

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 3860	Department Water Resources	Priority No.
Budget Request Name 3860-016-BCP-DP-2016-GB		Program 3230	Subprogram

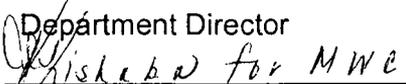
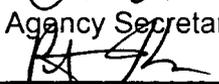
Budget Request Description
 Water and Energy Efficiency

Budget Request Summary

This proposal requests the appropriation of Greenhouse Gas Reduction Fund funds to support the continuation of the Department of Water Resources' Water-Energy Grant Program. The Department of Water Resources is requesting the appropriation of \$10 million in Local Assistance funds, as multi-year funds with three years to encumber and two years to liquidate. No new positions are requested; the Department of Water Resources will use existing staff resources and prior Greenhouse Gas Reduction Fund State Operations funds to support this request. The Local Assistance funds will support projects and programs that improve water supply reliability and reduce greenhouse gas emissions.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Tracie Billington	Date 12/7/2015	Reviewed By 	Date 1/4/16
Department Director  for MWC	Date 1.4.2016	Agency Secretary 	Date 1/5/16

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA Original Signed by Amanda Martin	Date submitted to the Legislature 1-8-16
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BCP Fiscal Detail Sheet

BCP Title: Water and Energy Efficiency

DP Name: 3860-016-BCP-DP-2016-GB

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
54XX - Special Items of Expense	0	10,000	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$10,000	\$0	\$0	\$0	\$0
Total Budget Request	\$0	\$10,000	\$0	\$0	\$0	\$0

Fund Summary

Fund Source - Local Assistance

 3228 - Greenhouse Gas Reduction Fund

Total Local Assistance Expenditures

Total All Funds

	0	10,000	0	0	0	0
Total Local Assistance Expenditures	\$0	\$10,000	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$10,000	\$0	\$0	\$0	\$0

Program Summary

Program Funding

 3230 - Continuing Formulation of the
 California Water Plan

Total All Programs

	0	10,000	0	0	0	0
Total All Programs	\$0	\$10,000	\$0	\$0	\$0	\$0

Analysis of Problem

A. Budget Request Summary

The Department of Water Resources (DWR) requests the appropriation of \$10 million in Greenhouse Gas Reduction Fund (GGRF) funds, as multi-year Local Assistance (LA) funds (with three years to encumber and two years to liquidate), to support the continuation of the Water-Energy Grant Program. No new positions are requested; DWR will staff this proposal with existing resources and prior GGRF State Operations funds.

In order to address the water-energy nexus, the grant program will provide LA funds for water management projects and programs that reduce greenhouse gas (GHG) emissions by increasing water use efficiency. Preference will be given to projects with the greatest anticipated reductions in GHG emissions. Additional consideration will be given to projects that help meet water management needs of a disadvantaged community, as defined by CalEnviroScreen.

B. Background/History

Implementation of the California Global Warming Solutions Act of 2006 (AB 32) includes measures that achieve real, quantifiable, cost-effective reductions of GHG emissions and return California to 1990 emission levels by 2020. Since 2006, the State has continued to steadily implement a set of actions that are driving down GHG emissions, cleaning the air, diversifying the energy and fuels that power our society, spurring innovation in a range of advanced technologies and improving natural resource health statewide.

These efforts have put California on course to achieve the 2020 emissions limit, and have created a framework for ongoing climate action that can be built upon to maintain and continue reductions beyond 2020. In addition to the near-term GHG emission reduction goals established in AB 32, mid-term and longer-term GHG emission reduction targets have been established in Executive Orders B-30-15 and S-3-05 to reduce greenhouse gas emissions by 40 percent below 1990 levels by 2030 and 80 percent below 1990 levels by 2050, respectively.

The Greenhouse Gas Reduction Fund (GGRF -funded by the Cap-and-Trade Program generated Auction Proceeds, authorized by AB 32) has been established for the purpose of funding measures that allow California to achieve its GHG reduction goals, furthering the purposes of AB 32. In addition, SB 535 (de León, Chapter 830, Statutes of 2012) requires that twenty-five percent of GGRF funds are spent to benefit designated disadvantaged communities, and ten percent must be spent within disadvantaged communities.

The Water-Energy Grant Program is administered by DWR under its Water Conservation Bond Law Program. DWR's Water Conservation Bond Law Program oversees a collection of general obligation – bond-funded loan and grant programs assisting local agencies and other entities with the construction or implementation of a wide variety of water management actions. The following bond laws are currently active and being administered in part under the Water Conservation Bond Law Program:

- Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50)
- The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84)
- The Disaster Preparedness and Flood Prevention Bond Act of 2006 (Proposition 1E)
- Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1)
- GGRF Water-Energy Grant Program

Funding for the Water-Energy Grant Program was first authorized in 2014, as part of the California's drought response efforts (Senate Bill (SB)103 – 2014 Drought Legislation) with subsequent funding authorized by the Assembly Bill (AB) 91 (2015 Drought Legislation). Since then, DWR has issued Water-Energy Grant Program Guidelines and concluded the initial grant solicitation effort. In May 2015, DWR awarded \$28 million to 21 agencies to support 25 individual projects. It is estimated that the funded project will have a lifetime water saving of approximately 270,000 acre-feet and a lifetime GHG

Analysis of Problem

saving of almost 200,000 metric tons of carbon dioxide equivalents. DWR also received funding for this program in the Budget Act of 2015 (SB 101).

The Resources History and Workload History (Tables 1 and 2) encompass the current year to prior year -1, since fiscal year (FY) 2013-14 was the first year that this program was authorized.

Table 1
Resource History
(Dollars in thousands)

Program Budget	PY - 4	PY - 3	PY - 2	PY - 1	PY	CY
Authorized Expenditures				\$20,000	\$10,000	\$20,000
Actual Expenditures				19,488	9,000	
Revenues						
Authorized Positions						
Filled Positions ¹⁾				0.6	3.5	3.5
Vacancies				0	0	0

¹⁾ PYs prorated for the portion of PY-1 that funding was available.

Table 2
Workload History

Workload Measure	PY - 4	PY - 3	PY - 2	PY - 1 13-14	PY 14-15	CY 15-16
Funding Authorized				April 2014 \$20M	April 2015 \$10M	September 2015 \$20M
Develop Program Guidelines and Proposal Solicitation Package (PSP)				Initial program scoping. Release draft guidelines and PSP (June)		Develop 2016 draft guidelines & PSP (Jan)
Public Meetings				3 Scoping meetings (May)	3 – Draft 2014 Guidelines & PSP (Aug) 3 – Applicant workshops (Oct-Nov) 1 – Draft funding recommendations (Apr)	3 – Draft 2016 Guidelines & PSP (May) 3 – Applicant workshops (June)
Issue Final Program Guidelines & PSP					Issued Final 2014 Guidelines & PSP (Sept)	
Grant Proposals Solicitation					Conducted 2014 solicitation for initial \$19M in LA (Oct-Dec)	
Grant Applications Received					Received 96 applications requesting \$142M (Dec)	
Review Grant Proposals					Reviewed applications (Dec-Mar)	
Funds Awarded/ Number of Grants					Awarded \$28M (SB 103 & AB 91) to 21 entities (May)	
Grant Agreements Executed						21 agreements (by Jan)
Contracts Managed						21
Grant Agreements Completed						0

C. State Level Considerations

Water and energy are two resources that are inherently linked, especially in California, and the operation of the State's extensive network of water storage, transfer, distribution, use, and disposal systems results in the emissions of GHG. For instance, the California Energy Commission estimates that the operation of water supply and wastewater systems throughout the State – especially end uses – accounts for about 19 percent of the State's total use of electric power and 30 percent of non-power plant natural gas use in California. Because end uses comprise the vast majority of this energy intensity, a focused effort on the water-energy nexus at the customer level is a highly efficient way to reduce the carbon footprint of water in California, and to help the State achieve the AB 32 mandate.

Analysis of Problem

Providing a preference for projects that address a water management need of disadvantaged communities will also further the goals of the GGRF.

DWR will continue its participation in the multi-agency coordination team convened by the California Air Resources Board (ARB) which fosters coordination between GGRF investments. Additionally, DWR also coordinates with other agencies, such as the State Water Resources Board, on a wide variety of financial assistance activities to ensure coordination and reduce program conflicts, such as competing solicitations. Additionally, DWR is a member of the California Financing Coordination Committee which provides coordinated and consolidated outreach to potential applicants regarding possible funding opportunities.

D. Justification

This proposal requests the appropriation of \$10 million in LA funds from the GGRF. This proposal is consistent with DWR’s mission to manage the water resources of California, in cooperation with other agencies, to benefit the State’s people, and to protect, restore, and enhance the natural and human environment. The actions proposed in this proposal would directly support Actions 1 (Make conservation a California way of life) and 2 (Increase regional self-reliance and integrated water management across all levels of government) of the California Water Action Plan and provide for coordinated implementation of the key initiatives of California Water Plan Update 2013. The actions described in this proposal directly support goals 1, 3, 6, and 8 of DWR’s Strategic Business Plan:

1. Develop and assess strategies for managing the State’s water resources, including development of the California Water Plan Update.
3. Protect and improve the water resources and dependent ecosystems of statewide significance, including the Sacramento-San Joaquin Bay-Delta Estuary.
6. Support local planning and integrated regional water management through technical and financial assistance.
8. Provide professional, cost-effective, and timely services in support of DWR’s programs, consistent with governmental regulatory and policy requirements.

E. Outcomes and Accountability

DWR plans to implement this proposal as described above, and summarized below. This is a continuation of the Water-Energy program DWR established in 2014. DWR will ensure that the relevant accountability, traceability, and reporting requirements are met. DWR uses SAP and other database systems to meet such reporting requirements. DWR will work with ARB to ensure that, in addition to posting grant awards and related information on the DWR website, ARB reporting obligations are met. DWR also develops program summary reports and other outreach materials to provide the public with information regarding the grant awards.

DWR requires grantees to report on their project status and for construction/implementation projects to document post construction benefits. The Projected Outcomes for the Water-Energy Grant Program are provided in Table 3.

Table 3
Projected Outcomes

Workload Measure	CY 15-16	BY 16-17	BY+1 17-18	BY+2 18-19	BY+3 19-20	BY+4 20-21
Develop Program Guidelines and Proposal Solicitation Package (PSP)	Develop 2016 draft guidelines & PSP (Jan)		Subsequent solicitations would be dependent on future appropriations			

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Public Meetings	3 – Draft 2016 Guidelines & PSP (April) 3 – Applicant workshops (June)					
Issue Final Program Guidelines & PSP		Issue Final 2016 Guidelines & PSP (July)				
Grant Proposals Solicitation		Beginning 2016-17 (July)				
Grant Applications Received		Receive grant applications (Sept)				
Review Grant Proposals		Review applications (Sept-Oct)				
Funds Awarded/Number of Grants		Award \$29M (\$19M from SB 101 and \$10M from this proposal); up to 20 grant awards (Dec)				
Grant Agreements Executed	21	20	0	0	0	0
Contracts Managed	21	41	39	29	16	6
Grant Agreements Completed	0	2	10	13	10	6

F. Analysis of All Feasible Alternatives

Alternative 1 – Approval of Entire Request: Alternative 1 consists of approval of this request in its entirety.

Pro: This would provide additional funding for projects and proposals that improve water supply reliability and result in the reduction of GHG emissions. DWR would continue to leverage the considerable efforts that California water managers have already taken to improve water management in California.

Con: By targeting these funds to water use efficiency actions the grant program may miss opportunities for greater GHG reductions via other water management activities.

Alternative 2 – Reduce the Level of Funding Authorized: Alternative 2 consists of reducing the amount of funding authorized to less than \$10 million.

Pro: DWR will be able to continue efforts to improve water management. The remaining funds could be redirected to support other GHG reduction efforts.

Con: This alternative would reduce the amount of funding available to support local water management efforts.

Alternative 3 – Redirect the Funds to Other Water-Related GHG Reduction Actions: Alternative 3 would consist of denying this specific proposal and instead redirecting the requested \$10 million in funding to other water management actions, such as State Water Project Energy Efficiency actions.

Pro: Other water management actions may provide equal or greater reductions in GHG emissions.

Con: This alternative would not assist local efforts to support such actions.

G. Implementation Plan

Actions necessary to continue the implementation of the Water-Energy Grant Program include the development of revised Program Guidelines and related documents, along with conducting the necessary grant solicitation effort. DWR would conduct a consolidated solicitation, using funds authorized in this proposal and the funds previously appropriated in FY 2015-16. This would result in

Analysis of Problem

efficiencies for both DWR and potential grant applicants by making a total of \$29 million in LA funds available at one time.

The existing 2014 guidelines would be revised to address legislative requirements that have been implemented since issuance of the 2014 guidelines and to address any improvement to the solicitation process identified through the 2014 effort. Additional needed actions include public outreach efforts to solicit grant proposals, an application preparation and submittal phase, technical evaluation of the submitted applications, grant awards, and grant agreement execution and oversight phases. Once funded, the grant projects may require several years to complete.

H. Supplemental Information

N/A

I. Recommendation

Approve Alternative 1, as proposed