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March 1, 2006

Senator Kevin Murray, Chair
Conference Committee on Infrastructure Bonds

Letter of Transmittal

Dear Senator Murray:

The Senate Committee on Natural Resources and Water is pleased to present our recommendations for the proposed infrastructure bonds to the Conference Committee. As more fully described more fully in our attached report, we are recommending that the infrastructure bonds authorize a little more than \$8.0 billion for flood, water, and natural resources infrastructure investments.

The report details the reasons supporting the Committee's recommendations. In each case, the Committee has found the amounts set forth to be necessary to even begin to achieve our goals of flood safety, water availability and quality, and resource protection. The Committee held five hearings and have had a good deal of thoughtful input. Our conclusions and recommendations are based on good science and an integrated policy approach. In this transmittal letter, we present the figures, below, and then briefly explain other steps that can be undertaken throughout the year to complement these bond proposals.

\$8.0 B TOTAL FLOOD, WATER, & NATURAL RESOURCES INFRASTRUCTURE

\$2.1 B Flood Protection

\$600 M	Project Levee & Facilities Repairs
\$400 M	Flood Control System Improvements
\$400 M	Delta Levee Subventions & Special Projects
\$500 M	Flood Control Subventions Program
\$100 M	Floodplain Mapping Program
\$100 M	Floodway Corridor Program

\$0.5 B Regional Water Management

\$1.0 B Statewide Water Management

\$350 M	Water Quality Protection & Improvement
\$250 M	CalFed Bay Delta Program
\$400 M	Ecosystem Restoration & Improvement

\$4.4 B Natural Resources Infrastructure

\$1,970 M	Neighborhood, Community, & Regional Parks
\$1,800 M	State Parks & Wildlife Protection
\$675 M	Clean Water & Coastal Protection

In addition to allocating appropriate funds for these projects and programs, it also became clear to the Committee through the course of the hearings that solving the problems addressed in the bond will require the Legislature to ensure that proper priorities are set, appropriate policies are in place, and that institutions are capable of applying those priorities and implementing those policies. This is especially true for flood protection, but is also critical for regional and statewide water management.

Flood Protection. In addition to the figures set out above and the detail supporting those figures in the report, if we are to comprehensively reduce flood risks, we must, at the same time, strengthen the independence and resource capacity of the Reclamation Board. We must consider non-structural approaches to reducing flood risk, such as reservoir re-operation. And, we need to clarify the precise roles that federal, state, and local authorities ought to play in flood management, such as which funding responsibilities ought to belong to federal, state or local funding bodies, what principles ought to be applied to decide this, what role local land use planning ought to play, and how ought we approach flood management in those areas where traditional approaches are not cost effective. Separate legislation will be necessary to accomplish much of this.

Water. Integrated regional water management holds great promise. However, it is still a relatively new concept. Local water interests are still working out the details of how to integrate water management activities, what regional partnerships work best for each area, and how to prioritize competing funding needs. The Governor's water bond proposed to make significant changes to the rules governing integrated regional water management plans. While many of the proposed changes appear to have merit, these changes should be made through a policy bill.

At the statewide level, the CalFed Bay-Delta Program is in turmoil. This is amply documented in the recent Little Hoover Commission report titled *Still Imperiled, Still Important*. The goal of CalFed is laudable. It ought to be possible for various water interests to work cooperatively to reduce the conflicts in the delta. However, no one seems to actually have the responsibility for ensuring progress. There has been a remarkable lack of fiscal accountability on the part of the California Bay Delta Authority and the implementing agencies. It is not clear who determines which specific program expenditures are necessary to meet the program goals, nor how that determination is made. Federal participation, both financially and programmatically, has been woefully lacking. Separate legislation and budgetary actions will be necessary to resolve the problems with CalFed.

Resources. In terms of the resource-related expenditures for "natural infrastructure" proposed by the Committee, a few of the recommended funding allocations will need complementary policy bills or modest changes to the proposed bond language. These include but are not limited to the mercury remediation program, the working landscape easements, the grants program at the Coastal Commission for local coastal plans, and the forestry program. I am confident that the Conference Committee understands that expenditures for natural infrastructure are essential in order that our citizens can fully enjoy the benefits of our built environment.

A special comment on the Governor's proposed Water Resources Investment Fee: Though we simply pass it on to the Committee, as promised, with the rest of the proposal, we do not support it. Many believe there are sound reasons for some sort of resources consumption charge on water. However, there are vastly different opinions on how the charge should be assessed, and how to decide how the proceeds should be used. The timeline for approving the Governor's proposed bonds simply does not allow sufficient time to properly evaluate all the issues that this proposed charge raises. We, therefore, recommend that the Legislature continue to work to evaluate and resolve the issues raised by this proposed water charge through the regular legislative process.

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Members of both houses have introduced a number of bills this session to address many of these issues. Our Committee is looking forward to working with the authors of these bills to ensure that proper priorities are set, the appropriate policies are in place, and our institutions are capable of applying those priorities and implementing those policies.

In closing, we view the flood, water, and resources part of the infrastructure bond package as a critical and co-equal partner with the education and transportation parts of the package. We all know that the policy committees considering these other two issue-areas will recommend larger amounts of funding than we are recommending for water, flood, and resources. However, our objective is for the resources, water, and flood portion of the package to be treated fairly and proportionately in the totality of the infrastructure package.

A handwritten signature in black ink, reading "Sheila Kuehl". The signature is fluid and cursive, with the first name "Sheila" and the last name "Kuehl" clearly distinguishable.

Senator Sheila J. Kuehl, Chair
Senate Committee on Natural Resources and Water