

AMENDED IN SENATE JANUARY 25, 1996

AMENDED IN SENATE JANUARY 16, 1996

AMENDED IN SENATE APRIL 17, 1995

SENATE BILL

No. 900

Introduced by Senator Costa

February 23, 1995

An act to add Division 24 (commencing with Section 78500) to the Water Code, relating to financing water programs by providing funds necessary therefor through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 900, as amended, Costa. Water Resources and Delta Restoration Act of 1996.

Under existing law, various bond acts have been approved by the voters to provide funds for water projects, facilities, and programs.

This bill would enact the Water Resources and Delta Restoration Act of 1996, which, if adopted, would authorize for the purpose of financing prescribed water programs, the issuance of bonds in the amount of ~~\$400,000,000~~ pursuant to the State General Obligation Bond Law.

The bill would provide for the submission of the bond act to the voters at the November 5, 1996, general election in accordance with specified law.

The bill would declare that it is to take effect immediately as an urgency statute.
Vote: 2/3. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. (a) The Legislature hereby finds and declares all of the following:

(1) The state is expected to grow in population to nearly 49 million people by the year 2020, an increase of nearly 19 million people from 1990 population levels. Water supply, under the current system, will not be able to meet demand. Without improved water management and additional facilities, annual shortfalls in the millions of acre-feet are predicted for both average rainfall and drought years.

(2) Water conservation and other measures to reduce demand on water supplies should be employed, but will not be sufficient to eliminate forecasted water shortages anticipated by the year 2020.

(3) A variety of measures, including water conservation, water transfers, water recycling, water development, and conjunctive use of surface and groundwater supplies will be necessary to meet the state's water supply needs.

(4) The state must plan to meet the water supply needs of all beneficial uses of water, including urban, agricultural, environmental, and other uses such as recreation and power generation.

(5) All major water groups must recognize that no one sector can be allowed to get ahead of the others and that any incremental steps must be linked to progress for every sector.

(b) The Legislature further finds and declares all of the following:

(1) The San Francisco Bay/Sacramento-San Joaquin Delta Estuary (the bay-delta) is nationally recognized as both an important feature of the state's environment and

an important component of the state's water supply system.

(2) The bay-delta is the single most important source of water for the people, farms, and businesses of this state, providing the water supply for more than two-thirds of all Californians.

(3) The bay-delta is home to many aquatic species, including several endangered species.

(4) It is imperative to maintain the water quality of the bay-delta.

(5) It is the policy and the law of the state to protect and use wisely vital natural resources such as the bay-delta.

(6) The state has signed a historic accord with the federal government and agricultural, urban, and environmental water interests that calls for the development of a comprehensive and long-term solution for the environmental, water supply reliability, and water quality problems of the bay-delta.

(7) The state, the federal government, and important stakeholder interests have initiated a program known as CAL-FED to develop comprehensive and long-term solutions to the problems of the bay-delta.

(8) The CAL-FED program recognizes the need to expand participation to include all impacted parties and the interested public and has established a number of efforts including the Bay-Delta Advisory Council and monthly public workshops to do so.

(9) The success of the CAL-FED program is vital to the environmental and economic well-being of the state.

~~(e) The Legislature hereby finds and declares the following to be the policy of this state:~~

~~(1) To support and encourage the CAL/FED process and the development of a comprehensive and long-term solution to the problems in the bay/delta;~~

~~(2) To develop a strategy of financing mechanisms that will allow for the implementation of a comprehensive bay/delta solution developed through the CAL/FED process;~~

1 ~~(3) That any comprehensive solution shall be in~~
2 ~~compliance with all provisions of law that may be~~
3 ~~applicable, including, but not limited to, the water rights~~
4 ~~priority system and the statutory protections for areas of~~
5 ~~origin.~~

6 SEC. 2. Division 24 (commencing with Section 78500)
7 is added to the Water Code, to read:

8
9 DIVISION 24. WATER RESOURCES AND DELTA
10 RESTORATION ACT OF 1996

11
12 CHAPTER 1. SHORT TITLE AND DEFINITIONS

13
14 78500. This division shall be known and may be cited
15 as the Water Resources and Delta Restoration Act of 1996.

16 78501. Unless the context otherwise requires, the
17 following definitions govern the construction of this
18 division:

19 (a) "Bay-delta" means the San Francisco
20 Bay/Sacramento-San Joaquin Delta Estuary.

21 (b) "Board" means the State Water Resources Control
22 Board.

23 (c) "Committee" means the Water Resources and
24 Delta Restoration Finance Committee created pursuant
25 to Section 78693.

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

28 (e) "Delta" means the Sacramento-San Joaquin Delta
29 Estuary.

30 (f) "Fund" means the Water Resources and Delta
31 Restoration Fund created pursuant to Section 78505.

32
33 CHAPTER 2. WATER RESOURCES AND DELTA
34 RESTORATION FUND

35
36 78505. (a) The proceeds of bonds issued and sold
37 pursuant to this division shall be deposited in the Water
38 Resources and Delta Restoration Fund, which is hereby
39 created.
40

1 CHAPTER 3. DELTA RESTORATION PROGRAM

2
3
4 Article 1. General Provisions

5
6 78520. This chapter shall be known and may be cited
7 as the Delta Restoration Act.

8 78521. The Legislature hereby finds and declares all
9 of the following:

10 (a) The state faces a water supply and delivery crisis
11 that threatens the state's economy and environment.

12 (b) The focal point of this crisis is the bay-delta, the
13 heart of the state's water supply system.

14 (c) The delta supplies drinking water to over 20
15 million people in this state, provides irrigation water for
16 over 200 crops, contains the largest wetland habitat in the
17 western United States, and supports 120 species of fish.

18 ~~(d) The lack of continuing investment in the bay/delta~~
19 ~~system and the declining health of the estuary has~~
20 ~~reduced the water supply's reliability and driven~~

21 ~~(d) The declining health of the estuary has driven~~
22 species to the edge of extinction.

23 (e) The bay-delta system no longer provides a broad
24 diversity of habitats nor the habitat quality necessary to
25 maintain ecological functions and support healthy
26 populations and communities of plants and animals.

27 78523. The Legislature further finds and declares all
28 of the following:

29 (a) Declining fish populations and endangered species
30 designations have generated major conflicts among
31 beneficial uses of water in the bay-delta system and
32 highlights the need for resolution and restoration.

33 (b) In response to declining fish and wildlife
34 populations, waterflow and timing requirements have
35 reduced flexibility to meet the quantity and timing of
36 water exports from the delta.

37 (c) The disparity between water needs and water
38 availability has created economic uncertainty in the
39 water service areas and increased potential conflict over
40 supplies.

1 (d) A related concern is the vulnerability of the delta
2 water transport system of levees and channels to
3 catastrophic failure due to earthquakes or overtopping
4 during floods.

5 (e) The delta levee system is also vulnerable to
6 general failure as a result of decreasing levee stability.

7 (f) Failures in the delta levee system could result in
8 interruptions in water use in the delta or in export use by
9 both urban and agricultural users for periods which could
10 vary in length from days to several months.

11 78524. The Legislature further finds and declares all
12 of the following to be objectives of the state:

13 (a) To improve and increase fish and wildlife habitat
14 and improve ecological functions in the bay-delta system
15 to support sustainable populations of diverse and valuable
16 plant and animal species.

17 (b) To increase water supply reliability for all water
18 users by reducing the conflict among beneficial water
19 uses, improving the ability to transport water through the
20 bay-delta system, and reducing the uncertainty of
21 supplies from the bay-delta system.

22 (c) To enhance flexibility in transporting water across
23 the delta so that all of the water management tools,
24 including demand management, water transfers, and
25 supply augmentation, are available to water service
26 agencies to match quantity and timing of supply with
27 beneficial use patterns.

28 (d) To reduce the risk to land use and associated
29 economic activities, water supply, infrastructure, and the
30 ecosystem from a catastrophic breach of delta levees.

31 78525. Unless the context otherwise requires, the
32 following definition governs the construction of this
33 chapter:

34 (a) "Account" means the Delta Restoration Account
35 created by Section 78526.

36 78526. (a) The Delta Restoration Account is hereby
37 created in the fund. The sum of ~~one hundred sixty million~~
38 ~~dollars (\$160,000,000)~~ _____ is hereby transferred
39 from the fund to the account.

1 (b) From time to time, the department may establish
2 other subaccounts in the account that the department
3 determines are appropriate or necessary for proper
4 administration consistent with the purposes of this
5 chapter.

6
7 Article 2. Central Valley Project Improvement
8 Program
9

10 78530. There is hereby created in the account the
11 Central Valley Project Improvement Subaccount. The
12 sum of ~~fifty million dollars (\$50,000,000)~~ _____ is
13 hereby transferred from the account to the subaccount
14 for the purpose of implementing this article.

15 78531. The money in the subaccount shall be
16 available, upon appropriation by the Legislature, for use,
17 in conjunction with federal funds, to pay the state share
18 of the costs of carrying out fish and wildlife restoration
19 measures set forth in the Central Valley Project
20 Improvement Act (34 U.S.C.A. Sec. 3401, et seq.). Priority
21 shall be given to projects identified in the act that have
22 deadlines for completion.

23
24 Article 3. Bay-Delta Agreement Program
25

26 78535. There is hereby created in the account the
27 Bay-Delta Agreement Subaccount. The sum of ~~fifty~~
28 ~~million dollars (\$50,000,000)~~ _____ is hereby
29 transferred from the account to the subaccount for the
30 purpose of implementing this article.

31 78536. The money in the subaccount shall be
32 available, upon appropriation by the Legislature, to pay
33 for nonflow-related projects called for in the Water
34 Quality Control Plan for the Bay-Delta, adopted by the
35 board in Resolution No. 95-24. Those projects are known
36 as "Category III" activities called for in the "Principles for
37 Agreement on Bay-Delta Standards Between the State of
38 California and the Federal Government," dated
39 December 15, 1994.

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1 78537. The state shall, to the greatest extent possible,
2 secure federal matching funds to implement the
3 provisions of this article.

4
5 Article 4. Delta Levee Rehabilitation Program

6
7 78540. There is hereby created in the account the
8 Delta Levee Rehabilitation Subaccount. The sum of
9 ~~thirty million dollars (\$30,000,000)~~ is hereby
10 transferred from the account to the subaccount for the
11 purpose of implementing this article.

12 78541. The money in the subaccount shall be
13 available, upon appropriation by the Legislature, in the
14 following amounts, for the following purposes:

15 (a) ~~Fifteen million dollars (\$15,000,000)~~ shall
16 be available for local assistance under the delta levee
17 maintenance subventions program under Part 9
18 (commencing with Section 12980) of Division 6, and for
19 the administration of that assistance.

20 (b) ~~Fifteen million dollars (\$15,000,000)~~ shall
21 be available for special flood protection projects under
22 Chapter 2 (commencing with Section 12310) of Part 4.8
23 of Division 6, and subsidence studies and monitoring.
24 Allocation of these funds shall be limited to flood
25 protection projects on Bethel, Bradford, Holland,
26 Hotchkiss, Jersey, Sherman, Twitchell, and Webb Islands
27 in the delta.

28 78542. The expenditure of funds under this article is
29 subject to Chapter 1.5 (commencing with Section 12306)
30 of Part 4.8 of Division 6.

31
32 Article 5. South Delta Facilities Program

33
34 78550. There is hereby created in the account the
35 South Delta Facilities Subaccount. The sum of ~~thirty~~
36 ~~million dollars (\$30,000,000)~~ is hereby
37 transferred from the account to the subaccount for the
38 purpose of implementing this article.

39 78551. The money in the subaccount shall be
40 available, upon appropriation by the Legislature, for the

1 ~~non/State Water Project costs and mitigation features for~~
2 ~~the construction of facilities in the southern delta.~~
3 ~~non-State Water Project costs incurred and mitigation~~
4 ~~features undertaken in the southern Delta.~~

5
6 CHAPTER 4. CLEAN WATER AND WATER RECYCLING
7 PROGRAM

8
9
10 Article 1. General Provisions

11
12 78601. Unless the context otherwise requires, the
13 following definition governs the construction of this
14 chapter:

15 (a) "Account" means the Clean Water and Water
16 Recycling Account created by Section 78602.

17 78602. (a) The Clean Water and Water Recycling
18 Account is hereby created in the fund. The sum of ~~two~~
19 ~~hundred forty million dollars (\$240,000,000)~~ is
20 hereby transferred from the fund to the account.

21
22 Article 2. Clean Water Loans and Grants

23
24 78610. Unless the context otherwise requires, the
25 following definitions govern the construction of this
26 article:

27 (a) "Eligible project" means a project or activity
28 described in paragraph (1), (2), (3), or (4) of subdivision
29 (a) of Section 13480 that is all of the following:

30 (1) Necessary to prevent water pollution or to reclaim
31 water.

32 (2) Eligible for funds from the State Revolving Fund
33 Loan Account or federal assistance.

34 (3) Certified by the board as entitled to priority over
35 other eligible projects.

36 (4) Complies with applicable water quality standards,
37 policies, and plans.

38 (b) "Federal assistance" means money provided to a
39 municipality, either directly or through allocation by the
40 state, from the federal government to construct eligible

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1 projects pursuant to the Federal Water Pollution Control
2 Act.
3 (c) "Federal Water Pollution Control Act" (33
4 U.S.C.A. Sec. 1251 et seq.) includes any acts amendatory
5 thereof or supplementary thereto.
6 (d) "Municipality" has the same meaning as defined in
7 the Federal Water Pollution Control Act and also includes
8 the state or any agency, department, or political
9 subdivision thereof, and applicants eligible for assistance
10 under Sections 1329 and 1330 of Title 33 of the United
11 States Code.
12 (e) "Small community" means a municipality with a
13 population of 5,000 persons or less, or a reasonably isolated
14 and divisible segment of a larger municipality
15 encompassing 5,000 or less, with a financial hardship as
16 determined by the board.
17 (f) "Treatment works" has the same meaning as
18 defined in the Federal Water Pollution Control Act.
19 78611. (a) There is hereby created in the account
20 both of the following subaccounts:
21 (1) The State Revolving Fund Loan Subaccount.
22 (2) The Small Communities Grant Subaccount.
23 (b) From time to time, the board may modify existing
24 subaccounts in the account that the board determines are
25 appropriate or necessary for proper administration.
26 78612. (a) The board may adopt rules and
27 regulations necessary to carry out this chapter.
28 (b) The board may expend bond funds to, by contract
29 or otherwise, undertake plans, surveys, research,
30 development, and studies necessary or desirable to carry
31 out this chapter, and may prepare recommendations with
32 regard thereto, including the preparation of
33 comprehensive statewide or areawide studies and reports
34 on the collection, treatment, and disposal of waste under
35 a comprehensive cooperative plan.
36 (c) The board may expend bond funds necessary for
37 administration of this chapter.
38 (d) Not more than 5 percent of the amount deposited
39 in the fund may be used for purposes of subdivisions (b)
40 and (c).

1 ~~78613.~~
2 78613. There is hereby transferred from the account
3 to the State Revolving Fund Loan ~~Account~~ Subaccount
4 and the Small Communities Grant Subaccount and,
5 notwithstanding Section 13340 of the Government Code,
6 continuously appropriated from the subaccounts to the
7 board, the following amounts:
8 (a) ~~One hundred million dollars (\$100,000,000)~~
9 _____ to the State Revolving Fund Loan Subaccount
10 for loans by the board to municipalities to aid in
11 construction or implementation of eligible projects,
12 including water reclamation, nonpoint source, and
13 estuary enhancement projects and activities, and for the
14 purposes described in subdivisions (b) and (c) of Section
15 78612.
16 (b) ~~Forty million dollars (\$40,000,000)~~ _____ to the
17 Small Communities Grant ~~Account~~ Subaccount for grants
18 by the board to small communities for construction of
19 eligible treatment works. If, in the judgment of the board,
20 the money in the Small Communities Grant Subaccount
21 will not be expended within a reasonable time, the board
22 may transfer the money to the State Revolving Fund
23 Loan Subaccount to be used for any of the purposes
24 specified in subdivision (a).
25 78614. For purposes of subdivision (a) of Section
26 78613, the board may make loans to municipalities,
27 pursuant to contract, to aid in the construction or
28 implementation of eligible projects.
29 78615. For purposes of subdivision (b) of Section
30 78613, the board may make grants to small communities
31 so that any combined federal and state grant does not
32 exceed 97¹/₂ percent of the eligible cost of necessary
33 studies, planning, design, and construction of the eligible
34 project determined in accordance with applicable state
35 law and regulations. The total amount of grants made
36 pursuant to subdivision (b) of Section 78613, for any
37 single project, may not exceed ~~three million five hundred~~
38 ~~thousand dollars (\$3,500,000)~~ _____.
39 78616. Any contract entered into pursuant to this
40 article for loans or grants may include provisions

1 determined by the state board, and shall include all of the
2 following provisions:
3 (a) An estimate of the reasonable cost of the project.
4 (b) A description of the type of assistance being
5 offered.
6 (c) An agreement by the board to pay to the entity,
7 during the progress of the project or following
8 completion, as agreed upon by the parties, the amount
9 specified in the contract determined pursuant to
10 applicable federal and state laws and regulations.
11 (d) An agreement by the public entity to proceed
12 expeditiously with, and complete, the project, commence
13 operation of the project upon completion, properly
14 operate and maintain the project in accordance with
15 applicable provisions of law, and provide for payment of
16 the public entity's share of the cost of the project.
17 78617. All contracts entered into pursuant to this
18 article for loans or grants are subject to both of the
19 following requirements:
20 (a) Public entities seeking assistance shall
21 demonstrate, to the satisfaction of the board, that an
22 adequate opportunity for public participation regarding
23 the project has been provided.
24 (b) Any election held with respect to the project shall
25 include the entire municipality unless the municipality
26 proposes to accept the assistance on behalf of a specified
27 portion; ~~or portions~~, or portions of the municipality, in
28 which case the election shall be held in that portion or
29 portions of the municipality only.
30 78618. Any loan made pursuant to subdivision (a) of
31 Section 78613 shall be for a period not to exceed 20 years,
32 with an interest rate set in accordance with Section 13480.
33 78619. Except as expressly provided in this article, no
34 money deposited in the fund pursuant to any provision of
35 law requiring repayments to the state for loans financed
36 by the proceeds of the bonds authorized by this division
37 shall be available for transfer to the General Fund.
38

1 Article 3. Water Recycling Program

2
3 78620. Unless the context otherwise requires, the
4 following definitions govern the construction of this
5 article:
6 (a) "Eligible recycling project" means a water
7 reclamation project that is cost-effective, as compared to
8 the development of other new sources of water. A project
9 shall comply with applicable water quality standards,
10 policies, and plans.
11 (b) "Subaccount" means the Water Recycling
12 Subaccount created by Section 78621.
13 78621. (a) There is hereby created in the account a
14 the Water Recycling Subaccount. The sum of ~~sixty million~~
15 ~~dollars (\$60,000,000)~~ _____ is hereby transferred from
16 the account to the subaccount for the purpose of
17 implementing this article.
18 (b) Notwithstanding Section 13340 of the
19 Government Code, the money in the subaccount is
20 hereby continuously appropriated, without regard to
21 fiscal years, to the board for loans to public agencies with
22 the authority to construct, operate, and maintain eligible
23 recycling projects, and for loans to aid in the design and
24 construction of eligible recycling projects and for the
25 purposes described in Sections 78628 and 78629.
26 78622. The board may enter into contracts to make
27 loans to public agencies for the purposes set forth in this
28 article.
29 78623. Any contract for a loan entered into pursuant
30 to Section 78622 may include those provisions
31 determined by the board to be necessary for purposes of
32 this chapter and shall include both of the following
33 provisions:
34 (a) An estimate of the reasonable cost of the eligible
35 recycling project.
36 (b) An agreement by the public agency to proceed
37 expeditiously with, and complete, the eligible recycling
38 project, commence operation of the project in
39 accordance with applicable provisions of law, and provide
40 for the payment of the public agency's share of the cost

1 of the project, including the principal of, and interest on,
2 the loan.

3 78624. (a) A contract for a loan may not provide for
4 a moratorium on the payment of the principal of, or
5 interest on, the loan.

6 (b) Any loan made pursuant to Section 78622 shall be
7 for a period not to exceed 20 years.

8 (c) The board may enter into a contract for a loan up
9 to 100 percent of the total eligible cost of design and
10 construction of an eligible recycling project.

11 78625. (a) The board shall establish the interest rate
12 for a loan made pursuant to this article at a rate equal to
13 ~~50 percent of the interest rate paid by the state on the~~
14 ~~most recent sale of state general obligation bonds, with~~
15 ~~that rate to be computed according to the true interest~~
16 ~~cost method.~~

17 ~~(b) If the interest rate so determined is not a multiple~~
18 ~~of one-tenth of 1 percent, the interest rate shall be set at~~
19 ~~the next higher multiple of one-tenth of 1 percent. The~~
20 ~~rate paid by the state on the most recent sale of general~~
21 ~~obligation bonds, authorized in whole or in part, pursuant~~
22 ~~to this chapter. The interest rate set for each contract~~
23 ~~shall be applied throughout the repayment period of the~~
24 ~~contract. There shall be a level annual repayment of~~
25 ~~principal and interest on loans.~~

26 78626. All payments received pursuant to loan
27 contracts entered into pursuant to this article shall be
28 deposited in the Water Reclamation Account of the Clean
29 Water Bond Law of 1984.

30 78627. All interest earned by assets in the subaccount
31 shall be deposited in the subaccount.

32 78628. The board may expend for the administration
33 of this chapter not more than 5 percent of the total
34 amount deposited in the subaccount.

35 78629. The board may, by contract or otherwise,
36 undertake plans, surveys, research, development, and
37 studies necessary, convenient, or desirable to carry out
38 the purposes of this chapter, and may prepare
39 recommendations with regard thereto, including the
40 preparation of comprehensive statewide or areawide

1 studies and reports on water recycling and the collection,
2 treatment, disposal, and distribution of wastewater under
3 a comprehensive cooperative plan.

4 78630. The board may adopt rules and regulations
5 necessary or appropriate to carry out this chapter.

6
7 Article 4. Drainage Management

8
9 78640. Unless the context otherwise requires, the
10 following definitions govern the construction of this
11 article:

12 (a) "Drainage water management units" means land
13 and facilities for the treatment, storage, or disposal of
14 agricultural drainage water which, if discharged
15 untreated, would pollute or threaten to pollute the waters
16 of the state.

17 (1) Drainage water management units may include
18 any of the following:

19 (A) A surface impoundment that is a natural
20 topographic depression, artificial excavation, or diked
21 area formed primarily of earthen materials that is
22 designed to hold an accumulation of drainage water,
23 including, but not limited to, holding, storage, settling,
24 and aeration pits, evaporation ponds, percolation ponds,
25 other ponds, and lagoons. A surface impoundment does
26 not include a landfill, a land farm, a pile, an emergency
27 containment dike, tank, or injection well.

28 (B) Conveyance facilities to the treatment or storage
29 site, including devices for flow regulation.

30 (C) Facilities or works to treat agricultural drainage
31 water to remove or substantially reduce the level of
32 constituents which pollute or threaten to pollute the
33 waters of the state, including, but not limited to, processes
34 utilizing ion exchange, desalting technologies like reverse
35 osmosis, and biological treatment.

36 (D) An injection well.

37 (2) Any or all of the drainage water management
38 units, including the land under the unit, may consist of
39 separable features, or an appropriate share of
40 multipurpose features, of a larger system, or both.

1 (b) "Local agency" or "agency" means any city,
2 county, district, joint powers authority, or other political
3 subdivision of the state involved with water
4 management.

5 (c) "Project" means drainage water management
6 units.

7 (d) "Subaccount" means the Drainage Management
8 Subaccount created by Section 78641.

9 78641. There is hereby created in the account the
10 Drainage Management Subaccount. The sum of forty
11 million dollars ~~(\$10,000,000)~~ _____ is hereby
12 transferred from the account to the subaccount for the
13 purpose of implementing this article.

14 78642. The money in the subaccount shall be
15 available, upon appropriation by the Legislature, for
16 loans to local agencies to aid in the construction of
17 drainage water management units for the treatment,
18 storage, or disposal of agricultural drainage water.

19 78643. (a) The board may loan an agency up to 100
20 percent of the total eligible costs of design and
21 construction of an eligible project. Loans made in the
22 1996-97 fiscal year may not be authorized sooner than 30
23 days after notification in writing of the necessity therefor
24 to the chairperson of the committee in each house which
25 considers appropriations, to the policy committee of the
26 Assembly as designated by the Speaker of the Assembly
27 and the policy committee of the Senate designated by the
28 Senate Committee on Rules, and the Chairperson of the
29 Joint Legislative Budget Committee.

30 (b) Any contract for an eligible project entered into
31 pursuant to this article may include provisions as
32 determined by the board to be necessary and shall
33 include, but not be limited to, all of the following
34 provisions:

35 (1) An estimate of the reasonable cost of the eligible
36 project.

37 (2) An agreement by the agency to do all of the
38 following:

39 (A) Proceed expeditiously with, and complete, the
40 eligible project.

1 (B) Commence operation of the containment
2 structures or treatment works upon completion and to
3 properly operate and maintain the works in accordance
4 with applicable provisions of law.

5 (C) Provide for payment of the agency's share of the
6 cost of the project, including principal and interest on any
7 state loan made pursuant to this article.

8 (D) If appropriate, apply for and make reasonable
9 efforts to secure federal assistance for the state-assisted
10 project.

11 (c) All loans made pursuant to this article are subject
12 to all of the following provisions:

13 (1) Agencies seeking a loan shall demonstrate, to the
14 satisfaction of the board, that an adequate opportunity for
15 public participation regarding the loan has been
16 provided.

17 (2) Any election held with respect to the loan shall
18 include the entire agency except where the agency
19 proposes to accept the loan on behalf of a specified
20 portion, or portions, of the agency, in which case the
21 election shall be held in that portion or portions of the
22 agency only.

23 (3) Loan contracts may not provide a moratorium on
24 payment of principal or interest.

25 ~~(4) Loans shall be for a period of not more than 20~~
26 ~~years. The interest rate for the loans shall be set at a rate~~
27 ~~equal to 50 percent of the interest rate paid by the state~~
28 ~~on the most recent sale of state general obligation bonds,~~
29 ~~with that rate to be computed according to the true~~
30 ~~interest cost method. When the interest rate so~~
31 ~~determined is not a multiple of one-tenth of 1 percent, the~~
32 ~~interest rate shall be set at the next higher multiple of~~
33 ~~one-tenth of 1 percent. The interest rate set for each~~
34 ~~contract shall be applied throughout the contract's~~
35 ~~repayment period. There shall be a level annual~~
36 ~~repayment of principal and interest on loans.~~

37 (4) *The interest rate for the loans shall be set at the*
38 *rate paid by the state on the most recent sale of general*
39 *obligation bonds, authorized in whole or in part, pursuant*
40 *to this chapter. The interest rate set for each contract*

1 shall be applied throughout the repayment period of the
2 contract. There shall be a level annual repayment of
3 principal and interest on loans.

4 (5) The board, in considering eligible projects, shall
5 give preference to technologies that treat drainage water
6 if the board finds that the technology is readily available
7 and economically feasible for the agency.

8 (6) No single project may receive more than twenty
9 million dollars (~~\$20,000,000~~) _____ in loan proceeds
10 from the board.

11 (d) The board may make loans to local agencies, at the
12 interest rates authorized under this article and under any
13 terms and conditions as may be determined necessary by
14 the board, for purposes of financing feasibility studies of
15 projects potentially eligible for funding under this article.
16 No single potential project shall be eligible to receive
17 more than one hundred thousand dollars (\$100,000), and
18 not more than 3 percent of the total amount of bonds
19 authorized to be expended for purposes of this article
20 may be expended for this purpose. A loan for a feasibility
21 study shall not decrease the maximum amount of any
22 other loan which may be made under this article.

23
24 CHAPTER 5. WATER RESOURCES PROGRAM

25
26
27 Article 1. General Provisions

28
29 78650. This chapter shall be known and may be cited
30 as the Water Resources Act.

31 78651. Unless the context otherwise requires, the
32 following definition governs the construction of this
33 chapter:

34 (a) "Account" means the Water Resources Account
35 created by Section 78652.

36 78652. The Water Resources Account is hereby
37 created in the fund. The sum of ninety million dollars
38 (~~\$90,000,000~~) _____ is hereby transferred from the
39 fund to the account.
40

Article 2. Feasibility Projects

1
2
3 78655. There is hereby created in the account the
4 Feasibility Projects Subaccount. The sum of thirty million
5 dollars (~~\$30,000,000~~) _____ is hereby transferred from
6 the account to the subaccount for the purpose of
7 implementing this article.

8 78656. The money in the subaccount shall be
9 available, upon appropriation by the Legislature, for
10 feasibility investigations for the following types of
11 projects:

- 12 (a) Conjunctive use of groundwater and surface water
13 supplies.
- 14 (b) Off-stream storage upstream of the delta.
- 15 (c) Water recycling.
- 16 (d) Watershed management.

17
18 Article 3. San Joaquin Valley Drainage Relief

19
20 78660. The following definition governs the
21 construction of this article:

22 (a) "Subaccount" means the San Joaquin Valley
23 Drainage Relief Subaccount created by Section 78661.

24 78661. There is hereby created in the account the San
25 Joaquin Valley Drainage Relief Subaccount. The sum of
26 twenty million dollars (~~\$20,000,000~~) _____ is hereby
27 transferred from the account to the subaccount for the
28 purpose of implementing this article.

29 78662. Notwithstanding Section 13340 of the
30 Government Code, money in the subaccount is
31 continuously appropriated, without regard to fiscal years,
32 to the department for the acquisition of interests in real
33 property, including water rights, for the purpose of
34 implementing the San Joaquin Valley Drainage Relief
35 Program under Chapter 23 (commencing with Section
36 14901) of Division 7.

37 78663. For purposes of financing land retirement
38 pursuant to this article, any water reallocated under this
39 program shall remain within the district where the land
40 is retired. Any water reallocated under this program shall

1 only be used for agricultural purposes or to reduce
2 groundwater overdraft caused by agricultural irrigation
3 practices. No water reallocated under this program shall
4 be used to irrigate any lands identified in a report entitled
5 "A Management Plan for Agricultural Subsurface
6 Drainage and Related Problems on the Westside San
7 Joaquin Valley."
8

9 Article 4. Water Conservation and Groundwater
10 Recharge

11
12 78670. Unless the context otherwise requires, the
13 following definitions govern the construction of this
14 article:

15 (a) (1) "Groundwater recharge facilities" means land
16 and facilities for artificial groundwater recharge through
17 methods which include, but are not limited to,
18 percolation using basins, pits, ditches and furrows,
19 modified streambed, flooding, and well injection and
20 in-lieu recharge. "Groundwater recharge facilities" also
21 means capital outlay expenditures to expand, renovate, or
22 restructure land and facilities already in use for the
23 purpose of groundwater recharge.

24 (2) Groundwater recharge facilities may include any
25 of the following:

26 (A) Instream facilities for regulation of water levels,
27 but not regulation of streamflow by storage to accomplish
28 diversion from the waterway.

29 (B) Agency-owned facilities for extraction.

30 (C) Conveyance facilities to the recharge site,
31 including devices for flow regulation and measurement
32 of recharge waters.

33 (3) Any part or all of the project facilities, including
34 the land under the facilities, may consist of the separable
35 features, or an appropriate share of multipurpose
36 features, of a larger system, or both.

37 (b) "In-lieu recharge" means accomplishing
38 increased storage of groundwater by providing
39 interruptible surface water to a user who relies on
40 groundwater as a primary supply, to accomplish

1 groundwater storage through the direct use of that
2 surface water in lieu of pumping groundwater. In-lieu
3 recharge is used rather than continuing pumping while
4 artificially recharging with the interruptible surface
5 waters. However, bond proceeds shall not be used to
6 purchase surface water for use in lieu of pumping
7 groundwater.

8 (c) "Local agency" or "agency" means any city,
9 county, district, joint powers authority, or other political
10 subdivision of the state involved with water
11 management.

12 (d) "Project" means both of the following:

13 (1) Groundwater recharge facilities.

14 (2) Voluntary, cost-effective capital outlay water
15 conservation programs.

16 ~~(d)~~

17 (e) "Subaccount" means the Conservation and
18 Groundwater Recharge Subaccount created by Section
19 78671.

20 ~~(e)~~

21 (f) (1) "Voluntary, cost-effective capital outlay water
22 conservation programs" mean those feasible capital
23 outlay measures to improve the efficiency of water use
24 through benefits which exceed their costs.

25 (2) (A) The programs include, but are not limited to,
26 the lining or piping of ditches.

27 (i) Improvements in water distribution system
28 controls such as automated canal control, construction of
29 small reservoirs within distribution systems that conserve
30 water that has already been captured for use, and related
31 physical improvements.

32 (ii) Tailwater pumpback recovery systems.

33 (iii) Major improvements or replacements of
34 distribution systems to reduce leakage.

35 (iv) Capital changes in on-farm irrigation systems
36 which improve irrigation efficiency such as sprinkler or
37 subsurface drip.

38 (B) In each case, the department shall determine if
39 there is a net savings of water as a result of each proposed
40 project and the project is cost-effective.

0 1 2 1 3 3
E

1 78671. There is hereby created in the account the
 2 Water Conservation and Groundwater Recharge
 3 Subaccount. The sum of ~~forty million dollars~~
 4 ~~(\$40,000,000)~~ _____ is hereby transferred from the
 5 account to the subaccount. Funds in the subaccount shall
 6 be available, upon the appropriation by the Legislature,
 7 for loans by the department to local agencies to aid in the
 8 acquisition and construction of voluntary, cost-effective
 9 capital outlay water conservation programs and
 10 groundwater recharge facilities. Loans made in the
 11 1996-97 fiscal year may not be authorized sooner than 30
 12 days after notification in writing of the necessity therefor
 13 to the chairperson of the committee in each house which
 14 considers appropriations, to the policy committee of the
 15 Assembly as designated by the Speaker of the Assembly
 16 and the policy committee of the Senate designated by the
 17 Senate Committee on Rules, and the Chairperson of the
 18 Joint Legislative Budget Committee.

19 78672. (a) Any contract entered into pursuant to this
 20 article may include provisions determined to be
 21 necessary by the department. However, any contract
 22 concerning an eligible, voluntary, cost-effective capital
 23 outlay water conservation program shall be supported by
 24 or shall include, in substance, all of the following:

- 25 (1) An estimate of the reasonable cost and benefit of
- 26 the program.
- 27 (2) An agreement by the local agency to proceed
- 28 expeditiously with, and complete, the program.
- 29 (3) A provision that there shall be no moratorium or
- 30 deferment on payments of principal or interest.
- 31 (4) A loan period of not more than 20 years with an
- 32 interest rate set annually by the department at 50 percent
- 33 of the interest rate computed by the true interest cost
- 34 method on bonds most recently issued pursuant to this
- 35 chapter. The interest rate set for each contract shall be
- 36 applied throughout the contract's repayment period.
- 37 There shall be a level annual repayment of principal and
- 38 interest on the loans: the rate paid by the state on the most
- 39 recent sale of general obligation bonds, authorized in
- 40 whole or in part, pursuant to this chapter. The interest

1 rate set for each contract shall be applied throughout the
 2 repayment period of the contract. There shall be a level
 3 annual repayment of principal and interest on loans.

4 (5) A provision that the project shall not receive any
 5 more than five million dollars ~~(\$5,000,000)~~ _____ in
 6 loan proceeds from the department.

7 (b) The department shall set priority for loans under
 8 this section on the basis of the cost-effectiveness of the
 9 proposed project, with the most cost-effective projects
 10 receiving the highest priorities.

11 78673. (a) Any contract concerning an eligible
 12 project for groundwater recharge shall be supported by,
 13 or shall include, all of the following:

- 14 (1) A finding by the department that the agency has
- 15 the ability to repay the requested loan, that the project is
- 16 economically justified, and that the project is feasible
- 17 from an engineering and hydrogeologic viewpoint.
- 18 (2) An estimate of the reasonable cost and benefit of
- 19 the project, including a feasibility report which shall set
- 20 forth the economic justification and the engineering,
- 21 hydrogeologic, and financial feasibility of the project, and
- 22 shall include explanations of the proposed facilities and
- 23 their relation to other water-related facilities in the basin
- 24 or region.
- 25 (3) An agreement by the agency to proceed
- 26 expeditiously to complete the project in conformance
- 27 with the approved plans and specifications and the
- 28 feasibility report and to operate and maintain the project
- 29 properly upon completion throughout the repayment
- 30 period.
- 31 (4) A provision that there shall be no moratorium or
- 32 deferment on payment of principal or interest.
- 33 (5) A loan period of not more than 20 years with an
- 34 interest rate set annually by the department at 50 percent
- 35 of the interest rate computed by the true interest cost
- 36 method on bonds most recently issued pursuant to this
- 37 chapter. The interest rate set for each contract shall be
- 38 applied throughout the contract's repayment period.
- 39 There shall be a level annual repayment of principal and
- 40 interest on the loans: the rate paid by the state on the most

1 recent sale of general obligation bonds, authorized in
2 whole or in part, pursuant to this chapter. The interest
3 rate set for each contract shall be applied throughout the
4 repayment period of the contract. There shall be a level
5 annual repayment of principal and interest on loans.

6 (6) A provision that the project shall not receive any
7 more than ~~five million dollars (\$5,000,000)~~ _____ in
8 loan proceeds from the department.

9 (b) The department shall give priority under this
10 subdivision to projects of agencies located in overdrafted
11 groundwater basins and those projects of critical need, to
12 projects whose feasibility studies show the greatest
13 economic justification and the greatest engineering and
14 hydrogeologic feasibility as determined by the
15 department, and to projects located in areas which have
16 existing water management programs.

17 78674. The department may make loans to local
18 agencies, at the interest rates authorized under this
19 article and under any terms and conditions as may be
20 determined necessary by the department, for the
21 purposes of financing feasibility studies of projects
22 potentially eligible for funding under this article. No
23 single potential project shall be eligible to receive more
24 than one hundred thousand dollars (\$100,000), and not
25 more than 3 percent of the total amount of bonds
26 authorized to be expended for purposes of this article
27 may be expended for this purpose. A loan for a feasibility
28 study shall not decrease the maximum amount of any
29 other loan which may be made under this article.

31 CHAPTER 6. FISCAL PROVISIONS

32
33 78690. The proceeds of bonds issued and sold
34 pursuant to this division shall be deposited in the State
35 Treasury to the credit of the Water Resources and Delta
36 Restoration Fund, created by Section 78505.

37 78691. (a) Bonds in the total amount of ~~four hundred~~
38 ~~ninety million dollars (\$490,000,000)~~ _____, exclusive
39 of refunding bonds, or so much thereof as is necessary,
40 may be issued and sold to provide a fund to be used for

1 carrying out the purposes expressed in this division and
2 to be used to reimburse the General Obligation Bond
3 Expense Revolving Fund pursuant to Section 16724.5 of
4 the Government Code. The bonds, when sold, shall be
5 and constitute a valid and binding obligation of the State
6 of California, and the full faith and credit of the State of
7 California is hereby pledged for the punctual payment of
8 both principal of, and interest on, the bonds as the
9 principal and interest become due and payable.

10 (b) Notwithstanding any other provision of this
11 division, bonds authorized by this division shall not be
12 issued or sold unless and until an environmental impact
13 report prepared pursuant to the California
14 Environmental Quality Act (~~Division 13 (commencing~~
15 ~~with Section 21000)~~ of the Public Resources Code) or a
16 federal environmental impact statement prepared
17 pursuant to the National Environmental Policy Act of
18 1969 (~~42 U.S.C.A. Sec. 4321 et seq.~~) has been certified and
19 all applicable state and federal permits have been
20 secured for the implementation of all capital outlay
21 projects that are part of a comprehensive Bay/Delta
22 solution developed through the Cal/Fed process. *division,*
23 *bonds shall be issued or sold in accordance with all of the*
24 *following requirements:*

25 (1) Not more than one-third of the total bonds
26 authorized, and up to one-third on the bonds available in
27 any fund, account, or subaccount, shall be available for
28 sale and issuance upon the approval of this bond act by the
29 voters.

30 (2) Not more than one-third of the total bonds
31 authorized, and up to one-third of the bonds available in
32 any fund, account, or subaccount, shall be available for
33 sale and issuance upon the certification of an
34 environmental impact report prepared pursuant to the
35 California Environmental Quality Act (~~Division 13~~
36 ~~(commencing with Section 21000)~~ of the Public
37 Resources Code) or an environmental impact statement
38 prepared pursuant to the National Environmental Policy
39 Act of 1969 (~~42 U.S.C.A. Sec. 4321 et seq.~~) for the
40 implementation of all capital outlay projects that are part

1 of a comprehensive Bay-Delta solution authorized by the
2 CAL-FED program.

3 (3) No more than one-third of the total bonds
4 authorized, and up to one-third of the bonds available in
5 any fund, account, or subaccount, shall be available for
6 sale and issuance upon the securing of all applicable state
7 and federal permits for the implementation of all capital
8 outlay projects that are part of a comprehensive
9 Bay-Delta solution authorized by the CAL-FED
10 program.

11 78692. The bonds authorized by this division shall be
12 prepared, executed, issued, sold, paid, and redeemed as
13 provided in the State General Obligation Bond Law
14 (Chapter 4 (commencing with Section 16720) of Part 3 of
15 Division 4 of Title 2 of the Government Code), and all of
16 the provisions of that law apply to the bonds and to this
17 division and are hereby incorporated in this division as
18 though set forth in full in this division.

19 78693. (a) Solely for the purpose of authorizing the
20 issuance and sale, pursuant to the State General
21 Obligation Bond Law, of the bonds authorized by this
22 division, the Water Resources and Delta Restoration
23 Finance Committee is hereby created. For purposes of
24 this division, the Water Resources and Delta Restoration
25 Finance Committee is the "committee" as that term is
26 used in the State General Obligation Bond Law. The
27 committee consists of the Governor, the Treasurer, the
28 Controller, the Director of Finance, the Director of
29 Water Resources, and the Executive Director of the State
30 Water Resources Control Board, or their designated
31 representatives. A majority of the committee may act for
32 the committee.

33 (b) For purposes of the State General Obligation Bond
34 Law, the State Water Resources Control Board is
35 designated the "board."

36 78694. The committee shall determine whether or
37 not it is necessary or desirable to issue bonds authorized
38 pursuant to this division in order to carry out the actions
39 specified in this division and, if so, the amount of bonds
40 to be issued and sold. Successive issues of bonds may be

1 authorized and sold to carry out those actio
2 progressively, and it is not necessary that all of the bon
3 authorized to be issued be sold at any one time.

4 78695. There shall be collected each year and in th
5 same manner and at the same time as other state reven
6 is collected, in addition to the ordinary revenues of th
7 state, a sum in an amount required to pay the princip
8 of, and interest on, the bonds each year. It is the duty
9 all officers charged by law with any duty in regard to th
10 collection of the revenue to do and perform each an
11 every act which is necessary to collect that addition
12 sum.

13 78696. Notwithstanding Section 13340 of th
14 Government Code, there is hereby appropriated from
15 the General Fund in the State Treasury, for the purpose
16 of this division, an amount that will equal the total of th
17 following:

18 (a) The sum annually necessary to pay the principal o
19 and interest on, bonds issued and sold pursuant to th
20 division, as the principal and interest become due an
21 payable.

22 (b) The sum which is necessary to carry out th
23 provisions of Section 78697, appropriated without regar
24 to fiscal years.

25 78697. For the purposes of carrying out this divisio
26 the Director of Finance may authorize the withdraw
27 from the General Fund of an amount not to exceed th
28 amount of the unsold bonds which have been authorize
29 by the committee to be sold for the purpose of carryin
30 out this division. Any amount withdrawn shall b
31 deposited in the fund. Any money made available unde
32 this section shall be returned to the General Fund, plu
33 the interest that the amount would have earned in th
34 Pooled Money Investment Account, from mone
35 received from the sale of bonds for the purpose o
36 carrying out this division.

37 78698. All money deposited in the fund which i
38 derived from premium and accrued interest on bond
39 sold shall be reserved in the fund and shall be available fo

1 transfer to the General Fund as a credit to expenditures
2 for bond interest.

3 78699. The State Water Resources Control Board may
4 request the Pooled Money Investment Board to make a
5 loan from the Pooled Money Investment Account in
6 accordance with Section 16312 of the Government Code
7 for the purposes of carrying out this division. The amount
8 of the request shall not exceed the amount of the unsold
9 bonds which the committee has, by resolution,
10 authorized to be sold for the purpose of carrying out this
11 division. The State Water Resources Control Board shall
12 execute any documents required by the Pooled Money
13 Investment Board to obtain and repay the loan. Any
14 amounts loaned shall be deposited in the fund to be
15 allocated by the State Water Resources Control Board in
16 accordance with this division.

17 78700. The bonds may be refunded in accordance
18 with Article 6 (commencing with Section 16780) of
19 Chapter 4 of Part 3 of Division 4 of Title 2 of the
20 Government Code. Approval by the voters of the state for
21 the issuance of the bonds shall include the approval of the
22 issuance of any bonds issued to refund any bonds
23 originally issued or any previously issued refunding
24 bonds.

25 78701. Notwithstanding any provision of this division
26 or the State General Obligation Bond Law set forth in
27 Chapter 4 (commencing with Section 16720) of Part 3 of
28 Division 4 of Title 2 of the Government Code, if the
29 Treasurer sells bonds pursuant to this division and there
30 is a bond counsel opinion to the effect that the interest on
31 the bonds is excluded from gross income for federal tax
32 purposes, subject to designated conditions, the Treasurer
33 may maintain separate accounts for the investment of
34 bond proceeds and the investment earnings on those
35 proceeds, and the Treasurer may use or direct the use of
36 those proceeds or earnings to pay any rebate, penalty, or
37 other payment required under federal law, or to take any
38 other action with respect to the investment and use of
39 bond proceeds required or desirable under federal law so
40 as to maintain the tax-exempt status of those bonds and

1 to obtain any other advantage under federal law on behalf
2 of the funds of this state.

3 78702. The Legislature hereby finds and declares that,
4 inasmuch as the proceeds from the sale of bonds
5 authorized by this division are not "proceeds of taxes" as
6 that term is used in Article XIII B of the California
7 Constitution, the disbursement of these proceeds is not
8 subject to the limitations imposed by that article.

9 SEC. 3. Section 2 of this act shall take effect upon the
10 adoption by the voters of the Water Resources and Delta
11 Restoration Act of 1996, as set forth in Section 2 of this act.

12 SEC. 4. Section 2 of this act shall be submitted to the
13 voters at the November 5, 1996, general election in
14 accordance with the provisions of the Government Code
15 and the Elections Code governing the submission of
16 statewide measures to the voters.

17 SEC. 5. Notwithstanding any other provision of law,
18 all ballots at the election shall have printed thereon and
19 in a square thereof, the words: "Water Resources and
20 Delta Restoration Act of 1996," and in the same square
21 under those words, the following in 8-point type: "This act
22 provides for a bond issue of ~~four hundred nineteen~~
23 ~~million dollars (\$400,000,000)~~ _____ to provide funds
24 for projects for clean water, delta restoration, water
25 conservation, water transfer, water recycling, water
26 development, and conjunctive use of surface and
27 groundwater supplies." Opposite the square there shall
28 be left spaces in which the voters may place a cross in the
29 manner required by law to indicate whether they vote for
30 or against the act.

31 Where the voting in the election is done by means of
32 voting machines, used pursuant to law in a manner to
33 carry out the intent of this section, the use of the voting
34 machines and the expression of the voters' choice by
35 means thereof are in compliance with this section.

36 SEC. 6. This act is an urgency statute necessary for the
37 immediate preservation of the public peace, health, or
38 safety within the meaning of Article IV of the
39 Constitution and shall go into immediate effect. The facts
40 constituting the necessity are:

E-012137

1 In order that the Water Resources and Delta
2 Restoration Act of 1996, set forth in Section 2 of this act,
3 may be submitted to the voters at the statewide general
4 election to be held on November 5, 1996, it is necessary
5 that this act take effect immediately.

O