

## **Proposition 13 Text Initiative**

SECTION 1. Division 26 (commencing with Section 79000) is added to the Water Code, to read:

DIVISION 26. Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act

Chapter 1. Short Title

79000. This division shall be known and may be cited as the Costa-Machado Water Act of 2000.

Chapter 2. Definitions

79005. Unless the context otherwise requires, the definitions set forth in this chapter govern the construction of this division.

79006. "Bay-delta" means the San Francisco Bay/Sacramento-San Joaquin Delta Estuary.

79007. "Board" means the State Water Resources Control Board.

79008. "CALFED" refers to the consortium of state and federal agencies with management and regulatory responsibilities in the bay-delta that are developing a long-term solution to water management, environmental, and other problems in the bay-delta watershed.

79009. "Clean Water Act" means the federal Clean Water Act (33 U.S.C. Sec. 1251 et seq.), and includes any amendments thereto.

79010. "Committee" means the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Finance Committee created by Section 79212.

79011. "Delta" means the Sacramento-San Joaquin Delta.

79012. "Department" means the Department of Water Resources.

79013. "Fund" means the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund created by Section 79019.

Chapter 3. Safe Drinking Water, Clean Water, Watershed

Protection, and Flood Protection Bond Fund

79019. The proceeds of bonds issued and sold pursuant to this division shall be deposited in the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund, which is hereby created.

Chapter 4. Safe Drinking Water Program

Article 1. Definitions

79020. Unless the context otherwise requires, the following definitions govern the construction of this chapter.

(a) "Federal act" means the federal Safe Drinking Water Act (42 U.S.C. Sec. 300f et seq.), and includes any amendments thereto.

(b) "State department" means the State Department of Health Services.

(c) "Supplier" means any person, partnership, corporation, association, public agency, or other entity, including any Indian tribe having a federally recognized governing body carrying out substantial governmental duties in and powers over any area, that owns or operates a public water system.

## Article 2. Safe Drinking Water State Revolving Fund

79021. The sum of seventy million dollars (\$70,000,000) is hereby transferred from the fund to the Safe Drinking Water State Revolving Fund created by Section 116760.30 of the Health and Safety Code.

## Article 3. Safe Drinking Water Program

79022. (a) The money transferred to the Safe Drinking Water State Revolving Fund pursuant to Section 79021, except as otherwise provided in Sections 79022.7 and 79025, shall be used by the state department for loans and grants to suppliers for the purposes of undertaking infrastructure improvements and related actions to meet safe drinking water standards, in accordance with the Safe Drinking Water State Revolving Fund Law of 1997 (Chapter 4.5 (commencing with Section 116760) of Part 12 of Division 104 of the Health and Safety Code).

(b) A supplier that is eligible for grants under Section 300j-12(i) of the federal act (42 U.S.C. Sec. 1452(i)) may concurrently make application for funds annually appropriated under the federal act and for bond proceeds made available under this chapter. The state department shall not place a public water system on the priority list for project funding or enter into a contract and award a grant or loan if a supplier has previously received a grant for public water system expenditure for the same project under Section 300j-12(i) of the federal act (42 U.S.C. Sec. 1452(i)) or if the supplier does not have a public water system permit pursuant to Section 116525 of the Health and Safety Code. The state department may place a public water system on the priority list for funding if a supplier has not otherwise received a letter of commitment to make a grant from the Administrator of the Environmental Protection Agency after 180 days from the date of the original submission of an application for a grant under Section 300j-12(i) of the federal act (42 U.S.C. Sec. 1452(i)).

(c) The Legislature finds and declares that Indian tribes shall be encouraged to cooperate with an adjacent public water system to determine whether the delivery of water from the public water system to the Indian tribe would be feasible and cost-effective in comparison to the improvement of a public water system owned or operated by the Indian tribe. The determination of feasibility shall include an assessment of whether the tribal water supplier possesses adequate financial, managerial, and technical capability to ensure the delivery of pure, wholesome, potable water to consumers. The Legislature further finds and declares that public water suppliers shall be encouraged to investigate opportunities for Indian tribes to deliver water beyond trust land boundaries to consumers that may not be economically served by a public water system.

(d) The state department shall encourage loan or grant applicants, where feasible, to consider the consolidation of small public water systems and community water systems with other public water systems to reduce the cost of service and improve the level of protection for consumers.

(e) To the extent that loans under this chapter that are made to a public water system regulated by the Public Utilities Commission bear a lower interest rate than that supplier could receive from nongovernmental sources, the Public Utilities Commission shall ensure that the entire benefit of the interest rate differential shall benefit the rate payers of that system by including the lower interest rate when establishing the water system's weighted average cost of capital.

79022.5. Any repayment of loans made pursuant to this article, including interest payments, and all interest earnings on or accruing to, any money resulting from the implementation of this chapter in the Safe Drinking Water State Revolving Fund shall be deposited in that fund and shall be available for the purposes of this chapter.

79022.7. Notwithstanding Item No. 4260-115-0001 of Section 2.00 of the Budget Act of 1999 (Chapter 50, Statutes of 1999), no money transferred to the Safe Drinking Water State Revolving Fund pursuant to this article may be transferred to the General Fund.

79023. There is hereby created in the Safe Drinking Water State Revolving Fund the Technical Assistance Account.

79024. Of the funds transferred pursuant to Section 79021, the sum of two million dollars (\$2,000,000) is hereby transferred from the Safe Drinking Water State Revolving Fund to the Technical Assistance Account.

79025. (a) Notwithstanding Section 13340 of the Government Code, the money in the Technical Assistance Account is hereby continuously appropriated, without regard to fiscal years, to the state department, to provide technical assistance to public water systems in the state in accordance with Section 300j-12(g)(2) of the federal act (42 U.S.C. Sec. 1452(g)(2)). For the purposes of this section, "technical assistance" includes assistance to disadvantaged communities, including Indian tribes.

(b) In carrying out its responsibilities under subdivision (a), the state department may do any of the following:

- (1) Assess the technical, managerial, and financial capability of a disadvantaged community.
- (2) Assist an applicant in the preparation of an application for funding under Chapter 4.5 (commencing with Section 116760) of Part 12 of Division 104 of the Health and Safety Code or Section 300j-12(i) of the federal act (42 U.S.C. Sec. 1452(i)).
- (3) Conduct workshops in locations in or near disadvantaged communities to provide information regarding grants or loans for the design and construction of projects for public water systems.

79026. Not more than 3 percent of the total amount deposited in the account may be used to pay costs incurred in connection with the administration of this chapter.

## Chapter 5. Flood Protection Program

### Article 1. Flood Protection Account

79030. For the purposes of this chapter, "account" means the Flood Protection Account created by Section 79031.

79031. The Flood Protection Account is hereby created in the fund. The sum of two hundred ninety-two million dollars (\$292,000,000) is hereby transferred from the fund to the account.

### Article 2. Floodplain Mapping Program

79033. (a) There is hereby created in the account the Floodplain Mapping Subaccount.

(b) The sum of two million five hundred thousand dollars (\$2,500,000) is hereby transferred from the account to the Floodplain Mapping Subaccount for the purposes of implementing this article.

79033.2. (a) There is hereby created in the account the Agriculture and Open Space Mapping Subaccount.

(b) The sum of two million five hundred thousand dollars (\$2,500,000) is hereby transferred from the account to the Agriculture and Open Space Mapping Subaccount.

79033.4. The money in the Floodplain Mapping Subaccount, upon appropriation by the Legislature to the department, may be used by the department for the purpose of assisting local land-use planning, and to avoid or reduce future flood risks and damages. The use of the funds in that subaccount by the department shall include, but is not limited to, all of the following:

- (a) Mapping newly identified floodplains.
- (b) Mapping rural areas with potential for urbanization.
- (c) Mapping flood hazard areas with undefined 100-year flood elevations.
- (d) Updating outdated floodplain maps.
- (e) Accelerating mapping of riverine floodplains, alluvial fans, and coastal flood hazard areas.
- (f) Collecting topographic and hydrographic survey data.

79033.6. (a) The money in the Agriculture and Open Space Mapping Subaccount, upon appropriation by the Legislature to the Department of Conservation, may be used by the Department of Conservation for the purposes of assisting local land-use planning by making available Important Farmland Series maps and Interim Farmland maps, as those terms are defined in Section 65570 of the Government Code. The information provided by the Department of Conservation is intended for local government use in conjunction with floodplain and flood hazard maps developed by the department to protect agricultural land resources coincident with avoidance or reduction of future flood risk and damage to residential or commercial land uses. The use of the funds in that subaccount by the Department of Conservation shall include, but is not limited to, all of the following:

- (1) Accelerating production of Important Farmland Series maps and Interim Farmland maps.
- (2) Increasing the coverage and availability of soil surveys conducted by the United States Natural Resource Conservation Service.
- (3) Increasing topographic, soil, and agricultural crop data collection and enhancing data gathering capability.
- (4) Developing integrated mapping that incorporates Important Farmland Series mapping and Interim Farmland mapping data with other relevant information, including, but not limited to, floodplain or flood hazard information, planning designation, and other land and natural resource data.

(b) For the purposes of this article, "maps" and "mapping" may include digital map files.

Article 2.5. Flood Protection Corridor Program

79035. (a) There is hereby created in the account the Flood Protection Corridor Subaccount.

(b) For the purposes of this article, "subaccount" means the Flood Protection Corridor Subaccount created by subdivision (a).

79036. The sum of seventy million dollars (\$70,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79037. (a) The money in the subaccount, upon appropriation by the Legislature to the department, may be used by the department for flood control projects through direct expenditure for the acquisition, restoration, enhancement, and protection of real property for the purposes of flood control protection, agricultural land preservation, and wildlife habitat protection, and for grants to local public agencies or nonprofit organizations for these purposes, and for related administrative costs.

(b) The money in the subaccount, upon appropriation by the Legislature, shall be used for the protection, creation, and enhancement of flood protection corridors through all of the following actions:

(1) Acquiring easements and other interests in real property from willing sellers to protect or enhance flood protection corridors and floodplains while preserving or enhancing the agricultural use of the real property.

(2) Setting back existing flood control levees and, in conjunction with undertaking those setbacks, strengthening or modifying existing levees.

(3) Acquiring interests in real property from willing sellers located in a floodplain that cannot reasonably be made safe from future flooding.

(4) Acquiring easements and other interests in real property from willing sellers to protect or enhance flood protection corridors while preserving or enhancing the wildlife value of the real property.

79038. (a) For the purposes of this article, the department shall give highest priority to projects that include either of the following:

(1) Projects that have been assigned high priority for completion by the department for flood protection purposes and by the Department of Conservation for purposes of preserving agricultural land in accordance with the Agricultural Land Stewardship Program Act of 1995 (Division 10.2 (commencing with Section 10200) of the Public Resources Code).

(2) Projects that have been assigned high priority for completion by the department for flood protection purposes and by the Department of Fish and Game for wildlife habitat protection or restoration purposes.

(b) For restoration, enhancement, and protection projects, the services of the California Conservation Corps or community conservation corps shall be used whenever feasible.

79039. (a) In order to ensure that property acquired under paragraph (1) of subdivision (b) of Section 79037 remains on the county tax rolls and in agricultural use to the greatest extent practicable, the acquisition of easements shall be the preferred method of acquiring property interests under that paragraph unless the acquisition of a fee interest is required for management purposes or the landowner will only consider the sale of a fee interest in the land. No acquisition of a fee interest shall be undertaken under paragraph (1) of subdivision (b) of Section 79037 until all practical alternatives have been considered by the department.

(b) Any proceeds received from the disposal of a fee interest acquired under this article shall be deposited into the subaccount.

79040. Any acquisition pursuant to this article shall be from a willing seller.

79041. Prior to acquiring an easement or other interest in land pursuant to this article, the project shall include a plan to minimize the impact on adjacent landowners. The plan shall include, but not be limited to, an evaluation of the impact on floodwaters, the structural integrity of affected levees, diversion facilities, customary agricultural husbandry practices, and timber extraction operations, and an evaluation with regard to the maintenance required of any facilities that are proposed to be constructed or altered.

79042. Prior to acquiring an easement or other interest in land pursuant to this article, a public hearing in the local community shall be held. Notification shall be given to the county board of supervisors of the affected county, adjacent landowners, affected water districts, local municipalities, and other interested parties, as determined by the department.

79043. Money in the subaccount may be used, upon appropriation by the Legislature, to repair breaches in the flood control system developed pursuant to this article or caused by the development of an easement program financed through this section and to repair water diversion facilities or flood control facilities damaged by a project developed pursuant to this section or financed pursuant to this section.

79044. (a) (1) In expending grant money pursuant to this article to acquire an interest in any particular parcel of land, a local public agency or nonprofit organization may use the money to establish a trust fund in the amount of not more than 20 percent of the amount of money paid for the acquisition. Interest from the trust fund shall be used only to maintain the lands that are acquired pursuant to this chapter.

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

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

(c) This section does not apply to state agencies.

79044.5. (a) It is the intent of the Legislature to address the problem of soaring federal flood insurance rates by assisting local governments to meet technical requirements for participation in the National Flood Insurance Program and the National Flood Insurance Program's Community Rating System.

(b) Notwithstanding any other provision of this article, of the funds transferred pursuant to Section 79036, the sum of one million dollars (\$1,000,000) is hereby continuously appropriated, without regard to fiscal years, to the department, as follows:

(1) Five hundred thousand dollars (\$500,000) to educate and provide technical assistance to cities and counties regarding the National Flood Insurance Program and the enrollment process.

(2) Five hundred thousand dollars (\$500,000) to educate and provide technical assistance to cities and counties currently enrolled in the National Flood Insurance Program with regard to the National Flood Insurance Program's Community Rating System and the implementation of activities creditable under that system.

79044.6. Notwithstanding any other provision of this article, the sum of five million dollars (\$5,000,000), upon appropriation by the Legislature to the department, shall be allocated by the department to the City of Santee for the purposes of flood protection for streets and highways.

79044.7. Not more than 5 percent of the total amount deposited in the subaccount may be used to pay costs incurred in connection with the administration of this article.

79044.9. The department may adopt regulations to carry out this article.

### Article 3. Delta Levee Rehabilitation Program

79045. (a) There is hereby created in the account the Delta Levee Rehabilitation Subaccount.

(b) For the purposes of this article, "subaccount" means the Delta Levee Rehabilitation Subaccount created by subdivision (a).

79046. The sum of thirty million dollars (\$30,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article pursuant to Section 12986.

79047. Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the department, as follows:

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

(b) Fifteen million dollars (\$15,000,000) for special flood protection projects under Chapter 2 (commencing with Section 12310) of Part 4.8 of Division 6, subsidence studies and monitoring, and for the administration of this subdivision. Allocation of these funds shall be for flood protection projects on Bethel, Bradford, Holland, Hotchkiss, Jersey, Sherman, Twitchell, and Webb Islands, and at other locations in the delta.

(c) Any funds that are made available under subdivision (a) may be used to reimburse local agencies for the state's share of costs for eligible projects completed on or after July 1, 1998.

79048. The expenditure of funds under this article is subject to Chapter 1.5 (commencing with Section 12306) of Part 4.8 of Division 6.

79049. Of the funds appropriated pursuant to subdivision (a) or (b) of Section 79047, not more than 5 percent may be expended by the department to repair levee road pavement if the damage is attributable to flood control maintenance.

79050. No expenditure of funds may be made under this article unless the Department of Fish and Game makes a written determination as part of its review and approval of a plan or project pursuant to Section 12314 or 12987. The Department of Fish and Game shall make its determination in a reasonable and timely manner following the submission of the project or plan to that department. For the purposes of this article, an expenditure may include more than one levee project or plan.

79051. For the purposes of this article, a levee project includes levee improvements and related habitat improvements undertaken in the delta at a location other than the location of that levee improvement.

79052. Following the date on which a program for the bay-delta is adopted by CALFED, the remaining funds in the subaccount shall be used for levee rehabilitation improvement projects that, to the greatest extent possible, are consistent with the program adopted by CALFED.

#### Article 4. Flood Control Subventions Program

79055. (a) There is hereby created in the account the Flood Control Subventions Subaccount.

(b) For the purposes of this article, "subaccount" means the Flood Control Subventions Subaccount created by subdivision (a).

79056. The sum of forty-five million dollars (\$45,000,000) is hereby transferred from the fund to the subaccount.

79057. (a) Notwithstanding Section 13340 of the Government Code, or any other provision of law, the money in the subaccount is hereby continuously appropriated, without regard to fiscal year, to the department to pay for the state's share of the nonfederal costs of flood control and flood prevention projects adopted and authorized as of January 1, 1999, under The State Water Resources Law of 1945 (Chapter 1 (commencing with Section 12570) and Chapter 2 (commencing with Section 12639) of Part 6 of Division 6), The Flood Control Law of 1946 (Chapter 3 (commencing with Section 12800) of Part 6 of Division 6), and The California Watershed Protection and Flood Prevention Law (Chapter 4 (commencing with Section 12850) of Part 6 of Division 6), including the credits and loans to local agencies pursuant to Sections 12585.3 and 12585.4, subdivision (d) of Section 12585.5, and Sections 12866.3 and 12866.4, and to implement Chapter 3.5 (commencing with Section 12840) of Part 6 of Division 6.

(b) The money in the subaccount shall be allocated only to projects in the Counties of Contra Costa, Fresno, Kern, Los Angeles, Marin, Napa, Orange, Riverside, San Bernardino, San Diego, Santa Clara, Sonoma, and Ventura.

(c) It is the intent of the Legislature that the state's share of the nonfederal costs of projects for flood control and flood prevention adopted and authorized after January 1, 2001, shall not exceed that portion of the nonfederal costs authorized pursuant to Chapter 1 (commencing with Section 12570) of Part 6 or any amendments thereto.

#### Article 5. Urban Stream Restoration Program

79060. (a) There is hereby created in the account the Urban Stream Restoration Subaccount.

(b) For the purposes of this article, "subaccount" means the Urban Stream Restoration Subaccount created by subdivision (a).

79061. The sum of twenty-five million dollars (\$25,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79062. The money in the subaccount, upon appropriation by the Legislature to the department, may be used by the department for both of the following:

(a) Grants to local agencies and nonprofit organizations for effective, low-cost flood control projects pursuant to Section 7048.

(b) Grants to local community conservation corps and other nonprofit corporations for local stream clearance, flood mitigation, and cleanup activities.

79062.5. Notwithstanding any other provision of law, regulations set forth in Chapter 2.4 (commencing with Section 451.1) of Division 2 of Title 23 of the California Code of Regulations that are in effect on March 8, 2000, may be used to carry out this article.

#### Article 6. Capital Area Flood Protection Program

79065. The Legislature hereby finds and declares all of the following:

(a) Since Sacramento, the state capital, was founded over 150 years ago, it has suffered from flood disasters because of inadequate flood protection. Each year, the State Capitol and more than 1,300 other government-owned buildings and infrastructure of the capital region are at risk because of their location in the worst protected urban area in the country.

(b) The State of California's investment of money and other resources in the state's seat of government is important to preserve and protect.

(c) It is in the best interest of this state to invest in a cost-shared program to protect life and property in the state capital from flooding, thus resulting in opportunities for sustainable economic development and continued protection of the state's natural resources.

(d) The Congress and the President of the United States have recognized the national importance of increasing the level of the state capital's flood protection by authorizing projects in the Water Resources Development Act of 1999.

79065.2. (a) There is hereby created in the account the State Capital Protection Subaccount.

(b) For purposes of this article, "subaccount" means the State Capital Protection Subaccount created by subdivision (a).

79065.4. The sum of twenty million dollars (\$20,000,000) is hereby transferred from the account to the subaccount for the purposes of this article.

79065.6. The money in the subaccount, upon appropriation by the Legislature to the Sacramento Area Flood Control Agency, may be used by the Sacramento Area Flood Control Agency to pay the state's share of the costs of flood management projects authorized by the United States to improve the level of flood protection in the state capital region.

79065.8. No money deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

#### Article 7. San Lorenzo River Flood Control Program

79067. (a) There is hereby created in the account the San Lorenzo River Flood Control Subaccount.

(b) For purposes of this article, "subaccount" means the San Lorenzo River Flood Control Subaccount created by subdivision (a).

79067.2. The sum of two million dollars (\$2,000,000) is hereby transferred from the account to the subaccount for the purposes of this article.

79067.4. The money in the subaccount, upon appropriation by the Legislature to the department, shall be allocated by the department to the City of Santa Cruz to pay for the state's share of the costs of flood

management projects authorized by the United States to improve the level of flood protection in the Santa Cruz region.

#### Article 8. Yuba Feather Flood Protection Program

79068. Unless the context otherwise requires, the definitions set forth in this section govern the construction of this article.

(a) "Nonstructural improvements" are projects that are intended to reduce or eliminate susceptibility to flooding by preserving or increasing the flood-carrying capacity of floodways, and include such measures as levees, setback levees, floodproofing structures, and zoning, designating, or acquiring flood prone areas.

(b) "Structural improvements" are projects that are intended to modify flood patterns and rely primarily on constructed components, and include such measures as levees, floodwalls, and improved channels.

(c) "Subaccount" means the Yuba Feather Flood Protection Subaccount created by Section 79068.2.

79068.2. There is hereby created in the account the Yuba Feather Flood Protection Subaccount.

79068.4. The sum of ninety million dollars (\$90,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79068.6. Seventy million dollars (\$70,000,000) in the subaccount, upon appropriation by the Legislature to the department or Reclamation Board, shall be used by the department or Reclamation Board to fund one or more of the following flood protection projects to be implemented by a local public entity that has legal authority and jurisdiction to implement a flood control program along the Yuba and Feather Rivers and their tributaries:

(a) The construction or improvements of weirs, bypasses, and channels.

(b) The construction of levees or improving publicly maintained levees, including, but not limited to, setback levees, training walls, floodwalls, and streambank protection projects, which provide flood protection or flood damage reduction.

(c) The modification or reoperation of existing dams and waterworks, including spillways or other capital outlay facilities, for the purpose of increased efficiency in managing flood waters.

(d) The installation of tailwater suppression systems, detention basins, relief wells, test wells, flood warning systems, and telemetry devices.

(e) The relocation or floodproofing of structures within floodplains, which meet or exceed a community's floodplain regulations, pursuant to the National Flood Insurance Program.

(f) Implementation of watershed projects, which provide flood protection or flood damage reduction.

(g) The construction of, or improvement to, a state or interstate highway, county road, or a levee road, that is designated a flood emergency evacuation route, or that provides access to a levee for emergency vehicles, flood fights, or levee repair and maintenance, or a project that protects such a road or highway.

(h) The purchase of lands, easements, and rights-of-way.

(i) Capital costs of environmental mitigation.

79068.8. No expenditures of state funds may be made under this article until the department or the Reclamation Board determines that all of the following requirements have been met:

(a) There is a final environmental document prepared pursuant to the California Environmental Quality Act (commencing with Section 21000 of the Public Resources Code).

(b) The project is in compliance with the California Endangered Species Act (Chapter 1.5 (commencing with Section 2050) of Division 3 of the Fish and Game Code), as demonstrated by documentation such as comments received from the Department of Fish and Game, a permit obtained from the Department of Fish and Game or other appropriate evidence.

(c) The local project proponent agrees to pay at least that portion of the nonfederal capital costs of the project required by Section 12585.5.

(d) The local project proponent agrees to operate and maintain the completed project.

(e) The local project proponent enters into an agreement indemnifying and holding the state, its agencies, officers and employees free and harmless from any and all liability arising out of the design, construction, operation and maintenance of the project.

(f) The project is recommended for implementation by the department or the Reclamation Board.

79068.10. All of the following factors shall be considered by the department and the Reclamation Board for prioritizing projects:

(a) Potential loss of life from flooding.

(b) Increased flood protection or flood damage reduction for areas that have the greatest flood risk or have experienced repetitive flood loss.

(c) The local community is a small community with financial hardship.

(d) Projects that provide multiple benefits.

(e) Projects that are implemented in accordance with the Sacramento/San Joaquin River Basins Comprehensive Study.

(f) Projects that are implemented pursuant to the completion of feasibility studies conducted by the United States Army Corps of Engineers or local agencies.

(g) Projects along the Yuba and Feather Rivers and their tributaries.

(h) Projects that address regional flood problems.

(i) Projects along the Colusa Drain and its tributaries.

(j) Minimizing impacts to the environment.

79068.12. Of the fund appropriated pursuant to Section 79068.6, two million six hundred thousand dollars (\$2,600,000) in the subaccount shall be used for the local share of levee repairs and enhancements in Sutter County.

79068.14. (a) Twenty million dollars (\$20,000,000) in the subaccount, upon appropriation to the Department of Fish and Game, may be used by that department, if it determines that any flood control project undertaken pursuant to this article would result in a reduction of, or damage to, fish, wildlife, or riparian habitat, to protect, improve, restore, create, or enhance fish, wildlife, and riparian habitat of a comparable type to that which was reduced or damaged.

(b) Any land acquired pursuant to this section shall be acquired from willing sellers.

79068.16. If all of the funds appropriated pursuant to Section 79068.6 are encumbered, and any funds described in Section 79068.14 are not needed for the purposes of that section, as stated in writing by that department to the Legislature, the Legislature may appropriate the funds not needed for the purposes of Section 79068.14 for the purposes of Article 4 (commencing with Section 79055).

79068.18. Not more than 5 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this chapter.

79068.20. The department and board may adopt regulations to carry out this article.

#### Article 9. Arroyo Pasajero Watershed Program

79069. The Legislature hereby finds and declares all of the following:

(a) The Arroyo Pasajero Watershed incurred unprecedented flooding in 1995 that resulted in a loss of lives due to a bridge failure on Interstate Highway Route 5 (I-5).

(b) Flooding in the watershed caused damage to important federal, state, and local public facilities, including the Lemoore Naval Air Station, Interstate Highway Route 5 (I-5), the California Aqueduct, and critical local roads and highways, as well as private property.

(c) It is of statewide importance to undertake projects to eliminate future flooding in the watershed in order to protect life and property and to protect the drinking water supply of southern California.

79069.2. Unless the context otherwise requires, the definitions set forth in this section govern construction of this article.

(a) "Subaccount" means the Arroyo Pasajero Watershed Subaccount created pursuant to Section 79069.4.

(b) "Watershed" means the Arroyo Pasajero Watershed.

79069.4. There is hereby created in the account the Arroyo Pasajero Watershed Subaccount. The sum of five million dollars (\$5,000,000) is hereby transferred from the account to the subaccount for the purposes of this article.

79069.6. The money in the subaccount, upon appropriation by the Legislature to the department, shall be used by the department for projects that improve flood protection for State Highway Route 269 in the area

north of the City of Huron or improve flood control for the California Aqueduct in the area of the Arroyo Pasajero Crossing.

79069.8. For the purposes of carrying out projects pursuant to this article, the department is encouraged to utilize the services of the California Conservation Corps or community conservation corps or both.

79069.10. Not more than 5 percent of the total amount deposited in the subaccount may be used to pay costs incurred in connection with the administration of this article.

79069.12. The department may adopt regulations to carry out this article.

## Chapter 6. Watershed Protection Program

### Article 1. Watershed Protection Account

79070. For the purposes of this chapter, "account" means the Watershed Protection Account created by Section 79071.

79071. The Watershed Protection Account is hereby created in the fund. The sum of four hundred sixty-eight million dollars (\$468,000,000) is hereby transferred from the fund to the account.

### Article 2. Watershed Protection Program

79075. (a) There is hereby created in the account the Watershed Protection Subaccount.

(b) For the purposes of this article, "subaccount" means the Watershed Protection Subaccount created by subdivision (a).

79076. The sum of ninety million dollars (\$90,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79077. The purposes of this article are to provide funds to assist in implementing watershed plans to reduce flooding, control erosion, improve water quality, and improve aquatic and terrestrial species habitats, to restore natural systems of groundwater recharge, native vegetation, water flows, and riparian zones, to restore the beneficial uses of waters of the state in watersheds, and to provide matching funds for federal grant programs.

79078. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) "Local agency" means any city, county, city and county, district, or other political subdivision of the state.

(b) "Local watershed group" means a group consisting of owners and managers of land within the watershed of interest, local, state, and federal government representatives, and interested persons, other than landowners, who reside or work within the watershed of interest, and may include other persons, organizations, nonprofit corporations, and businesses.

(c) "Local watershed management plan" means a document prepared by a local watershed group that sets forth a strategy to achieve an ecologically stable watershed, and that does all of the following:

(1) Defines the geographical boundaries of the watershed.

- (2) Describes the natural resource conditions within the watershed.
- (3) Describes measurable characteristics for water quality improvements.
- (4) Describes methods for achieving and sustaining water quality improvements.
- (5) Identifies any person, organization, or public agency that is responsible for implementing the methods described in paragraph (4).
- (6) Provides milestones for implementing the methods described in paragraph (4).
- (7) Describes a monitoring program designed to measure the effectiveness of the methods described in paragraph (4).

(d) "Municipality" has the same meaning as defined in the Clean Water Act and also includes the state or any agency, department, or political subdivision thereof, and applicants eligible for technical assistance under Section 319 (33 U.S.C. Sec. 1329) or grants under Section 320 of the Clean Water Act (33 U.S.C. Sec. 1330).

(e) "Nonprofit organization" means any California corporation organized under Section 501(c)(3) or 501(c)(5) of the Internal Revenue Code.

(f) "Regional board" means a regional water quality control board.

79079. The money in the subaccount, upon appropriation by the Legislature to the board, may be used by the board for grants to municipalities, local agencies, or nonprofit organizations in accordance with this article. The grants shall be used to develop local watershed management plans or to implement projects that are consistent with local watershed management and regional water quality control plans. The board shall ensure that activities funded by these grants will be coordinated with activities undertaken by state and federal agencies, and with other appropriate watershed efforts.

79079.5. The funds used for the purposes described in Section 79079 shall be allocated as follows:

- (a) Sixty percent to projects in the Counties of Los Angeles, Orange, Riverside, San Diego, San Bernardino, and Ventura.
- (b) Forty percent to projects in counties not described in subdivision (a).

79080. (a) A municipality, local agency, or nonprofit organization may only receive a grant under this article if the board determines that both of the following apply:

- (1) The municipality, local agency, or nonprofit organization has adequate legal authority to manage the grant money.
- (2) The municipality, local agency, or nonprofit organization is a member of a local watershed group.

(b) Grants may be awarded for projects that implement methods for attaining watershed improvements or for a monitoring program described in a local watershed management plan in an amount not to exceed five million dollars (\$5,000,000) per project. At least 85 percent of the total amount in the subaccount shall be used for capital outlay projects described in this subdivision.

(c) Eligible projects under this article may do any of the following:

(1) Reduce chronic flooding problems or control water velocity and volume using vegetation management or other nonstructural methods.

(2) Protect and enhance greenbelts and riparian and wetlands habitats.

(3) Restore or improve habitat for aquatic or terrestrial species.

(4) Monitor the water quality conditions and assess the environmental health of the watershed.

(5) Use geographic information systems to display and manage the environmental data describing the watershed.

(6) Prevent watershed soil erosion and sedimentation of surface waters.

(7) Support beneficial groundwater recharge capabilities.

(8) Otherwise reduce the discharge of pollutants to state waters from storm water or nonpoint sources.

(d) (1) Grants may be awarded to municipalities, local agencies, or nonprofit organizations for the development of local watershed management plans in amounts not to exceed two hundred thousand dollars (\$200,000) per local watershed management plan.

(2) Funding under this subdivision may be used to develop components of local watershed management plans that contribute to the development or implementation of species recovery plans.

(e) Grants may be awarded to meet requirements for nonfederal matching funds set forth in Section 205(j) of the Clean Water Act (33 U.S.C. Sec. 1285(j)) or Section 319(h) of the Clean Water Act (33 U.S.C. Sec. 1329(h)).

(f) Projects funded under this article shall be designed to withstand substantial flooding and shall include a minimum 10-year maintenance program and shall demonstrate the potential to provide watershed benefits for 20 years.

(g) A proponent of a project funded from the subaccount, except a grant recipient pursuant to subdivision (d), shall be required to submit to the board a monitoring and reporting plan that does all of the following:

(1) Describes the baseline water quality of the waterbody impacted.

(2) Describes the manner in which the proposed watershed restoration activities are implemented.

(3) Determines the effectiveness of the watershed restoration activities in preventing or reducing pollution.

(4) Determines, to the extent feasible, the changes in the pattern of flow in affected streams, including reduction of flood flows and increases in spring, summer, and fall flows that result from the implementation of the project.

(5) Determines, to the extent feasible, the economic benefits resulting from changes determined pursuant to paragraph (3) or (4).

(h) (1) A grant applicant shall inform the board with regard to necessary public agency approvals, entitlements, and permits that may be necessary to implement the project. The municipality, local agency,

or nonprofit organization shall certify to the board, at the appropriate time, that those approvals, entitlements, and permits have been granted.

(2) A grant applicant shall notify, in writing, adjoining landowners of its request for funding under this article and the scope of the project for which the funding is requested. If this paragraph requires notification of more than 200 landowners, notification may be made by letter to the owners of record of the 200 largest parcels and by publication for at least 20 days in a local newspaper of general circulation. Upon completion of the notification required under this paragraph, the municipality, local agency, or nonprofit organization shall inform the board that the notification has occurred.

(i) The board may adopt regulations to carry out this article.

(j) In awarding grants under this article, the board shall consider the extent to which projects do the following:

(1) Consider the entire ecosystem to be protected or restored.

(2) Include definable targets and desired future conditions.

(3) Support local community institutional capacity to restore the watershed.

(4) Include community decisionmaking by affected stakeholders in project design and fund allocation.

(5) Help protect intact or nearly intact ecosystems and watersheds.

(6) Consider the economic benefits of the restoration project or program.

(7) Address the root causes of degradation, rather than the symptoms.

(8) Maximize the use of other restoration funds.

(9) Include an educational component, if appropriate.

(10) Improve the quality of drinking water and support other beneficial uses of waters of the state, including coastal waters.

79081. A grant recipient shall obtain written permission from the landowners of the parcel of land upon which the project is proposed to be carried out. The written permission shall expressly consent to the actions described in the grant application.

79082. Not more than 25 percent of a grant may be awarded in advance of actual expenditures.

79083. (a) A grant recipient shall submit to the board a report upon the completion of the project or activity funded under this article. The report shall summarize the completed project and identify additional steps necessary to achieve the purposes of the local watershed management plan. The board shall make the report available to interested federal, state, and local agencies and other interested parties.

(b) The board shall prepare and submit to the Governor a biennial report regarding the implementation of this article. The biennial report shall include, at a minimum, a discussion relating to the extent to which the purposes described in Section 79077 are being furthered by the implementation of this article.

79084. (a) Of the funds transferred pursuant to Section 79076, at least thirty-five million dollars (\$35,000,000) shall be for grants to small communities.

(b) For the purposes of this article, "small community" means a municipality with a population of 10,000 persons or less, a rural county, or a reasonably isolated and divisible segment of a larger municipality where the population of the segment is 10,000 persons or less, with a financial hardship as determined by the board.

(c) If the board determines that any of the funds made available for grants under this section will not be encumbered for that purpose on or before January 1, 2007, the board may use these funds for other purposes of this article.

79085. The board shall give added consideration to projects that utilize the services of the California Conservation Corps, community conservation corps, or other local nonprofit entities employing underprivileged youths.

79085.5. Notwithstanding any other provision of this article, the following amounts from the subaccount, upon appropriation by the Legislature, shall be allocated as follows:

(a) The sum of two million dollars (\$2,000,000) to the board for allocation to the Pajaro River Watershed Flood Prevention Authority for a hydrologic study with regard to the Pajaro River Watershed.

(b) The sum of one million dollars (\$1,000,000) to the board for allocation to the County of Sonoma to develop and implement community-based watershed management activities that will protect, restore, and enhance the environmental and economic value of the Russian River Watershed in the County of Sonoma.

(c) The sum of five million dollars (\$5,000,000) to the board for the Clover Creek Flood Protection and Environmental Enhancement Project to provide for the acquisition, restoration, and conservation of low-flow stream channel, open water, seasonal wetlands, riparian habitat, oak woodland regeneration, and grassland meadow preservation.

(d) The sum of two million dollars (\$2,000,000) to the board to rehabilitate and improve the Clear Lake Watershed by funding one or more of the following projects or activities: Clear Lake Basin 2000 Project, aeration, wetlands restoration, fishery enhancement, and wastewater treatment, or for grants awarded by the board to local public agencies for any of these purposes. The first priority for funding under this subdivision is for a grant award to fund eligible expenses of the Basin 2000 Project.

(e) To the maximum extent feasible, the watershed restoration and flood control projects described in this subdivision shall do one or more of the following:

(1) Preserve agricultural land.

(2) Protect and enhance wildlife habitat.

(3) Protect and enhance recreational and environmental education resources.

(4) Protect lake water quality.

79086. Notwithstanding any other provision of law, the board shall terminate any grant where it is determined that the project is not providing the proposed watershed benefits.

79087. Not more than 5 percent of the total amount deposited in the subaccount may be used to pay costs incurred in connection with the administration of this article.

79088. Where recovery plans for coho salmon, steelhead trout, or other threatened or endangered aquatic species exist, projects funded under this article shall be consistent with those plans, and to the extent feasible, shall seek to implement actions specified in those plans.

### Article 3. Water and Watershed Education Program

79090. (a) There is hereby created in the account the Water and Watershed Education Subaccount.

(b) For the purposes of this article, "subaccount" means the Water and Watershed Education Subaccount created by subdivision (a).

79091. The sum of eight million dollars (\$8,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79092. Three million dollars (\$3,000,000) in the subaccount, upon appropriation by the Legislature to the department, may be used by the department for allocation to California State University, Fresno for the purposes of establishing and furthering the purposes of the San Joaquin Valley Water Institute at that campus.

79093. Two million dollars (\$2,000,000) in the subaccount, upon appropriation by the Legislature to the department, shall be used by the department for the development of a Delta Science Center, including, but not limited to, all of the following components:

- (a) Public educational opportunities.
- (b) Wildlife and habitat enhancement.
- (c) Preservation of agricultural lands.
- (d) Enhanced levee protection and rehabilitation.
- (e) Water quality improvements.
- (f) Nonstructural flood protection.

79094. Three million dollars (\$3,000,000) in the subaccount, upon appropriation by the Legislature to the University of California, may be used for the purpose of site acquisition, construction, and equipping of a Watershed Science Laboratory, for long-term monitoring and research with regard to the hydrology, geomorphology, water quality and aquatic and riparian ecology of the north delta and its tributary watersheds.

### Article 4. River Protection Program

79100. (a) There is hereby created in the account the River Protection Subaccount.

(b) For the purposes of this article, "subaccount" means the River Protection Subaccount created by subdivision (a).

79101. The sum of ninety-five million dollars (\$95,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79102. The money in the subaccount, upon appropriation by the Legislature, may be used to meet the requirements of Article 6 (commencing with Section 78682) of Chapter 6 of Division 24.

79103. At least 60 percent of the funds transferred pursuant to Section 79101 shall be used for projects that are located in, or in close proximity to, major metropolitan areas.

79103.2. Notwithstanding any other provision of this article, of the funds transferred pursuant to Section 79101, ten million dollars (\$10,000,000) shall, upon appropriation to the department, be allocated to the San Joaquin River Parkway Conservancy for the purposes of the San Joaquin River Parkway.

79103.4. Notwithstanding any other provision of this article, of the funds transferred pursuant to Section 79101, two million five hundred thousand dollars (\$2,500,000) in the subaccount shall be used by the department, upon appropriation, for the purpose of the Kern River Parkway Project between the mouth of Kern Canyon and Interstate Highway Route 5.

79104. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

#### Article 5. Southern California Integrated

##### Watershed Program

79104.20. The Legislature hereby finds and declares all of the following:

(a) The Santa Ana Watershed is experiencing increased water demands due to significant population growth that has caused undue infrastructure dependence and strain on imported water supplies.

(b) Regional programs have been developed to address the problems facing the watershed. These programs have four main elements, as follows:

(1) Storage of more than one million acre-feet of water from wet years in groundwater storage basins.

(2) Conservation, including water use efficiency and reclamation, that results in the substantial development of new usable supplies.

(3) Desalting and treatment of brackish water to allow poor quality water to be reclaimed and used.

(4) Enhancement of native habitat along the river and its tributaries.

(c) The water supply programs proposed by the Santa Ana Watershed Project Authority will develop significant new water supply and storage capabilities, thereby reducing the imported water needs of urban southern California, especially during dry years.

79104.22. (a) There is hereby created in the account the Santa Ana River Watershed Subaccount.

(b) For purposes of this article, "subaccount" means the Santa Ana River Watershed Subaccount created by subdivision (a).

79104.24. The sum of two hundred thirty-five million dollars (\$235,000,000) is hereby transferred from the account to the subaccount.

79104.26. The money in the subaccount, upon appropriation by the Legislature to the board, may be used by the board for allocation to the Santa Ana Watershed Project Authority for all of the following projects for the purposes of rehabilitating and improving the Santa Ana River Watershed:

(a) Basin water banking in one or more of the following basins: Chino, Colton, Orange County, Riverside, San Bernardino, and San Jacinto.

(b) Contaminant and salt removal through reclamation and desalting in Orange County, San Jacinto, or other basins in the watershed.

(c) Removal of nonnative plants, and the creation of new open space and wetlands.

(d) Programs for water conservation and efficiency and storm water capture and management.

(e) Planning and implementation of a flood control program to protect agricultural operations and adjacent property, to assist in abating the effects of waste discharges into waters of the state, consistent with the requirements of Section 13442.

79104.30. It is the intent of the Legislature to urge the federal government to allocate funds for projects to improve the Santa Ana River Watershed to match the state's financial commitment to the projects described in this article.

79104.32. It is the intent of the Legislature that the expenditure of the funds under this article be made through a broad-based watershed stakeholder process.

79104.34. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay costs incurred by the board in connection with the administration of this article.

## Article 6. Lake Elsinore and San Jacinto

### Watershed Program

79104.100. (a) There is hereby created in the account the Lake Elsinore and San Jacinto Watershed Subaccount.

(b) For the purposes of this article, "subaccount" means the Lake Elsinore and San Jacinto Watershed Subaccount created by subdivision (a).

79104.102. The sum of fifteen million dollars (\$15,000,000) is hereby transferred from the account to the subaccount.

79104.104. The money in the subaccount, upon appropriation by the Legislature to the board, may be used by the board to rehabilitate and improve the Lake Elsinore Watershed and San Jacinto Watershed and the water quality of Lake Elsinore by funding one or more of the following projects: watershed monitoring, storm channel modification, nutrient control, aeration, wetlands restoration and enhancement, wildlife habitat enhancement, fishery enhancement, calcium quicklime treatment, and sediment removal, or for grants awarded by the board to the Santa Ana Watershed Project Authority, other joint powers authorities, or local public agencies for any of these purposes, and for related planning and administrative costs.

79104.106. To the maximum extent feasible, the watershed management and flood control projects described in Section 79104.104 shall do one or more of the following:

- (a) Preserve agricultural land.
- (b) Protect wildlife habitat.
- (c) Protect and enhance recreational resources.
- (d) Improve lake water quality.

79104.108. It is the intent of the Legislature to urge the federal government to allocate funds for projects to improve the Lake Elsinore Watershed and San Jacinto Watershed, and lake water quality by matching the state's financial commitment to those projects.

79104.110. The funds appropriated pursuant to Section 79104.104 shall be allocated to a joint powers agency consisting of the City of Lake Elsinore, the Santa Ana Watershed Project Authority, the Elsinore Valley Municipal Water District and other agencies for implementation of programs to improve the water quality and habitat of Lake Elsinore, and its back basin consistent with the Lake Elsinore Management Plan.

79104.114. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay costs incurred in connection with the administration of this article.

#### Article 7. Coastal Watershed Salmon Habitat Program

79104.200. (a) There is hereby created in the account the Coastal Watershed Salmon Habitat Subaccount.

(b) For the purpose of this article, "subaccount" means the Coastal Watershed Salmon Habitat Subaccount created by subdivision (a).

79104.202. The sum of twenty-five million dollars (\$25,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79104.204. The money in the subaccount, upon appropriation by the Legislature to the Department of Fish and Game, shall be used by the Department of Fish and Game for direct expenditure and for grants to public agencies and nonprofit organizations to protect, restore, acquire, and enhance habitat for salmon. These funds may be used to match federal funding available for those purposes.

79104.206. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

#### Chapter 7. Clean Water and Water Recycling Program

##### Article 1. Clean Water and Water Recycling Account

79105. For the purposes of this chapter, "account" means the Clean Water and Water Recycling Account created by Section 79106.

79106. The Clean Water and Water Recycling Account is hereby created in the fund. The sum of three hundred fifty-five million dollars (\$355,000,000) hereby transferred from the fund to the account.

## Article 2. Nonpoint Source Pollution Control Program

79110. The purpose of this article is to provide grant funding for projects that protect the beneficial uses of water throughout the state through the control of nonpoint source pollution.

79111. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) "Best management practices" means those practices or set of practices determined by the board, a regional board, or the water quality planning agency for a designated area to be the most effective feasible means of preventing or reducing the generation of a specific type of nonpoint source pollution, given technological, institutional, environmental, and economic constraints.

(b) "Capital costs" has the same meaning as "cost," as defined in Section 32025 of the Public Resources Code.

(c) "Management measures" means economically achievable measures to prevent or control the addition of pollutants to state waters, which reflect the greatest degree of pollutant prevention achievable through the application of the best available nonpoint source pollution control practices, technologies, processes, siting criteria, operating methods, or other alternatives.

(d) "Regional board" means a regional water quality control board.

(e) "Subaccount" means the Nonpoint Source Pollution Control Subaccount created by Section 79112.

79112. There is hereby created in the account the Nonpoint Source Pollution Control Subaccount.

79113. The sum of one hundred million dollars (\$100,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79114. (a) The money in the subaccount, upon appropriation by the Legislature to the board, may be used by the board to award grants, not to exceed five million dollars (\$5,000,000) per project, to local public agencies or nonprofit organizations formed by landowners to prepare and implement local nonpoint source plans. Grants shall only be awarded for any of the following projects:

(1) A project that is consistent with local watershed management plans that are developed under subdivision (d) of Section 79080 and with regional water quality control plans.

(2) A broad-based nonpoint source project, including a project identified in the board's "Initiatives in NPS Management," dated September 1995, and nonpoint source technical advisory committee reports.

(3) A project that is consistent with the "Integrated Plan for Implementation of the Watershed Management Initiative" prepared by the board and the regional boards.

(4) A project that implements management measures and practices or other needed projects identified by the board pursuant to its nonpoint source pollution control program's 15-year implementation strategy and five-year implementation plan that meets the requirements of Section 6217(g) of the federal Coastal Zone Act Reauthorization Amendments of 1990.

(b) The projects funded from the subaccount shall demonstrate a capability of sustaining water quality benefits for a period of 20 years. Categories of nonpoint source pollution addressed by projects may include, but are not limited to: silviculture, agriculture, urban runoff, mining, hydromodification, grazing, onsite disposal systems, boatyards and marinas, and animal feeding operations. Projects to address

nonpoint source pollution may include, but are not limited to, wildfire management, installation of vegetative systems to filter or retard pollutant loading, incentive programs or large scale demonstration programs to reduce commercial reliance on polluting substances or to increase acceptance of alternative methods and materials, and engineered features to minimize impacts of nonpoint source pollution. Projects shall have defined water quality or beneficial use goals.

(c) Projects funded from the subaccount shall utilize best management practices, management measures, or both.

(d) If projects include capital costs, those costs shall be identified by the project applicant. The grant recipient shall provide a matching contribution for the portion of the project consisting of capital expenditures for construction, according to the following formula:

Project Capital Cost/Capital Cost Match by Recipient

\$1,000,000 to \$5,000,000, inclusive . . . . . 20%

\$125,000 to \$999,999, inclusive . . . . . 15%

\$1 to \$124,999, inclusive . . . . . 10%

(e) Not more than 25 percent of a grant may be awarded in advance of actual expenditure.

(f) A proponent of a project funded from the subaccount shall be required to submit to the board a monitoring and reporting plan that does all of the following:

- (1) Identifies one or more nonpoint sources of pollution.
- (2) Describes the baseline water quality of the waterbody impacted.
- (3) Describes the manner in which the proposed practices or measures are implemented.
- (4) Determines the effectiveness of the proposed practices or measures in preventing or reducing pollution.

(g) Notwithstanding subdivision (b), the board may award up to 5 percent of the total amount deposited in the subaccount for demonstration projects that are intended to prevent, reduce, or treat nonpoint source pollution.

(h) A grant recipient shall submit a report to the board, upon completion of the project, that summarizes completed activities and indicates whether the purposes of the project have been met. The report shall include information collected by the grant recipient in accordance with the project monitoring and reporting plan, including a determination of the effectiveness of the best management practices or management measures implemented as part of the project in preventing or reducing nonpoint source pollution. The board shall make the report available to watershed groups, and federal, state, and local agencies.

79114.2. Notwithstanding any other provision of this article, the sum of five million dollars (\$5,000,000) is hereby appropriated from the subaccount, to the board to be used by the board, after consultation with the Department of Food and Agriculture, for loans, not to exceed five hundred thousand dollars (\$500,000) per loan, to provide low interest loans to finance the construction of projects designed to manage animal nutrients from animal feeding operations. Grants may be made available to local public agencies to pay for the cost of developing ordinances, regulations, and elements for their General Plan or

other planning devices to assist in providing uniform standards for the permitting and operation of animal feeding operations within their jurisdictions. These funds may also be used for the preparation of the related environmental reviews that may be necessary under the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) for approval of the devices.

79114.3. No project shall receive funds under this article if it receives funds pursuant to Article 5 (commencing with Section 79148).

79114.5. (a) Sixty percent of the money in the subaccount shall be allocated to projects in the Counties of Riverside, Ventura, Los Angeles, San Diego, Orange, or San Bernardino.

(b) Forty percent of the money in the subaccount shall be allocated to projects in counties not described in subdivision (a).

(c) This section does not apply to Section 79114.2 or Section 79117.

79115. The board may adopt regulations to implement this article.

79116. Not more than 5 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

79117. (a) Notwithstanding any other provision of this article, of the funds transferred pursuant to Section 79113, the sum of ten million dollars (\$10,000,000), upon appropriation by the Legislature to the board, may be used by the board, after consultation with the Department of Pesticide Regulation and the Office of Environmental Health Hazard Assessment, for grants as follows:

(1) Two million dollars (\$2,000,000) for research and source identification.

(2) Eight million dollars (\$8,000,000) for mitigation measures to protect water quality from potential adverse effects of pesticides, which measures have the ability to provide benefits for a period of 20 years, as determined by the board after consultation with the Department of Pesticide Regulation and the Office of Environmental Health Hazard Assessment.

(b) The board shall adopt regulations to carry out this section.

### Article 3. Clean Water Program

79120. Unless the context otherwise requires, the following definitions govern the construction of this article:

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

(1) Necessary to prevent water pollution, reclaim water, or improve water quality.

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

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

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

(b) "Federal assistance" means money provided to a municipality, either directly or through allocation by the state, from the federal government to construct eligible projects pursuant to the Clean Water Act.

(c) "Municipality" has the same meaning as defined in the Clean Water Act and also includes the state or any agency, department, or political subdivision thereof, and applicants eligible for technical assistance under Section 319 (33 U.S.C. Sec. 1329) or grants under Section 320 of the Clean Water Act (33 U.S.C. Sec. 1330).

(d) "Small community" means a municipality with a population of 10,000 persons or less, or a reasonably isolated and divisible segment of a larger municipality where the segment of the population is 10,000 persons or less, with a financial hardship as determined by the board.

(e) "Treatment works" has the same meaning as defined in the Clean Water Act.

79121. There is hereby created in the account all of the following subaccounts:

(a) The State Revolving Fund Loan Subaccount.

(b) The Small Communities Grant Subaccount.

(c) The Wastewater Construction Grant Subaccount.

79122. (a) The following amounts are hereby transferred from the account to the following subaccounts and, notwithstanding Section 13340 of the Government Code, are hereby continuously appropriated, without regard to fiscal years, to the board, as follows:

(1) Thirty million five hundred thousand dollars (\$30,500,000) to the State Revolving Fund Loan Subaccount for the purposes of providing loans pursuant to the Clean Water Act, to aid in the construction or implementation of eligible projects, and for the purposes described in Section 79124.

(2) Thirty-four million dollars (\$34,000,000) to the Small Communities Grant Subaccount for grants by the board to small communities for construction of eligible treatment works, and for the purposes described in Section 79124.

79122.2. The sum of thirty-five million five hundred thousand dollars (\$35,500,000) is hereby transferred from the account to the Wastewater Construction Grant Subaccount and, upon appropriation by the Legislature to the board, may be used by the board for the purposes of providing grants to aid in the construction of treatment works for the Cities of Manteca, Stockton, Tracy, and Orange Cove.

79122.4. The board may transfer unallocated funds from the State Revolving Fund Loan Subaccount to the State Water Pollution Control Revolving Fund created pursuant to Section 13477 for the purposes of meeting federal requirements for state matching funds to provide loans in accordance with the Clean Water Act.

79123. The board may adopt regulations to carry out this article.

79124. The board may, by contract or otherwise, undertake plans, surveys, research, development, and studies necessary or desirable to carry out this article, and may prepare recommendations with regard thereto, including the preparation of comprehensive statewide or areawide studies and reports on the collection, treatment, and disposal of waste, and wastewater recycling. For the purposes of this section, "research" may include the design, acquisition, installation, or construction of monitoring and testing equipment and related facilities.

79125. Not more than 3 percent of the total amount deposited in each subaccount created pursuant to this article may be used to pay the costs incurred in connection with the administration of this article.

79126. Not more than 2 percent of the total amount deposited in each subaccount under this article may be used for the purposes of Section 79124.

79127. For the purposes of implementing paragraph (1) of subdivision (a) of Section 79122, the board may make loans to municipalities, pursuant to contract, to aid in the construction or implementation of eligible projects.

79128. (a) For purposes of paragraph (2) of subdivision (a) of Section 79122, the board may make grants to small communities so that any state grant does not exceed 97 percent of the eligible cost of necessary studies, planning, design, and construction of the eligible project determined in accordance with applicable state law and regulations.

(b) The total amount of grants made pursuant to paragraph (2) of subdivision (a) of Section 79122, for any single project, may not exceed three million five hundred thousand dollars (\$3,500,000).

79128.5. For the purposes of paragraph (3) of subdivision (a) of Section 79122, the board may make grants for the cost of planning, design, and construction of treatment works necessary to comply with waste discharge requirements.

79129. Any contract entered into pursuant to this article for a loan or grant may include provisions determined by the board, and shall include all of the following provisions:

(a) An estimate of the reasonable cost of the project.

(b) A description of the type of assistance being offered.

(c) An agreement by the board to pay to the municipality or small community, during the progress of the project or following completion, as agreed upon by the parties, the amount specified in the contract determined pursuant to applicable federal and state laws.

(d) An agreement by the municipality or small community to proceed expeditiously with, and complete, the project, commence operation of the project upon completion, properly operate and maintain the project in accordance with applicable provisions of law, and provide for payment of its share of the costs of the project.

79130. All contracts entered into pursuant to this article for loans or grants are subject to both of the following requirements:

(a) Municipalities seeking assistance shall demonstrate, to the satisfaction of the board, that an adequate opportunity for public participation regarding the project has been provided.

(b) Any election held with respect to the project shall include the voters of the entire municipality unless the municipality proposes to accept the assistance on behalf of a specified portion or portions of the municipality, in which case the election shall be held in that portion or portions of the municipality only.

79131. Any loan made pursuant to Section 79127 shall meet the requirements of paragraph (1) of subdivision (b) of Section 13480.

79132. All principal and interest payments received pursuant to loan contracts entered into pursuant to this article shall be deposited in the State Revolving Fund Loan Subaccount for the purposes of entering into additional loans under this article, and shall not be transferred to the General Fund.

79133. (a) Notwithstanding any other provision of this article, of the continuously appropriated funds described in paragraph (1) of subdivision (a) of Section 79122, the sum of seven million dollars (\$7,000,000) shall be used by the Department of Toxic Substances Control for allocation to local agencies for groundwater remediation projects.

(b) The Department of Toxic Substances Control shall adopt regulations to carry out this subdivision.

#### Article 4. Water Recycling Program

79135. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) "Municipality" has the same meaning as that set forth in subdivision (c) of Section 79120.

(b) "Subaccount" means the Water Recycling Subaccount created by Section 79136.

(c) "Water recycling project" means a water recycling project that meets applicable reclamation criteria and water reclamation requirements and that complies with applicable water quality standards, policies, and plans.

79136. There is hereby created in the account the Water Recycling Subaccount.

79137. (a) The sum of forty million dollars (\$40,000,000) is hereby transferred from the account to the subaccount for the purposes of this article.

(b) (1) Sixty percent of the money in the subaccount shall be allocated to projects in the Counties of Riverside, Ventura, Los Angeles, San Diego, Orange, or San Bernardino.

(2) Forty percent of the money in the subaccount shall be allocated to projects in counties not described in paragraph (1).

79138. Unallocated funds remaining in the Water Recycling Subaccount in the Clean Water and Water Recycling Account in the Safe, Clean, Reliable Water Supply Fund on March 8, 2000, and any funds deposited into that subaccount after that date, shall be transferred to, and all money repaid to the state pursuant to any loan contract executed under Chapter 17 (commencing with Section 14050) of Division 7 or Article 3 (commencing with Section 78620) of Chapter 5 of Division 24 shall be deposited in, the subaccount for the purposes of this article.

79139. The board may enter into an agreement with the federal government for federal contributions to the subaccount if all of the following conditions have been met:

(a) The board has identified any required matching funds.

(b) The board is prepared to commit to the expenditure of any minimum amount in the subaccount in the manner required by the Clean Water Act.

(c) Any agreement between the board and the federal government is consistent with the purposes of this article.

79140. (a) Notwithstanding Section 13340 of the Government Code, 50 percent of the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the board for loans to municipalities for the design and construction of water recycling projects in accordance with Section 79141, and for the purposes described in Sections 79143, 79144, and Section 79145.

(b) Fifty percent of the money in the subaccount, upon appropriation by the Legislature to the board, may be used by the board for grants to municipalities for the design and construction of water recycling projects in accordance with Section 79141.

79141. The board may enter into agreements with municipalities for loans and grants for projects to recycle water in accordance with this article. Criteria to be considered by the board in determining whether to enter into an agreement under this article may include, but are not limited to, whether the project is a cost-effective means to meet the state or local water supply needs, when compared to other sources of water supply that may be available to the municipality, whether the project is necessary to protect water quality, the readiness of the municipality to proceed with the design and construction of water recycling projects, the degree to which the recycled water improves water supply reliability, water quality, ecosystem restoration, and other environmental benefits, the net water savings benefit, the degree to which the recycled water would reduce water supply demands on the bay-delta system, the Colorado River, or other water systems critical to regional or statewide water supply, the ability to encourage development of new water recycling projects, and the amount of funding that the municipality is requesting under this article. The cost effectiveness of a project when compared to other sources of state or local water supply shall not be the sole factor in determining whether to enter into an agreement.

79142. An agreement entered into pursuant to Section 79141 may include those provisions determined by the board to be necessary for the purposes of this article.

79142.2. (a) A contract for a loan made pursuant to this article may not provide for a moratorium on, or the deferment of, the payment of the principal of, or interest on, the loan.

(b) Any loan made pursuant to Section 79141 shall be for a period not to exceed 20 years.

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

79142.4. (a) The board may establish the interest rate for a loan made pursuant to this article at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, to be computed according to the true interest cost method.

(b) If the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent.

(c) The interest rate set for each contract shall be applied throughout the repayment period of the contract. There shall be a level annual repayment of principal and interest on the loans.

79142.6. All principal and interest payments received pursuant to loan contracts executed pursuant to this article shall be deposited in the subaccount for the purposes of this article, and shall not be transferred to the General Fund.

79142.8. All interest earned by assets in the subaccount shall be deposited in the subaccount.

79143. The board may make grants to municipalities for facility planning studies for water recycling projects. The amount of the grants may not exceed seventy-five thousand dollars (\$75,000) per study.

79144. The board may, by contract or otherwise, undertake plans, surveys, research, development, and studies necessary or desirable to carry out this article, and may prepare recommendations with regard thereto, including the preparation of comprehensive statewide or areawide studies and reports on the collection, treatment, and disposal of waste and wastewater recycling. For the purposes of this section, "research" may include the design, acquisition, installation, or construction of monitoring and testing equipment and related facilities.

79145. (a) Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

(b) Not more than 3 percent of the total amount deposited in the subaccount may be used for the purposes of Section 79144.

79146. Notwithstanding any other provision of this article, the money in the subaccount may not be used to provide financial assistance to any water recycling project used to augment water supplies by discharging recycled water into a surface water reservoir that supplies water directly to a treatment facility for a water supply system that serves domestic uses.

79147. (a) The board may adopt regulations to carry out this article.

(b) The board is encouraged to expedite the review and processing of agreements to carry out the purposes of this article. The board shall report to the Legislature on the progress of implementing this article on or before June 30, 2001.

#### Article 5. Coastal Nonpoint Source Control Program

79148. The purpose of this article is to provide funding for projects that restore and protect the water quality and environment of coastal waters, estuaries, bays, and near shore waters and groundwaters.

79148.2. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) "Educational institution" means community colleges, state colleges, and the University of California.

(b) "Local public agency" means any city, county, city and county, district, or other political subdivision of the state.

(c) "Municipality" has the same meaning as defined in the Clean Water Act and also includes the state or any agency, department, or political subdivision thereof, and applicants eligible for technical assistance under Section 319 (33 U.S.C. Sec. 1329) or grants under Section 320 of the Clean Water Act (33 U.S.C. Sec. 1330).

(d) "Nonprofit organization" means any California corporation organized under Section 501(c)(3) or 501(c)(5) of the Internal Revenue Code.

(e) "Regional board" means a regional water quality control board.

(f) "Subaccount" means the Coastal Nonpoint Source Control Subaccount created by Section 79148.4.

79148.4. There is hereby created in the account the Coastal Nonpoint Source Control Subaccount.

79148.6. The sum of ninety million dollars (\$90,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79148.7. Notwithstanding any other provision of this article, the sum of four million dollars (\$4,000,000), upon appropriation by the Legislature to the board, shall be allocated by the board to the City of Huntington Beach to fund multiagency studies to establish recommendations to address coastal nonpoint source pollution in the tidal marshes and coastal waters, and to implement those recommendations. Agencies authorized to conduct the studies and implement the recommendations may include, but need not be limited to, municipal and county governments, flood control districts, and sanitation districts.

79148.8. (a) The money in the subaccount, upon appropriation by the Legislature to the board, may be used by the board, in consultation with the California Coastal Commission, to award loans as provided in subdivision (b), and to award grants not to exceed five million dollars (\$5,000,000) per project, to municipalities, local public agencies, educational institutions, or nonprofit organizations for the purposes of this article. Grants may be awarded for any of the following projects:

(1) A project designed to improve water quality at public beaches and to make improvements for the purpose of ensuring that coastal waters adjacent to public beaches meet the bacteriological standards set forth in Article 2 (commencing with Section 115880) of Chapter 5 of Part 10 of Division 104 of the Health and Safety Code.

(2) A project to provide comprehensive capability for monitoring, collecting, and analyzing ambient water quality, including monitoring technology that can be entered into a statewide information base with standardized protocols and sampling, collection, storage and retrieval procedures.

(3) A project to make improvements to existing sewer collection systems and septic systems for the restoration and protection of coastal water quality.

(4) A project designed to implement storm water and runoff pollution reduction and prevention programs for the restoration and protection of coastal water quality.

(5) A project that is consistent with the state's nonpoint source control program, as revised to meet the requirements of Section 6217 of the federal Coastal Zone Act Reauthorization Amendments of 1990, Section 319 of the federal Clean Water Act (33 U.S.C. Sec. 1329), and the requirements of Division 7 (commencing with Section 13000).

(b) In addition to the grants authorized pursuant to subdivision (a), the board may make loans not to exceed five million dollars (\$5,000,000) per project to municipalities, local public agencies, educational institutions, or nonprofit organizations for the purposes set forth in paragraph (3) of subdivision (a).

(c) The projects funded from the subaccount shall demonstrate the capability of contributing to sustained, long-term water quality or environmental restoration or protection benefits for a period of 20 years, shall address the causes of degradation, rather than the symptoms, and shall be consistent with water quality and resource protection plans prepared, implemented, or adopted by the board, the applicable regional water quality control board, and the California Coastal Commission.

(d) An applicant for funds from the subaccount shall be required to submit to the board a monitoring and reporting plan that does all of the following:

(1) Identifies the nonpoint source or sources of pollution to be prevented or reduced by the project.

(2) Describes the baseline water quality or quality of the environment to be addressed.

(3) Describes the manner in which the project will be effective in preventing or reducing pollution and in demonstrating the desired environmental results.

(e) Upon completion of the project, a recipient of funds from the subaccount shall submit a report to the board that summarizes the completed activities and indicates whether the purposes of the project have been met. The report shall include information collected by the recipient in accordance with the project monitoring and reporting plan, including a determination of the effectiveness of the project in preventing or reducing pollution. The board shall make the report available to the public, watershed groups, and federal, state, and local agencies.

(f) If projects include capital costs for construction, those costs shall be identified by the project applicant. The grant recipient shall provide a matching contribution for the portion of the project consisting of capital costs for construction, according to the following formula:

Capital Cost Project Cost/Capital Cost Match by Recipient

\$1,000,000 to \$5,000,000, inclusive . . . . . 20%

\$125,000 to \$999,999, inclusive . . . . . 15%

\$1 to \$124,999, inclusive . . . . . 10%

For the purposes of this subdivision, "capital costs" has the same meaning as "cost" as defined in Section 32025 of the Public Resources Code.

(g) Not more than 25 percent of a grant may be awarded in advance of actual expenditure.

(h) An applicant for funds from the subaccount shall inform the board of any necessary public agency approvals, entitlements, and permits that may be necessary to implement the project. The application shall certify to the board, at the appropriate time, that those approvals, entitlements, and permits have been granted.

(i) Where recovery plans for coho salmon, steelhead trout, or other threatened or endangered aquatic species exist, projects funded under this article shall be consistent with those plans, and to the extent feasible, shall seek to implement actions specified in those plans.

79148.10. (a) Sixty percent of the money in the subaccount shall be allocated to projects in the Counties of Riverside, Ventura, Los Angeles, San Diego, Orange, or San Bernardino.

(b) Forty percent of the money in the subaccount shall be allocated to projects in the counties not described in subdivision (a).

79148.12. The board shall provide opportunity for public review and comment in awarding funds pursuant to this article, and may, in consultation with the California Coastal Commission, adopt regulations to implement this article.

79148.14. No project shall receive funds under this article if it receives funds pursuant to Article 2 (commencing with Section 79110).

79148.15. Notwithstanding any other provision of this article, three million dollars (\$3,000,000), upon appropriation by the Legislature to the board, shall be allocated by the board to the San Diego County Water Authority for environmental studies and engineering studies for the San Diego Regional Conveyance Facility.

79148.16. Not more than 5 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

#### Article 6. Seawater Intrusion Control

79149. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) (1) "Eligible seawater intrusion control project" means a project that meets all of the following requirements:

(A) The project is necessary to protect groundwater and meets both of the following requirements:

(i) The project is within a basin that is subject to a local groundwater management plan for which a review is completed pursuant to the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(ii) The project is threatened by seawater intrusion in an area where restrictions on groundwater pumping, a physical solution, or both, are necessary to prevent the destruction of, or irreparable injury to, groundwater quality.

(B) In the case of a project that would provide a substitute water supply, the project is cost-effective when compared to the development of other new sources of water and includes requirements or measures adequate to ensure that the substitute supply will be used in lieu of previously established extractions or diversions of groundwater.

(C) The project complies with applicable water quality standards, policies, and plans.

(2) Eligible projects may include, but are not limited to, water conservation, freshwater well injection, and substitution of groundwater pumping from local surface supplies.

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

(c) "Subaccount" means the Seawater Intrusion Control Subaccount created by Section 79149.2.

79149.2. (a) There is hereby created in the account the Seawater Intrusion Control Subaccount. The sum of twenty-five million dollars (\$25,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

(b) Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the board for loans to local agencies to carry out eligible seawater intrusion control projects and for the purposes described in this article and for the administration of this article.

79149.3. Unallocated funds remaining in the Seawater Intrusion Control Subaccount in the Clean Water and Water Recycling Account in the Safe, Clean, Reliable Water Supply Fund on March 8, 2000, and any funds deposited into that subaccount after that date, shall be transferred to, and all money repaid to the state pursuant to any loan contract executed under Article 6 (commencing with Section 78648) of Chapter 5 of Division 24 shall be deposited in, the subaccount for the purposes of this article.

79149.4. The board may enter into contracts to make loans to local agencies for the purposes set forth in this article.

79149.6. Any contract for a loan entered into pursuant to Section 79149.4 may include those provisions determined by the board to be necessary for the purposes of this article and shall include both of the following provisions:

- (a) An estimate of the reasonable cost of the eligible seawater intrusion control project.
- (b) An agreement by the local agency to proceed expeditiously with, and complete, the eligible seawater intrusion control project, commence operation of the project in accordance with applicable provisions of law, and provide for the payment of the local agency's share of the cost of the project, including the principal of, and interest on, the loan.

79149.8. (a) A contract for a loan may not provide for a moratorium on the payment of the principal of, or interest on, the loan.

(b) Any loan made pursuant to Section 79149.4 shall be for a period not to exceed 20 years.

(c) The board may enter into a contract for a loan amount that equals up to 100 percent of the total eligible cost of design and construction of an eligible seawater intrusion control project.

79149.10. (a) The board shall establish the interest rate for a loan made pursuant to this article at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, to be computed according to the true interest cost method.

(b) If the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent.

(c) The interest rate set for each contract shall be applied throughout the repayment period of the contract. There shall be a level annual repayment of principal and interest on the loans.

79149.12. All principal and interest payments received pursuant to loan contracts entered into pursuant to this article shall be deposited in the subaccount.

79149.14. The board may, by contract or otherwise, undertake plans, surveys, research, development, and studies necessary, convenient, or desirable to carry out the purposes of this article.

79149.16. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay for both of the following:

- (a) To pay the costs incurred in connection with the administration of this article.
- (b) For the purposes of Section 79149.14.

## Chapter 8. Water Conservation Program

### Article 1. Findings and Declarations

79150. The Legislature finds and declares that:

(a) Voluntary, cost-effective capital outlay water conservation programs can help meet the growing demand for clean and abundant water supplies throughout the state.

(b) The participation of the state in the construction of local water conservation projects is desirable to further the effective management of the water resources of the state.

## Article 2. General Provisions

79151. Unless the context otherwise requires, the following definitions govern the construction of this chapter:

(a) "Account" means the Water Conservation Account created by Section 79152.

(b) (1) "Water conservation program or project" means those feasible capital outlay measures undertaken to improve the efficiency of water use through projects, the benefits of which exceed the costs.

(2) The programs include, but are not limited to, all of the following:

(A) The lining or piping of ditches.

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

(C) Tailwater pumpback recovery systems.

(D) Major improvements to, or replacement of, deteriorated distribution systems to reduce leakage and maximize conservation.

(E) Capital outlay features of agricultural water conservation programs identified in the "Memorandum of Understanding Regarding Efficient Agricultural Water Management Practices," dated July 16, 1997, and endorsed by the Agricultural Water Management Council, and any amendments thereto.

(c) "Economically disadvantaged area" means any area of the state for which both of the following statements apply:

(1) A median household income that is less than forty thousand dollars (\$40,000) based on the most recent federal census.

(2) An annual average unemployment rate that is greater than 9 percent based on the most recent federal census.

(d) (1) "Groundwater recharge facilities" means lands and facilities for artificial groundwater recharge through methods that include, but are not limited to, percolation using basins, pits, ditches, and furrows, modified streambeds, flooding, and well injection. For the purposes of this chapter, expenditures for "groundwater recharge facilities" include capital outlay expenditures to expand, renovate, or restructure land and facilities used for the purposes of groundwater recharge and to acquire additional land for recharge basins.

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

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

(B) Agency-owned facilities for extraction.

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

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

(e) "Infrastructure rehabilitation project" means a project located in an economically disadvantaged area for the repair, replacement, restoration, or rehabilitation of an existing water distribution system that delivers water for domestic, municipal, or industrial uses, including pipelines, pump stations, valves, meters, reservoirs, and all other appurtenant water delivery facilities that result in the reduction or elimination of significant distribution system water losses or replace a failing system component that threatens the health, safety, welfare, and economy of areas relying on the water distribution system.

(f) "Local agency" or "agency" means any city, county, city and county, district, joint powers authority, or other political subdivision of the state involved with water management. "Local agency" or "agency" also means a mutual water company. For purposes of this chapter, mutual water company means a nonprofit corporation organized for, or engaged in the business of, developing, distributing, supplying, or delivering water for irrigation or domestic use, or both, to its members or shareholders, at actual cost plus necessary expenses.

(g) "Project" may include any of the following:

(1) Water conservation project.

(2) Groundwater recharge facilities.

(3) Urban water conservation project.

(4) Infrastructure rehabilitation project.

(h) "Urban water conservation project" means capital outlay features of urban water conservation programs identified in the "Memorandum of Understanding Regarding Urban Water Conservation in California," as amended on April 8, 1998, by the California Urban Water Conservation Council, and any amendments thereto.

79152. The Water Conservation Account is hereby created in the fund.

79153. (a) The sum of one hundred fifty-five million dollars (\$155,000,000) is hereby transferred from the fund to the account for the purposes of this chapter.

(b) Unallocated funds remaining in the Water Conservation and Groundwater Recharge Subaccount in the Water Supply Reliability Account in the Safe, Clean, Reliable Water Supply Fund on March 8, 2000, shall be transferred to, and all money repaid to the state pursuant to any loan contract executed under Article 3 (commencing with Section 78670) of Chapter 6 of Division 24 shall be deposited in, the account for the purposes of entering into additional loans under Article 3 (commencing with Section 79157) and Article 4 (commencing with Section 79161).

79154. (a) Any loan agreement entered into pursuant to this chapter may include provisions determined to be necessary by the department.

(b) Any loan agreement pursuant to this chapter shall include all of the following:

(1) A finding by the department that the agency has the ability to repay the loan, that the project is cost-effective, and that the project is feasible from an engineering or hydrologic standpoint, or both.

(2) An agreement by the agency to proceed expeditiously with, and complete, the project in conformance with approved plans and specifications and to operate and maintain the project properly upon completion throughout the repayment period.

(3) A provision that there shall be no moratorium on, or deferment of, payments of principal or interest.

(4) (A) A loan period of not more than 20 years with an interest rate set at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, to be computed according to the true interest cost method.

(B) If the interest rate so determined is not a multiple of 1 percent, the interest rate shall be set at the next multiple of one-tenth of 1 percent.

(C) The interest rate for each loan agreement shall be applied throughout the repayment period of the contract. There shall be a level annual repayment of principal and interest on the loans.

79155. (a) Any grant agreement entered into pursuant to this chapter may include provisions determined to be necessary by the department.

(b) Any grant agreement pursuant to this chapter shall include both of the following:

(1) A determination by the department that the project is economically justified, and that the project is feasible.

(2) An estimate of the reasonable cost and benefit of the project, including a feasibility report that sets forth the engineering and financial feasibility of the project, and shall include a description of the proposed facilities and their relation to other water-related facilities in the system service area.

79155.5. Notwithstanding any other provision of law, regulations set forth in Chapter 2.3 (commencing with Section 450.1) of Division 2 of Title 23 of the California Code of Regulations that are in effect on March 8, 2000, may be used to carry out this chapter.

79156. Not more than 3 percent of the total amount deposited in the subaccount may be used by the department to pay the costs incurred in connection with the administration of this article.

### Article 3. Agricultural Water Conservation Program

79157. (a) The sum of thirty-five million dollars (\$35,000,000) in the account, upon appropriation by the Legislature to the department, shall be used by the department for loans to local agencies to aid in the acquisition and construction of agricultural water conservation projects, and for grants in accordance with Section 79158.

(b) For the purposes of approving a loan under this section, the department shall determine if there will be a net saving of water as a result of each proposed project and if the project is determined by the department to be cost-effective.

(c) A project under this article shall not receive any more than five million dollars (\$5,000,000) in loan proceeds from the department.

(d) The department shall give preference to the agencies that propose the most cost-effective projects.

79158. (a) The department may make grants to local agencies, under any terms and conditions that may be determined necessary by the department, for the purpose of financing feasibility studies of projects potentially eligible for a loan under Section 79157.

(b) No single feasibility study shall be eligible to receive more than one hundred thousand dollars (\$100,000), and not more than 5 percent of the total amount deposited in the account may be expended for the purposes of financing feasibility studies.

(c) A grant for a feasibility study shall not affect the maximum amount of any loan that may be made under this article.

#### Article 4. Groundwater Recharge Facilities Program

79161. (a) The sum of thirty million dollars (\$30,000,000) in the account is hereby appropriated to the department, without regard to fiscal years, for use by the department for loans and grants to local agencies for the acquisition and construction of groundwater recharge facilities.

(b) A loan application pursuant to this article shall include the reasonable cost and benefit of the proposed project, including a feasibility report that shall set forth the economic justification for the project, and shall include explanations of the proposed facilities and their relation to other water supply related facilities in the basin or region.

(c) A project under this article shall not receive any more than five million dollars (\$5,000,000) in loan proceeds from the department.

(d) The department shall give preference under this section to projects that are located in overdrafted groundwater basins, projects of critical need, projects whose feasibility studies demonstrate the greatest engineering and hydrogeologic feasibility as determined by the department, and projects located in areas that have groundwater management plans.

79161.5. (a) The department may make grants to local agencies, under any terms and conditions that may be determined necessary by the department, for the purpose of financing feasibility studies of projects potentially eligible for a loan under Section 79161.

(b) No single feasibility study shall be eligible to receive more than one hundred thousand dollars (\$100,000), and not more than 5 percent of the total amount deposited in the account may be expended for the purposes of financing feasibility studies.

(c) A grant for a feasibility study shall not affect the maximum amount of any loan that may be made under this article.

#### Article 5. Infrastructure Rehabilitation Program

79162. (a) The sum of sixty million dollars (\$60,000,000) in the account, upon appropriation by the Legislature to the department, shall be used by the department for grants awarded by the department to local agencies for the purposes of funding infrastructure rehabilitation projects.

(b) (1) For the purposes of making grants pursuant to subdivision (a), the factors to be considered by the department in determining whether to enter into an agreement shall include, but not be limited to, the need to implement projects that provide measurable conservation through the reduction of system water losses by rehabilitating water delivery systems.

(2) Grants awarded pursuant to subdivision (a) shall be available for public water systems owned and operated by local agencies in economically disadvantaged areas with service connections that exceed 200 but are not greater than 16,000 in number. The department shall give highest priority in awarding grants to those agencies with the highest retail water rates and service charges as of January 1, 1999.

(c) No single construction grant under this article shall exceed five million dollars (\$5,000,000).

79162.2. (a) The department may make grants to local agencies, under any terms and conditions as may be determined necessary by the department, for the purpose of financing feasibility studies of projects potentially eligible for a grant under Section 79162.

(b) No single feasibility study shall be eligible to receive more than one hundred thousand dollars (\$100,000), and not more than 5 percent of the total amount deposited in the account may be expended for the purposes of financing feasibility studies.

(c) A grant for a feasibility study shall not affect the maximum of any construction grant that may be made under this article.

79162.4. The department may adopt regulations to carry out this article.

#### Article 6. Urban Water Conservation Program

79163. (a) The sum of thirty million dollars (\$30,000,000) in the account, upon appropriation by the Legislature to the department, shall be used by the department for grants and loans awarded by the department to local agencies for the purposes of funding urban water conservation projects.

(b) A project under this article shall not receive more than five million dollars (\$5,000,000) in loan proceeds from the department.

79164. (a) The department may make grants to local agencies, under any terms and conditions that may be determined necessary by the department, for the purpose of financing feasibility studies of projects potentially eligible for a loan under Section 79163.

(b) No single feasibility study shall be eligible to receive more than one hundred thousand dollars (\$100,000), and not more than 5 percent of the total amount deposited in the account may be expended for the purposes of financing feasibility studies.

(c) A grant for a feasibility study shall not affect the maximum amount of any loan that may be made under this article.

#### Chapter 9. Water Supply, Reliability, and

##### Infrastructure Program

#### Article 1. Water Supply, Reliability, and

##### Infrastructure Account

79165. For the purposes of this chapter, "account" means the Water Supply, Reliability, and Infrastructure Account created by Section 79166.

79166. The Water Supply, Reliability, and Infrastructure Account is hereby created in the fund. The sum of six hundred thirty million dollars (\$630,000,000) is hereby transferred from the fund to the account.

## Article 2. Groundwater Storage Program

79170. The Legislature finds and declares that the conjunctive management of surface water and groundwater is an effective way to improve the reliability of water supply for all sectors in California.

79171. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) "Conjunctive use" means the temporary storage of water in a groundwater aquifer through intentional recharge and subsequent extraction for later use. Storage is accomplished by either of the following methods:

(1) "Direct recharge" of an aquifer by conducting surface water into the ground by various means, including, without limitation, spreading ponds and injection wells for the purpose of making the water stored in the aquifer available for extraction and later use in drier years.

(2) "In-lieu recharge" means increasing the amount of groundwater available in an aquifer by substituting surface water supplies to a user who would otherwise pump groundwater.

(b) "Conjunctive use facilities" include land and appurtenant facilities for any phase of a conjunctive use operation. Appurtenant facilities may include subsurface storage, treatment, conveyance, recharge ponds, injection wells, spreading grounds, monitoring, measurements, subsidence detection, flow regulation, detention basins to facilitate recharge, diversion facilities, and extraction facilities.

(c) "Conjunctive use project" means a project that is intended to produce water supply benefits for the local agency or a project that is intended to produce water supply benefits for water users, including the environment, in addition to the local agency.

(d) "Local agency" means any city, county, city and county, district, joint powers authority, mutual water company, or other political subdivision of the state.

(e) "Project participants" means any public agency participating in, and benefiting from, a conjunction use project under this article.

(f) "Subaccount" means the Conjunctive Use Subaccount created by Section 79172.

79172. There is hereby created in the account the Conjunctive Use Subaccount.

79173. The sum of two hundred million dollars (\$200,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79174. The money in the subaccount, upon appropriation by the Legislature to the department, may be used by the department for grants for feasibility studies, project design, or the construction of conjunctive use projects on a pilot or operational scale.

79175. Not more than 5 percent of the total amount deposited in the subaccount may be expended for purposes of financing feasibility studies.

79176. For the purpose of approving projects pursuant to this article, the department shall give priority to those projects for which there is available third-party funds from any source other than the Central Valley Project Restoration Fund authorized by the Central Valley Project Improvement Act. The department shall also take into consideration all of the following with regard to each proposed project:

- (a) The magnitude of the actual increase in water supply yield and reliability compared to preexisting conditions.
- (b) The consistency with the plans or recommendations proposed by CALFED.
- (c) The distribution of the benefits to water supply and to the environment.
- (d) The availability of the storage for conserved water.
- (e) The technical and environmental suitability of the groundwater basin for conjunctive use.
- (f) The potential to reduce critically overdrafted conditions in a groundwater basin.
- (g) The need for the project.
- (h) The potential to alleviate salt water intrusion into groundwater basins or other groundwater quality degradation.
- (i) The economic, engineering, and hydrogeologic justification for the project.
- (j) The availability of third-party or local matching funds from any source other than the Central Valley Project Restoration Fund authorized by the Central Valley Project Improvement Act.
- (k) The involvement of one or more local agencies whose jurisdiction or water service area overlies or is adjacent to the aquifer utilized to store water.
- (l) The potential to reduce dry year demand for surface water under existing contracts.
- (m) The existence of a system for the recovery of the stored water or an agreement with the department or a local agency for the installation of that system.
- (n) Whether the project is located in an area that is subject to a groundwater management program.

79177. To be eligible for funding for the construction of a conjunctive use project under this article, an applicant that is other than a local agency shall be required to carry out that project with the participation of a local agency. The department or a local agency may provide technical assistance, coordination, or any other assistance in implementing a project or study if requested by the participating local agency.

79178. No construction project may receive more than fifty million dollars (\$50,000,000) from the subaccount.

79179. Not more than 5 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

79180. Not less than 40 percent of the total amount deposited in the subaccount shall be expended for studies, projects, and facilities within watersheds of the central valley.

79181. (a) A project undertaken pursuant to this article shall fully protect and preserve the groundwater rights of the overlying landowners and shall fully protect and preserve the water rights of the project participants. The department shall not provide funding for a project unless it determines that the project will be designed and operated in a manner that ensures that other users of the same or a hydrologically related aquifer will not suffer any unreasonable diminution of the quantity or quality of their groundwater supplies or incur additional uncompensated expense as a result of the implementation of the project.

(b) For the purposes of receiving funding for a conjunctive use project pursuant to this article, the applicant shall be required to do both of the following:

(1) Provide for a continuing groundwater monitoring and mitigation program.

(2) Limit the extraction of the groundwater to not more than the amount of water that is stored or recharged by the project participants or the amount that complies with all laws and contract terms governing the extraction, appropriation, and use of groundwater by the project participants.

(c) Persons and agencies participating in the project may not assert a claim or file a cause of action against an overlying landowner who is not exceeding either of the following:

(1) The overlying landowner's historic rate of groundwater pumping.

(2) The full amount of groundwater to which the overlying landowner would be entitled to under state law regarding rights to groundwater and reasonable beneficial use on the landowner's land that overlies the groundwater.

(d) The overlying landowners may not assert a claim or file a cause of action against the persons or agencies participating in the project if the project is implemented in compliance with this section, except as provided by contract between the project participants.

(e) Nothing in this article modifies state law with regard to groundwater rights, regulation, or management.

79182. In carrying out this article and awarding grants, the department shall convene and consult with an advisory committee comprised of technically qualified representatives of local water agencies, project participants, environmental interests, agricultural laborer interests, and interests representing farmers who use groundwater. The advisory committee shall be geographically balanced to reflect the communities that use water in the central valley. If a member of the advisory committee, or a member of his or her immediate family, is employed by a grant applicant or the employer of a grant applicant, the committee members shall make that disclosure to the other members of the committee and shall not participate in the review of the grant application of that applicant.

79183. The department may adopt regulations to carry out this article.

### Article 3. Bay-Delta Multipurpose Water

#### Management Program

79190. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) "CALFED Bay-Delta Program" or "program" means the undertaking by CALFED pursuant to the Framework Agreement dated June 20, 1994, to develop a long-term solution to water management, environmental, and other problems in the bay-delta watershed by means of a programmatic environmental impact statement/ environmental impact report.

(b) "CALFED EIS/EIR" means the final programmatic environmental impact statement/environmental impact report prepared by CALFED.

(c) "CALFED stage 1 action" means an action identified in the preferred alternative of the CALFED EIS/EIR as an action intended for implementation during stage 1 of Phase III of the CALFED Bay-Delta Program.

(d) (1) "Eligible project" means a demonstration project, subject to the CALFED adaptive management principle that requires an assessment of the performance of the demonstration projects in order to determine which projects are successful in achieving the goals of the program.

(2) "Eligible project" means a project that meets both of the following requirements.

(A) The project is identified in the CALFED EIS/EIR as a CALFED stage 1 action.

(B) The project does one or more of the following:

(i) Constructs treatment facilities or relocates discharge facilities for agricultural drainage generated within the delta to improve water quality in the delta or the quality of water that is transported from the delta.

(ii) Constructs facilities to control waste discharges that contribute to low dissolved oxygen and other water quality problems in the lower San Joaquin River and the south delta.

(iii) Constructs fish facilities for the State Water Project or the Central Valley Project intakes in the south delta, such as facilities for fish screens, fish handling, and fish passage, or modifications to intake structures or other facilities, to reduce losses of any life stages of fish to water diversions in the San Joaquin River and the delta in accordance with paragraph (1) of Section (C) of Chapter IV of the board's 1995 water quality control plan.

(iv) Constructs a permanent barrier at the head of Old River to improve fish migration and other permanent barriers in the south delta channels to improve water quality and water level for local diversions.

(v) Constructs facilities to control drainage from abandoned mines that adversely affect water quality in the bay-delta.

(vi) Constructs a permanent barrier at Grantline Canal to improve water quality and water levels for local diversion.

(e) "Subaccount" means the Bay-Delta Multipurpose Water Management Subaccount created by Section 79194.

79191. This article does not affect the authority of any agency pursuant to any other provision of law to expend funds for the purposes described in this article.

79192. The Legislature hereby finds and declares all of the following:

(a) CALFED is in the process of preparing a programmatic EIS/EIR for a long-term comprehensive plan that will resolve problems related to ecosystem restoration, including the recovery of endangered species such as chinook salmon, water quality, water supply, water management, and system integrity for the protection of beneficial uses of the bay-delta ecosystem.

(b) The CALFED Bay-Delta Program is of statewide and national importance. The state should participate in the funding of eligible projects as a part of its ongoing program to improve conditions in the bay-delta ecosystem.

(c) The programmatic EIS/EIR will include a schedule for funding and implementing all elements of the long-term comprehensive plan.

(d) The elements of the CALFED Bay-Delta Program will achieve balanced solutions in all identified problem areas, including the ecosystem, water quality, water supply, and system integrity.

79193. (a) This article does not authorize the implementation of the CALFED Bay-Delta Program or any element of that program. The implementation of the CALFED Bay-Delta Program, or any element of that program, shall only be undertaken pursuant to authority provided by law other than this division.

(b) Nothing in this article affects the obligation to comply with provisions of existing law in connection with the implementation of this article.

79194. There is hereby created in the account the Bay-Delta Multipurpose Water Management Subaccount.

79195. The sum of two hundred fifty million dollars (\$250,000,000) is hereby transferred from the account to the subaccount.

79196. (a) The money in the subaccount, upon appropriation by the Legislature to the department, may be used by the department to carry out eligible projects and for the purposes of Section 79202.

(b) Money in the subaccount that is allocated to carry out eligible projects, as described in clauses (ii), (iv), and (vi) of subparagraph (B) of paragraph (2) of subdivision (d) of Section 79190, and is not expended for those purposes, may be reallocated by the department to carry out other eligible projects, as described in clauses (i), (iii), and (v) of subparagraph (B) of paragraph (2) of subdivision (d) of Section 79190.

(c) No funds in the subaccount shall be used by the department unless and until the department has consulted, on an annual basis, with the state and federal agencies that participate in CALFED, as well as representatives of the public convened as a duly authorized advisory committee, with regard to the specific projects proposed for funding under this article. Decisions regarding specific expenditures of funds provided under this article shall be jointly determined, to the maximum extent possible, by the recommendations of the state and federal CALFED agencies with the advice of the advisory committee.

79196.5. The funds appropriated pursuant to Section 79196 shall be allocated as follows:

(a) Seventeen million dollars (\$17,000,000) for the purposes of the project described in clause (i) of subparagraph (B) of paragraph (2) of subdivision (d) of Section 79190.

(b) Forty million dollars (\$40,000,000) for the purposes of the project described in clause (ii) of subparagraph (B) of paragraph (2) of subdivision (d) of Section 79190.

(c) One hundred twenty million dollars (\$120,000,000) for the purposes of the project described in clause (iii) of subparagraph (B) of paragraph (2) of subdivision (d) of Section 79190.

(d) Forty million dollars (\$40,000,000) for the purposes of the project described in clause (iv) of subparagraph (B) of paragraph (2) of subdivision (d) of Section 79190.

(e) Seventeen million dollars (\$17,000,000) for the purposes of the project to described in clause (v) of subparagraph (B) of paragraph (2) of subdivision (d) of Section 79190.

(f) Sixteen million dollars (\$16,000,000) for the purposes of the project described in clause (vi) of subparagraph (B) of paragraph (2) of subdivision (d) of Section 79190.

79197. No funds in the subaccount may be expended until all of the following conditions have been met:

(a) The CALFED EIS/EIR has been certified by the state lead agency and a notice of determination has been issued as required by Division 13 (commencing with Section 21000) of the Public Resources Code.

(b) The CALFED EIS/EIR has been filed by the federal lead agencies with the United States Environmental Protection Agency, the required notice has been published in the Federal Register, and there has been federal approval of a program identical to the program approved by the state.

79198. The state, to the greatest extent possible, shall secure federal and nonfederal funds to implement this article.

79199. Due to the importance of issuing permits and otherwise expediting all elements of the CALFED Bay-Delta Program in a timely and balanced manner, the following procedures shall apply to the use of funds authorized by this article:

(a) After the requirements set forth in Section 79197 are met, funds in the subaccount shall become available for use in accordance with the schedule for eligible projects set forth in the final programmatic EIS/EIR, unless the Secretary of the Resources Agency determines that the schedule established in the final programmatic EIS/EIR has not been substantially adhered to.

(b) On or before November 15 of each year, the Secretary of the Resources Agency, in consultation with state and federal CALFED representatives and other interested persons and agencies, shall review adherence to the schedule.

(c) The absence of funding from nonfederal or nonstate sources shall not be a basis for a determination that the schedule has not been adhered to.

(d) If, at the conclusion of each annual review, the Secretary of the Resources Agency determines that the schedule established in the final programmatic EIS/EIR, or a revised schedule prepared pursuant to this subdivision, has not been substantially adhered to, the secretary, after notice to, and consultation with, state and federal CALFED representatives and other interested persons and agencies, shall prepare a revised schedule that ensures that balanced solutions in all identified problem areas, including ecosystem restoration, water supply, water quality, and system integrity are achieved, consistent with the intent of the final programmatic EIS/EIR. Funds shall be available for expenditure unless a revised schedule has not been developed within six months from the date on which the secretary determines that the prior schedule has not been substantially adhered to. Upon the preparation of any revised schedule under this subdivision, funds shall be expended in accordance with that revised schedule.

(e) Funds in the subaccount shall become available in accordance with the cost-share agreement developed by the CALFED Bay-Delta Program, which shall describe the federal, state, and local share of funding for the programs, projects, and other CALFED stage 1 actions.

79200. On or before December 15 of each year, the Secretary of the Resources Agency shall submit an annual report to the Legislature that describes the status of the implementation of all elements of the CALFED Bay-Delta Program, any determinations made by the secretary pursuant to subdivisions (b) and (d) of Section 79199 and other significant scheduling issues. The report also shall include a detailed

accounting of expenditures, descriptions of programs for which expenditures have been made, and a schedule of anticipated expenditures for the next year.

79201. The report prepared pursuant to Section 79200 shall include both of the following:

- (a) A summary of the results achieved by the projects funded under this article.
- (b) An identification of any necessary modifications that should be made to eligible projects or other CALFED bay-delta projects, to ensure that the goals and objectives of CALFED are met.

79201.5. Nothing in this article shall be construed to address the allocation of benefits from projects or programs funded by this article. It is anticipated that this issue will be settled in the CALFED process or by the Legislature by statute.

79202. Not more than 5 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

79203. The department may adopt regulations to carry out this article.

#### Article 4. Interim Water Reliable Supply and Water

##### Quality Infrastructure and Management Program

79205.2. (a) "Delta export service area," as used in this article, means both of the following:

- (1) The counties included within the Association of Bay Area Governments.
- (2) Those areas of the state outside the delta that receive water from the State Water Project or the Central Valley Project, either directly or by exchange, by means of diversions from the delta.

(b) "Local agency," as used in this article, means any city, county, city and county, district, or other political subdivision of the state.

79205.4. (a) There is hereby created the Interim Water Supply and Water Quality Infrastructure and Management Subaccount.

(b) For the purposes of this article, "subaccount" means the Interim Reliable Water Supply and Water Quality Infrastructure and Management Subaccount.

79205.6. The sum of one hundred eighty million dollars (\$180,000,000) is hereby transferred from the account to the subaccount for the purposes of this article.

79205.8. (a) The money in the subaccount, upon appropriation by the Legislature to the department, may be used by the department to provide grants or loans, or any combination thereof, which are approved by the Governor, to local agencies located in the delta export service areas for programs or projects that can be completed and provide the intended benefits not later than March 8, 2009, and are designed to increase water supplies, enhance water supply reliability, or improve water quality.

(b) The department shall provide grants for programs or projects located outside the delta and which meet one of the following requirements:

(1) The project or program constructs new or expands existing groundwater storage and recovery projects or acquires rights to use storage in existing reservoirs.

(2) The project or program implements measures that facilitate improved water treatment, water transfers, or exchanges, including, but not limited to, a project that improves water quality by shifting reliance from lower quality to higher quality water supplies.

(3) The project or program implements state of the art agricultural water conservation programs, and programs that treat or manage agricultural drainage water for reuse or instream water quality benefits.

(c) The department shall list the projects that are proposed to be funded from the subaccount.

79205.10. For purposes of prioritizing eligible programs or projects for funding under this article, the department shall give priority to programs or projects that meet one or more of the following requirements:

(a) Can be completed expeditiously and thereby provide near term benefits and more immediate mitigation of urgent problems related to water supply and water quality.

(b) Implements actions to improve water quality and protect water level conditions in San Luis Reservoir.

(c) Includes public-private partnerships or cost sharing arrangements that maximize public benefits.

(d) Sponsored by a public agency with water supplies that are being or would be impacted to a greater degree by delta-related water supply shortages and water quality degradation.

79205.12. The state, to the greatest extent possible, shall seek matching federal funds to implement this article.

79205.14. Funds available from the subaccount shall be available for all phases of project development including, but not limited to, project administration, permitting and environmental compliance, feasibility studies, and construction.

79205.16. Not more than 5 percent of the total amount deposited in the subaccount may be used to pay costs incurred in connection with the administration of this article.

## Chapter 10. Fiscal Provisions

79210. Bonds in the total amount of one billion nine hundred seventy million dollars (\$1,970,000,000), not including the amount of any refunding bonds issued in accordance with Section 79219, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this division and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

79211. (a) The bonds authorized by this division shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), except Section 16727, and all of the provisions of that law apply to the bonds and to this division and are hereby incorporated in this division as though set forth in full in this division.

(b) For purposes of the State General Obligation Bond Law, each state agency that administers an appropriation of the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund is designated the "board."

79212. Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this division, the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Finance Committee is hereby created. For purposes of this division, the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Treasurer, the Controller, and the Director of Finance, or their designated representatives. A majority of the committee may act for the committee.

79213. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this division in order to carry out the actions specified in this division and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

79214. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

79215. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this division, an amount that will equal the total of the following:

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

(b) The sum necessary to carry out Section 79216, appropriated without regard to fiscal years.

79216. For the purposes of carrying out this division, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this division. Any amount withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this division.

79217. All money deposited in the fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

79218. The agency that administers an appropriation of the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this division. The amount of the request shall not exceed the amount of the unsold bonds that the committee, by resolution, has authorized to be sold for the purpose of carrying out this division. The requesting agency shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the requesting agency in accordance with this division.

79219. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this division includes the approval of the issuance of any other bonds issued to refund any bonds originally issued under this division or any previously issued refunding bonds.

79220. Notwithstanding any provision of this division or the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this division that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or to take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of that state.

79221. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this division are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

SEC. 3. Section 14058 of the Water Code is amended to read:

14058. (a) The sum of thirty million dollars (\$30,000,000) of the money in the fund shall be deposited in the Water Reclamation Account and, notwithstanding Section 13340 of the Government Code, is hereby continuously appropriated to the board for the purposes of this section.

(b) The board may enter into contracts with local public agencies having authority to construct, operate, and maintain water reclamation projects, for loans to aid in the design and construction of eligible water reclamation projects. The board may loan up to 100 percent of the total eligible cost of design and construction of an eligible reclamation project.

(c) Any contract for an eligible water reclamation project entered into pursuant to this section may include such provisions as determined by the board and shall include both of the following provisions:

(1) An estimate of the reasonable cost of the eligible water reclamation project.

(2) An agreement by the local public agency to proceed expeditiously with, and complete, the eligible water reclamation project; commence operation of the project in accordance with applicable provisions of law, and provide for the payment of the local public agency's share of the cost of the project, including principal and interest on any state loan made pursuant to this section.

(d) Loan contracts may not provide for a moratorium on payments of principal or interest.

(e) Any loans made from the fund may be for a period of up to 20 years. The interest rate for the loans shall be set at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, with that rate to be computed according to the true interest cost method. When the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent.

(f) All money repaid to the state pursuant to any contract executed under this chapter shall be deposited in the Water Recycling Subaccount, **created by Section 78621, of the Clean Water and Water Recycling Account in the Safe, Clean, Reliable Water Supply Fund, for the purposes set forth in**

**subdivision (b) of Section 78621** in the Clean Water and Water Recycling Account in the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund created by Section 79136, for the purposes set forth in Article 4 (commencing with Section 79135) of Chapter 7 of

Division 26 .

SEC. 4. Section 78621 of the Water Code is amended to read:

78621. (a) (1) There is hereby created in the account the Water Recycling Subaccount. The sum of sixty million dollars (\$60,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

(2) All money repaid to the state pursuant to any contract executed under the Clean Water and Water Reclamation Bond Law of 1988 (Chapter 17 (commencing with Section 14050) of Division 7) shall be deposited in the **subaccount for the purposes of subdivision (b)** Water Recycling Subaccount in the Clean Water and Water Recycling Account in the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund created by Section 79136, for the purposes set forth in Article 4 (commencing with Section 79135) of Chapter 7 of Division 26 .

(b) Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the board for loans to public agencies to construct, operate, and maintain eligible recycling projects, for loans to aid in the design and construction of eligible recycling projects, for grants in accordance with Section 78628, and for the purposes described in Section 78629 and subdivision (a) of Section 78630.

SEC. 5. Section 78626 of the Water Code is repealed.

**78626. (a) All principal and interest payments received pursuant to loan contracts entered into pursuant to this article shall be deposited in the subaccount for additional loans under subdivision (b) of Section 78621, and shall not be transferred to the General Fund.**

**(b) The board may transfer any unallocated funds in the subaccount to the Water Reclamation Account in the 1984 State Clean Water Bond Fund for the purposes set forth in Section 13999.10.**

SEC. 6. Section 78626 is added to the Water Code, to read:

78626. Unallocated funds remaining in the subaccount on March 8, 2000, and any funds deposited into the subaccount after that date, shall be transferred to, and all money repaid to the state pursuant to any loan contract executed under this article shall be deposited in, the Water Recycling Subaccount in the Clean Water and Water Recycling Account in the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund for the purposes set forth in Section 79140.

SEC. 7. Section 78648.12 of the Water Code is repealed.

**78648.12. All principal and interest payments received pursuant to loan contracts entered into pursuant to this article shall be deposited in the subaccount.**

SEC. 8. Section 78648.12 is added to the Water Code, to read:

78648.12. Unallocated funds remaining in the subaccount on March 8, 2000 and any funds deposited into the subaccount after that date, shall be transferred to, and all money repaid to the state pursuant to any loan contract executed under this article shall be deposited in, the Seawater Intrusion Control Subaccount in the Clean Water and Water Recycling Account in the Safe Drinking Water, Clean Water, Watershed

Protection, and Flood Protection Bond Fund for the purposes set forth in Article 6 (commencing with Section 79149) of Chapter 7 of Division 26.

SEC. 9. Section 78675 of the Water Code is repealed.

**78675. Any repayments of loans made pursuant to this article, including interest payments, and all interest earned on, or accruing to, any money in the subaccount, shall be deposited in the subaccount and shall be available for the uses described in this article.**

SEC. 10. Section 78675 is added to the Water Code, to read:

78675. Unallocated funds remaining in the subaccount on March 8, 2000, shall be transferred to, and all money repaid to the state pursuant to any loan contract executed under this article shall be deposited in, the Water Conservation Account in the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund for the purposes of entering into additional loans under Article 3 (commencing with Section 79157) and Article 4 (commencing with Section 79161) of Chapter 8 of Division 26.