effective and technically feasible. DWR is to develop a method for quantifying the efficiency of agricultural water use and report back to the Legislature on the proposed method and plan for implementation no later than December 31, 2011.

SB 7 also would revamp the Agricultural Water Management Planning Act, requiring agricultural water suppliers, after a public hearing, to prepare and adopt agricultural water management plans by December 31, 2012, and update those plans by December 31, 2015, and every five years thereafter. Agricultural water management plans must be detailed, describing the service area, the quantity and quality of water supplies, water supply reliability, and the

efficient water management practices implemented, and analyze the effect of climate change on future water supplies. Water conservations plans adopted under federal Reclamation law may be used, in part, to satisfy the new requirements. Adopted plans must be submitted to DWR and a number of other agencies, but the plans themselves are not subject to CEQA, although implementation may be.

Agricultural water suppliers must comply with the new requirements by July 1, 2013, or risk losing eligibility for state water grants or loans.

Department of Water Resources

The legislation requires DWR to propose new statewide targets for regional water resources management practices including, but not limited to, use of recycled water, brackish groundwater desalination, and infiltration and direct use of urban stormwater runoff, no later than January 1, 2011. The legislation would require DWR to develop a single, standardized water use reporting form to meet the water information needs of agencies and water suppliers.

Groundwater Monitoring

SB 6 provides for the regular and systematic monitoring of groundwater levels in all groundwater basins and sub-basins of the state, which will be made readily available to the public. The monitoring, to begin by January 1, 2012, is intended to document seasonal and long-term trends in groundwater elevations. The monitoring requirements specifically apply only to groundwater basins or subbasins, not other groundwater. Reports of the status of the state's groundwater basins are to be made to the Governor and the Legislature no later than January 1, 2012, and thereafter in years ending in 5 or zero.

Although admirable in scope, the bill falls short in realization. It encourages a variety of local entities to assume responsibility for monitoring and reporting groundwater elevations, but does not require them to do so. If sufficient monitoring information is not being collected then the DWR could monitor groundwater elevations, but only if it can gain the concurrence of the State Mining and Geology Board. Furthermore, no funding is provided in the bill to support such an effort by DWR. However, if DWR performs the monitoring, then local groundwater management entities which did not assume monitoring responsibility may not be eligible for water grants or loans awarded or administered by the state. Probably the most conspicuous limitations on the effectiveness of the groundwater monitoring are that no monitoring entity, including DWR, can enter private property without the landowner's consent, and neither can it require a property owner to submit monitoring information. No fees or charges can be assessed the landowners to pay for the monitoring program.

Those local entities that seek to assume the groundwater monitoring functions must notify the DWR in writing on or before January 1, 2011 of their intention to do so, and submit documentation of their qualifications under the bill and a map showing the area to be monitored.

The DWR will oversee the monitoring entities; including determining the priority of potential monitoring entities if more than one seeks to conduct the monitoring. Priorities would be determined in accordance with factors set out in the bill.

After completing its review, DWR will provide written notice to the monitoring entity, publicize this selection on the internet, and work cooperatively with that entity to determine how groundwater elevations should be reported. DWR can recommend improvements to existing groundwater monitoring programs, but cannot require additional monitoring wells unless funding is provided for such wells. Where existing programs are already sufficient to demonstrate seasonal and long-term groundwater elevation trends, the DWR must defer to those programs.

If no local entity seeks to assume monitoring responsibility, DWR will contact well owners, and determine if there is an interest in establishing a groundwater management plan, an integrated regional water management plan that includes a groundwater management component, or a voluntary groundwater monitoring association, which provide the basis for local monitoring. If there is sufficient interest, or if the overlying county is willing to provide the monitoring, then DWR will work cooperatively with the interested parties to institute monitoring within two years.

In the absence of local interest, DWR will first determine if existing monitoring wells owned or operated by state or federal agencies provide sufficient information on groundwater elevation trends. If not, then DWR may undertake groundwater monitoring functions. DWR will notify well owners in the affected area and the overlying county. While DWR will not assess fees or charges to recover monitoring costs, entities in the area that DWR monitors may not be eligible for water grants or loans awarded or administered by the state (with an exception if the area qualifies as a disadvantaged community.

The bill does not affect DWR's current monitoring network, and does not expand or affect DWR's powers and duties relating to groundwater beyond the powers for monitoring granted by this bill.

SWRCB to Enforce Water Diversion Statements with Fines, Extra Staff

SB 8 expands the State Water Resources Control Board ("SWRCB") water rights enforcement staff and authorizes the imposition of substantial financial penalties against water users who fail to accurately report their diversion and use of surface water.

SB 8 puts teeth in a long-neglected provision of the Water Code that requires riparian water users and holders of pre-1914 appropriative rights to file Statements of Water Diversion and Use ("Statements") with the SWRCB every three years. Such rights are not directly subject to the SWRCB's regulatory water rights jurisdiction, and existing law provided no penalty for failure to file timely file accurate Statements. SB 8 changes that.

Under SB 8, the SWRCB could assess costly penalties for violations of water use reporting and related requirements. Under the legislation, new Water Code section 5107(c) would drastically increase the amount of civil penalties that the SWRCB could assess for the following violations:

- Failure to file a Statement of Water Diversion and Use;
- Any unintentional misstatement in such reports; and
- Failure to repair a malfunction of a measuring device.

The most severe penalties would be imposed for knowingly tampering with any measuring device or knowingly making a material misstatement in a Statement—$25,000 per violation plus $1,000 per day until the violation is corrected. The penalties may not be assessed until at least 30 days after the SWRCB notifies the water user of the alleged violation(s). The notice provision ensures that diverters will not be caught unaware of an inadvertent violation and provides an opportunity for water users to remedy any violations and thereby avoid financial penalties.

Additionally, the budget for the SWRCB's Water Rights Division would be increased by $3.75 million for the express purpose of adding 25 permanent water rights enforcement positions, however, funding for the new enforcement positions will be paid from fees imposed on water right holders, not from the state's general fund.

Minor changes also were made to the Statement content, as well as when such statements were required to be filed:

- A Statement will now be required for annual spring diversions greater than 25 acre feet in any year, even if the springwater does not flow off the property.
- A Statement will be required even if an application for small domestic or livestock stockpond uses, or application to appropriate water is pending before the SWRCB. Previously, no Statement was required for pending applications.

Statement content changes include:Point of diversion and places of use must now be depicted on a specific U.S.G.S. topo map, identified using the California Coordinate System or latitude and longitude measurements, and include the assessor's parcel number of the property.

The Delta

Delta Stewardship Council to Restore Delta Water Reliability

Among the most significant developments in the Legislature's sweeping water legislation is the creation several new state agencies, the restructuring of existing agencies, and a directive that these agencies implement significant administrative procedures.

The revamping of institutional infrastructure includes the repeal of the California Bay-Delta Authority Act. That repeal ends the largely unsuccessful state and federal agency collaboration known as CALFED, which was conceived more than a decade ago to restore the Delta ecosystem and water delivery reliability.

Creation of the Delta Stewardship Council

SB 1 enacts the Sacramento-San Joaquin Delta Reform Act ("Act") (Water Code § 85000 *et seq.*), which declares that "existing Delta policies are not sustainable" and that "[r]esolving the crisis requires a fundamental reorganization of the State's management of Delta watershed resources." The legislation describes coequal goals "of providing a more reliable water supply for California and protecting, restoring, and enhancing the Delta ecosystem" and explains that the Act's purpose is to "establish a governance structure that will direct efforts across state agencies to develop a legally enforceable Delta Plan."

That governance structure is the Delta Stewardship Council ("Council"), a seven-member body appointed by the governor that will be the successor to CALFED. All of CALFED's staff, resources, and funding will be transferred to the Council.

By January 1, 2012, the Council must develop, adopt, and start carrying out a comprehensive long-term management plan for the Delta ("Delta Plan"). The Delta Plan is to include measures that promote: (1) viable populations of aquatic and terrestrial species, (2) functional corridors for migratory species, (3) diverse habitats, (4) reduced threats, (5) more reliable water supplies, (6) improved water quality, and (7) the economic vitality of the State. It must also include recommendations for statewide water conservation, for new and improved water conveyance infrastructure, and in-Delta disaster and risk reduction measures.

Local and regional transportation planning documents for "covered actions" would have to be submitted to the Council for a determination as to whether the action is consistent with the Delta Plan. "Covered actions" are those publicly approved projects, that will take place wholly or partly in the Delta or Suisun Marsh, are covered by one or more provisions of the Delta Plan, or will have a significant impact on achievement of water supply reliability, ecosystem restoration, or flood protection in the Delta. Excluded from covered actions are: (1) regulatory actions by state agencies, (2) routine maintenance of the State Water Project ("SWP") and Central Valley Project ("CVP"), (3) certain regional transportation plans, (4) certain activities in the secondary zone of the Delta that are consistent with specific regional transportation plans, (5) routine maintenance of publicly-owned facilities located in the Delta, and (6) activities undertaken by a local public agency that is located in whole or in part in the Delta.

Creation of the Delta Watermaster and Delta Independent Science Board

Several other new entities are created by the Sacramento-San Joaquin Delta Reform Act, including a Delta Watermaster to be appointed by the SWRCB. The Delta Watermaster will have jurisdiction and exercise the SWRCB's enforcement authority over water diversions in the Delta.

Additionally, the Legislature directed the Delta Stewardship Council to appoint a Delta Independent Science Board to "provide the best possible unbiased scientific information to inform water and environmental decisionmaking in the Delta." The Delta Independent Science Board Delta will oversee implementation of the Delta Science Program, which replaces the CALFED Science Program."

New Delta Instream Flow Criteria

Within 12 months after enactment, the Act calls for the Department of Fish and Game, in consultation with the federal Fish and Wildlife Service and National Marine Fisheries Service, to develop and recommend to the SWRCB flow criteria and quantifiable biological objectives for Delta-dependent species of concern. SWRCB must then adopt, in a public process "new flow criteria for the Delta ecosystem necessary to protect public trust resources," that must "include the volume, quality, and timing of water necessary for the Delta ecosystem under different conditions." It directs SWRCB to establish an effective system of Delta watershed diversion data collection and public reporting by December 31, 2010.

Bay Delta Conservation Plan Directives

Water agencies receiving SWP and CVP water are to pay for the review, planning, design, construction, and mitigation required for any new Delta conveyance facility. The Act provides that the pending Bay Delta Conservation Plan ("BDSCP") shall become part of the Delta Plan, if DFG approves the BDCP as a natural community conservation plan and determines that it meets certain Act requirements (*e.g.,* considers a reasonable range of flow criteria and conveyance alternatives, and analyzes the effects of climate change including a sea level rise of up to 55 inches), and if the BDCP is approved as a habitat conservation plan under section 10 of the federal Endangered Species Act ("ESA"). The Act prohibits the commencement of construction of a new Delta conveyance facility until the SWRCB approves a change in the point of diversion for the SWP and CVP water rights.

New Sacramento-San Joaquin Delta Conservancy

SB 1 also enacts the new Sacramento-San Joaquin Delta Conservancy Act. The Conservancy's purpose is to advance the twin goals of environmental protection and the economic well-being of Delta residents. The Conservancy will be the primary state agency implementing ecosystem restoration in the Delta. The Legislature granted the Conservancy broad powers to enter into agreements and conservation easements, to fund restoration efforts, among other activities, and to seek diverse funding sources. Within two years of appointing an executive director, the board of the Conservancy is to adopt a strategic plan establishing criteria and priorities for projects and programs to achieve its goals.

Amendments to Delta Protection Act of 1992

SB 1 also amended provisions of the Delta Protection Act of 1992 (Public Resources Code § 29700 *et seq.*), changing the size and composition of the Delta Protection Commission. The

directors of Parks and Recreation, Boating and Waterways, Water Resources, a CALFED public member, and three gubernatorial appointees from general public were removed as Commission members, and replaced by the Secretary of the Natural Resources Agency and Secretary of Business, Transportation, and Housing. The Commission must adopt an economic sustainability plan regarding flood protection, socioeconomic sustainability of Delta agriculture and infrastructure, and recreation by July 1, 2011, and must submit recommendations to the Legislature regarding expansion or changes to the boundaries of the Delta primary zone or the Delta.

The Bond Bill

$11 Billion Water Bond

Under SB 2, voters will be asked to approve $11.14 billion in bonds at the November 2, 2010, statewide general election. The bond measure is titled the "Safe, Clean and Reliable Drinking Water Supply Act of 2010" and will consist of two separate "tranches," with half the bonds issued for immediate sale after voter approval and the other half sold no earlier than July 1, 2015.

That total bond amount includes $455 million for drought relief, $1.4 billion for regional water supply projects, $2.25 billion for Delta sustainability projects (including $1.5 billion for the Bay Delta Conservation Plan), $3 billion for water storage, $1.785 billion for watershed conservation, $1 billion for groundwater cleanup and protection, and $1.25 billion for water recycling and water conservation.

The Department of Water Resources ("DWR") and other state agencies would allocate the bond funding to specific projects. Much of the funding would be allocated in response to applications by project proponents. Bond funding also would be allocated by the Natural Resources Agency, the Department of Fish and Game, the Wildlife Conservation Board, the California Conservation Corps, the Department of Conservation, the Department of Parks and Recreation, the Department of Forestry and Fire Protection and state conservancies. Eligible applicants include public agencies, nonprofit organizations, public utilities and mutual water companies.

While the bond measure would authorize funding for a wide range of projects—including new reservoirs and groundwater storage, new water conveyance facilities, urban and agricultural water conservation measures, wastewater recycling infrastructure and ecosystem restoration—the measure also imposes certain broad limits on the use of bond funds.

For example, the measure provides that bond funds may not be expended "to support or pay for the costs of environmental mitigation measures or compliance obligations of any party except as part of the environmental mitigation costs of projects financed by this division . . . .", which do not include Delta conveyance facilities. Such costs would instead "be the responsibility of the water agencies that benefit from the design, construction, operation, or maintenance of those facilities."

Drought Relief

Projects eligible for the measure's $455 million in drought relief funding would include "planning, design, and construction of local and regional drought relief projects that reduce the impacts of drought conditions, including, but not limited to, the impacts of reductions in Delta diversions." That includes water conservation and efficiency projects (e.g., installation of "the most water efficient fixtures commercially available"), water recycling and related infrastructure, groundwater cleanup, local and regional conveyance projects that improve water supplies, local and regional water supply reliability projects, and local and regional surface water storage projects that provide emergency water supplies and water supply reliability in drought conditions.

No more than 10 percent of a project's grant funding could be spent on project planning, investigations, studies and monitoring. At least half the total project costs would have to be paid from nonstate sources, unless the project would "directly benefit disadvantaged communities or economically distressed areas." The preceding cost-share obligation and disadvantaged-community exception apply beyond drought relief to many projects eligible for funding under the new measure generally.

Regional Water Supply

Under the bond measure, $1.050 billion in funding would be awarded by DWR through competitive grants to projects that carry out Integrated Regional Water Management Plans ("IRWMPs"). (Water Code § 79721-79722.) Such projects include "local and regional surface water storage projects." To qualify, a grant applicant would need to timely submit its updated Urban Water Management Plan ("UWMP") under the Urban Water Management Planning Act, by December 31, 2010.

Bond funding would be divided among 12 hydrologic regions and subregions, in addition to an "interregional" allocation. The Los Angeles subregion garnered a $198 million allocation, followed closely by the San Francisco Bay region's $132 million and the Santa Ana subregion's $128 million and then by the San Diego subregion's $87 million, the Sacramento River region's $76 million, the Tulare/Kern region's $70 million and further allocations to: San Joaquin River ($64 million), Central Coast ($58 million), North/South Lahontan ($51 million), Colorado River Basin ($47 million), North Coast ($45 million), a Mountain Counties "overlay" ($44 million), and "interregional" ($50 million).

The bond measure would provide an additional $350 million for grants and direct expenditures "for the planning, design, and construction of local and regional conveyance projects that support regional and interregional connectivity and water management." Such projects would need to provide one or more of the following benefits:

- improved regional or interregional water supply and supply reliability;
- mitigation of groundwater overdraft, saline water intrusion, water quality degradation or subsidence;

- adaptation to "impacts of hydrologic changes";
- "improved water security" from drought, natural disasters or other events that could interrupt imported water supplies; or
- "providing safe drinking water for disadvantaged communities and economically distressed areas."

Delta Sustainability

The bond measure would provide $2.250 billion for grants and direct expenditures for "projects needed to assist in the Delta's sustainability as a vital resource for fish, wildlife, water quality, water supply, agriculture, and recreation." Of that amount, $750 million is slated for projects "that provide public benefits and support Delta sustainability options, including projects and supporting scientific studies and assessments" that:

- Ensure that urban and agricultural water supplies derived from the Delta are not disrupted due to catastrophic levee failures;
- Assist in preserving agricultural and other economic activities in the Delta;
- Improve the quality of drinking water derived from the Delta;
- Improve levee and flood control facilities to protect Delta communities;
- Provide physical improvements or other actions to create water flow and water quality conditions within the Delta to provide adequate habitat for native fish and wildlife;
- Facilitate other projects that provide public benefits and support Delta sustainability options approved by the Legislature;
- Mitigate other impacts of water conveyance and ecosystem restoration; or
- Provide or improve water quality facilities and other infrastructure.

At least $50 million of the $2.250 billion would be available for matching grants for improvements to wastewater treatment facilities upstream of the Delta to improve Delta water quality.

Of the $2.250 billion amount, $1.5 billion would be for projects to protect and enhance the sustainability of the Delta ecosystem, including "[p]rojects for the development and implementation of the Bay Delta Conservation Plan . . . ." Such funding could be used for preparation of environmental documentation and environmental compliance.

Water Storage

Under the bond measure, $3 billion would be allocated to the California Water Commission ("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 . . . ." The Commission would select such water storage projects through a competitive public process informed by regulations that DWR would develop in consultation with the Department of Fish and Game and the State Water Resources Control Board. Only the following projects would be initially eligible for funding:

- Surface storage projects identified in the CALFED Bay-Delta Record of Decision;
- Groundwater storage projects and groundwater contamination prevention or remediation projects that provide storage benefits;
- Conjunctive use and reservoir reoperation projects;
- Local and regional surface storage projects that improve the operation of water systems in the state and provide public benefits.

Further, funding would be provided only for projects (and their associated environmental mitigation measures) that provide "measurable improvements to the Delta ecosystem or to the tributaries to the Delta." Finally, funding would be solely for the following public benefits associated with water storage projects:" (1) Ecosystem improvements; (2) water quality improvements; (3) flood control benefits; (4) emergency response; and (5) recreational purposes.

Conservation and Watershed Protection

The bond measure would provide $1.785 billion for grants and expenditures on ecosystem and watershed restoration and protection projects. It would impose a range of detailed requirements for use of the funds, including requirements that vary by specific county and watershed.

Groundwater Protection

A billion dollars would be provided through the Department of Public Health, for projects to prevent or reduce the contamination of groundwater that serves as a major source of drinking water. Such projects would have to be consistent with an adopted IRWMP.

Water Recycling and Conservation

The bond measure would provide $1.25 billion for recycled water projects and water conservation projects in urban and agricultural settings.

Of the preceding amount, $1 billion would be available for the following types of projects:

- Recycled water projects;

- Contaminant and salt removal projects (including groundwater and seawater desalination);

- Dedicated recycled water distribution infrastructure, including retrofit projects for commercial and industrial end users; and

- Pilot projects for new salt or contaminant removal technology; and groundwater recharge infrastructure related to recycled water.

$250 million would be available, through a DWR-administered competitive process, for direct expenditures, grants and loans to water conservation and water use efficiency plans, projects and programs. Urban water conservation plans, projects and programs and agricultural water management plans would also be eligible for funding.