



Sustainable Conservation

THE WATER SUPPLY AND WATER QUALITY ACT OF 2018

After a lengthy deliberative process that included numerous internal and external discussions, Sustainable Conservation has decided to endorse the Water Supply and Water Quality Act of 2018 (Act) for inclusion on the November 2018 ballot. This initiative measure will provide \$8.9 billion in bond funds for water-related infrastructure and activities to improve water supply and water quality. Out of that total, the bond will provide \$3.93 billion specifically for environmental benefits.

The Act recognizes and addresses the needs of both the environment and agriculture, and provides funds for projects that help bring those interests into better alignment. This is very much in line with Sustainable Conservation's commitment to bridging the gaps between seemingly disparate interests in California. We appreciate the fact that, of the three recent water bond proposals, this is the only one for which our input was actively solicited, both in the main drafting of the bond measure in 2016 and again in the final phases of its drafting in 2017. Several of the provisions of the current initiative resulted from our input. We do want to make it very clear that Sustainable Conservation also has decided to support the passage of Proposition 68, the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act, in the June 2018 election. We believe that Proposition 68 includes a number of extremely important and beneficial provisions, but we also believe that it leaves out a number of equally important needs that the Water Supply and Water Quality Act addresses.

We also know that using bonds as the principal means to fund environmental programs and projects, which has been the case in California for many years, is not the best way to ensure sustained, long-term protection and management. State General and/or Special Fund appropriations allow for a significantly wider range of ongoing resource restoration and management options and avoid increased bond indebtedness. But given the current fiscal realities and the extreme urgency of the state's water and habitat restoration needs, bonds appear to be the best available way to provide funding now, and the Act will provide significant funding to address a wide range of those needs.

Sustainable Conservation finds these provisions of the Act to have high potential to significantly improve California's fish and wildlife habitats and water supply and quality:

- \$750 million for safe drinking water and wastewater treatment for disadvantaged communities.
- \$50 million for agricultural water conservation.
- \$200 million for Central Valley flood management, including flood plain restoration.
- \$200 million for San Francisco Bay wetlands and flood improvements.
- \$100 million for land and water management for water supply improvement.
- \$60 million for water data management.
- \$2.355 billion for watershed improvement, including but not limited to:
 - \$300M to the Wildlife Conservation Board (WCB) for, among other things, the acquisition and restoration of riparian habitat, migratory bird habitat, anadromous fisheries, wetland habitat, and other watershed lands.

- \$10M of the WCB funds are to be made available to assist farmers in integrating agricultural activities with watershed restoration and wildlife protection (with priority given to partnerships with RCDs)
 - \$30M is to be made available for grazing land protection.
 - \$80 million for the removal of Matilija Dam in Ventura County.
- \$400 million for fisheries restoration.
- \$675 million for groundwater sustainability and storage.
- \$500 million for water and specific habitat improvements for fisheries.
- \$100 million for San Joaquin River fisheries restoration.
- \$280 million for Waterfowl habitat.

Among these provisions, Sustainable Conservation considers the following to have a particularly significant potential impact on accelerating the restoration of fish and wildlife habitat and improving the quantity and quality of California's water supply.

The Act provides significant funding to DFW for habitat restoration, implementation of the Habitat Restoration and Enhancement (HRE) Act program, and the development of a programmatic permit for projects not covered by the HRE program. It also provides funding to the Central Valley Flood Protection Board for the development of a programmatic permit for multi-benefit restoration projects.

The Act specifically allows funds to be granted to an applicant for single or multiple small-scale projects. The absence of such a clarification in Prop. 1 became one of the major obstacles to qualifying HRE Act-related projects as eligible for bond funds.

More generally, the Act requires that funding agencies utilize programmatic authorizations where they are available. Getting agencies and restoration proponents to take full advantage of these authorizations has been challenging. Requiring that agencies do so when possible will help ensure faster implementation of critically needed restoration projects and that more money is used for on-the-ground restoration work instead of permitting costs.

The Act includes significant funding to provide clean drinking water and improve the use of existing water supplies through recycling, desalinization, and conservation, all of which reduce the pressure exerted by communities and agriculture on existing surface water supplies. Any actions that reduce demand for surface flows improve the chances of maintaining or potentially increasing flows for the environment. We also support the allocation of funding to improve water measurement by the state with research support by academics. We can't manage water use if we can't measure it.

The direct groundwater funding in the Act and the prioritization of projects that support the use of floodwaters to recharge groundwater basins supports recharge projects and makes them financially even more attractive than new surface storage reservoirs. We are actively working with Groundwater Sustainability Agencies to help them identify the most efficient recharge strategies and this funding will accelerate those projects.



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Several provisions of the Act have created some controversy. Of the \$1.3 billion included for water infrastructure projects throughout the state, \$750 million is to go to the Friant Water Authority for repairs and upgrades to the Madera and Friant-Kern Canals. Concern has been expressed that providing these funds to the Friant Water Authority will make it more likely that the Temperance Flat dam and reservoir will be built. It is argued that the Friant Water Authority will be able to redirect the \$400 million it estimates as the cost of repairing the existing canal to help pay for the construction of Temperance Flat, and that the construction of “a new canal or pipeline” connecting the Friant Kern Canal with the California Aqueduct with all or part of the

additional ~\$350 million (proposed as a possible use of the funds remaining after the canal repairs on the Act’s website) will increase the viability of the Temperance Flat project.

We do not believe that this will make Temperance Flat substantially more likely to occur. That proposal is facing fiscal and Proposition 1 challenges that will not disappear, or even be significantly mitigated, as a result of the Act’s passage. In fact, we believe that improving the Friant-Kern Canal’s capacity can help create a more effective, and much less expensive, alternative to new reservoirs. The Act’s proposal to provide funding to repair the subsidence-caused capacity constriction of the Friant-Kern Canal will allow for more flexibility in transferring peak wet year flows from Millerton Reservoir and the San Joaquin River south for conjunctive use. Restoring this capacity is crucial to maximizing direct groundwater recharge and in-lieu surface water use to reduce overdraft, two of the original goals of the Friant-Kern canal. The more surface water that the Friant contractors can obtain through the canal during wet years for recharge, the lower their demand for expanded surface water storage will be for dry year storage carry over. A replenished groundwater supply is a significant deterrent to investing in more surface storage. New reservoir construction is primarily driven by concerns about multi-year droughts and Temperance Flat is not designed to be big enough to contribute significantly to distribution within the Friant canal system during dry years. Repairing the canal and storing peak flows through recharge provides a much cheaper water supply alternative than building new reservoirs.

Another source of controversy has been the Act’s provision directing that the 10% of the funds in the Unallocated Account in the Cigarette and Tobacco Products Surtax Fund currently transferred to the Habitat Conservation Fund (HCF) be continuously appropriated to the WCB in order to acquire water from willing sellers, as well as storage and delivery rights, to improve fish and wildlife conditions in streams, rivers, wildlife refuges, wetland habitat areas, and estuaries. The cigarette tax funds transferred to the HCF have been used to fund a wide range of habitat activities, but the current allocation to the HCF sunsets on January 1, 2020. The Act would extend the allocation of funds to environmental purposes, but would restrict their use to acquiring water for fish and wildlife. Water is inevitably going to become more expensive as time passes, which will put environmental purposes at a growing disadvantage relative to other, more “profitable” uses. This provision of the Act will provide funds for wildlife water needs so that they can more effectively compete with other water demands.

Of the issues in the Act that have created controversy, we are most concerned about the use of the Greenhouse Gas Reduction Fund to compensate DWR, the Metropolitan Water District, the Contra Costa Water District, and the San Luis-Delta Mendota Water Authority for compliance

and increased power costs incurred due to AB 32 implementation. While these agencies are to use the reimbursement for their own systems for GHG reduction through water and energy conservation, the Act provides very little in the way of guidance or requirements for what they can and cannot do with the funds, and how they are to account for their actions. If this bond passes, we intend to follow the rulemaking process for this section very closely and advocate for more detailed project and accounting definitions.

In conclusion, given the many outstanding fish, wildlife and water needs that will still exist after the SB 5 bond passes, and the potential of the Act to advance significantly the achievement of Sustainable Conservation's program goals, we believe that the potential benefits of this bond measure outweigh the possible downsides, and we endorse it for inclusion on the November 2018 ballot.