

**STATE OF CALIFORNIA**  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 10/20)

<b>Fiscal Year</b> 2021-22	<b>Business Unit</b> 3860	<b>Department</b> Water Resources	<b>Priority No.</b>
<b>Budget Request Name</b> 3860-041-BCP-2021-GB		<b>Program</b> 3230	<b>Subprogram</b>

**Budget Request Description**  
 Sustainable Groundwater Management Program

**Budget Request Summary**

This proposal requests \$60 million General Fund (\$30 million in 2020-21 and \$30 million in 2021-22) for grants that support local planning and implementation of Groundwater Sustainability Plans (GSPs) across critically over-drafted basins.

<b>Requires Legislation</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>Code Section(s) to be Added/Amended/Repealed</b>	
<b>Does this BCP contain information technology (IT) components?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	<b>Department CIO</b>	<b>Date</b>

**For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.**

**Project No.** Click or tap here to enter text. **Project Approval Document:**  
**Approval 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.*

<b>Prepared By</b> Keith Wallace	<b>Date</b> 12/22/2020	<b>Reviewed By</b> Duard MacFarland	<b>Date</b> 1/6/2021
<b>Department Director</b> Kathie Kishaba	<b>Date</b> 1/6/2021	<b>Agency Secretary</b> Amanda Martin	<b>Date</b> 1/6/2021

**Department of Finance Use Only**

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

<b>PPBA</b> Sergio Aguilar	<b>Date submitted to the Legislature</b> 1/8/2021
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## **A. Budget Request Summary**

This proposal requests \$60 million General Fund (\$30 million in 2020-21 and \$30 million in 2021-22) for grants that support local planning and implementation of Groundwater Sustainability Plans (GSPs) across critically over-drafted basins.

## **B. Background/History**

More than 30 million Californians (approximately 85%) rely on groundwater for a portion or for all their drinking water supply. In an average year, 40 percent of the State's water supply comes from groundwater to meet urban, agricultural, and managed wetland demands. During dry/drought years, that percentage rises to nearly 60 percent. Groundwater is considered California's "drought buffer."

California's surface water has been actively managed since 1914 by the State Water Resources Control Board through water rights, contract entitlements, and surface water diversion reporting. Groundwater has had no such management. In some areas of the State, this has led to significant declines in groundwater levels. Groundwater declines can lead to subsidence. Subsidence is the result of an aquifer collapsing and is damaging for two primary reasons: (1) it decreases the amount of water that can be recharged back into the aquifer by natural or direct means, putting the State at risk of not having that buffer for future droughts and (2) the land overlying the groundwater aquifer literally sinks which can lead to significant structural damage. This is a compounding problem when subsidence damages conveyance structures like canals intended to deliver surface water to offset groundwater use.

### Sustainable Groundwater Management Act

On September 16, 2014, three groundwater legislation bills were enacted (SB 1168, AB 1739, and SB 1319) referred to collectively as the Sustainable Groundwater Management Act (SGMA). SGMA is landmark legislation that will impact water management in California including both surface water and groundwater. For the first time, water accounting will be necessary to ensure local agencies manage their water resources, including both groundwater and surface water in a balanced condition, thus reducing the adverse impacts (e.g., subsidence, dry wells, and degraded water quality) that are being observed today (and will worsen in the future with no action) through overuse and mismanagement of this precious resource. SGMA assigned DWR with dual roles: (1) regulatory role – establish the regulations for how a GSP must be prepared and assess the GSPs likelihood of achieving sustainability, and (2) assistance role – assist the locals to prepare and implement their GSPs through technical, planning, and financial support.

### Sustainable Groundwater Management (SGM) Grant Program

Proposition 1, approved by the voters on November 4, 2014, authorized the Legislature to appropriate funds to DWR to establish the SGM Grant Program. The SGM Grant Program has established two programs that support SGMA implementation: (1) the SGM Planning Grant Program and (2) the SGM Implementation Grant Program.

The SGM Planning Grant Program provides funds for activities that support the development of GSPs. Two rounds were funded by Proposition 1, awarding a total of \$92.5M, with \$16.2M is for projects that serve Severely Disadvantaged Communities (SDACs). The third round was funded by both Proposition 68 and Proposition 1 awarding \$47.5M.

In FY 19/20, the Department was appropriated \$88M in local assistance from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund Proposition 68, to

## Analysis of Problem

competitively award in a newly created SGM Implementation Grant Program. The purpose of this grant program is to support planning, design, and construction for projects and management actions that will help implement GSPs.

The FY 20/21 Budget directed the acceleration of \$26M for the critically overdrafted (COD) basins responsible for implementing GSPs or Alternatives to a GSP. The Final Guidelines and Proposal Solicitation Package for the SGM Implementation Grant Program were released October 31, 2020. Applications are due January 8, 2021. The second round for the remaining funds will begin in early 2022.

### Resource History (Dollars in thousands)

<b>Program Budget</b>	<b>PY – 4</b>	<b>PY – 3</b>	<b>PY – 2</b>	<b>PY-1</b>	<b>PY</b>	<b>CY</b>
Authorized Expenditures	\$60,000	\$1,052	\$35,032	\$47,887	\$88,000	\$2,251
Actual Expenditures	\$57,673	\$1,043	\$34,861	\$46,489	\$948	TBD
Revenues						
Authorized Positions	0	0	0	3	3	3
Filled Positions	0	0	0	3	3	3
Vacancies	0	0	0	0	0	0

### Workload History

## Analysis of Problem

<b>Workload Measure</b>	<b>PY – 4</b>	<b>PY – 3</b>	<b>PY – 2</b>	<b>PY-1</b>	<b>PY</b>	<b>CY</b>
Proposition 1, Round 1, Counties with Stressed Basins Grants	Awarded 21 grants totaling \$6.7M	Managed Grants Agreements	Managed Grant Agreements	Managed Grant Agreements		
Proposition 1, Round 2, Sustainable Groundwater Planning Grant Program			Awarded 78 grants totaling \$85.8M	Managed Grant Agreements		Managed Grant Agreements
Proposition 68, Round 3, Sustainable Groundwater Planning Grant Program					Awarded 53 grants Totaling \$47.5M	Managed Grant Agreements
Round 1, SGM Implementation Grant Program						Will award \$26M to COD basins

### C. State Level Consideration

This proposal addresses a top priority to manage groundwater sustainably in California. SGMA implementation was specifically identified in Governor Newsom's Water Resilience Portfolio Initiative as an initiative that can be built upon to meet the state's evolving water challenges.

The California Water Plan, Update 2013, describes the significant challenges facing California's water resources and how groundwater use has become unsustainable in many areas. Conditions such as declining ecosystems (and related regulatory requirements), rising energy costs, and aging infrastructure have resulted in a less reliable supply of water for urban, agricultural, and environmental uses. The California Department of Finance projects that this trend indicates a State population of roughly 45 million by 2050, up from 30 million in 1990. California's already strained water supply and flood protection systems require increased annual maintenance as they age, with higher costs to operate as a result.

Thirty million Californians rely on groundwater for a portion of their drinking water. Many water users in the Central Valley are turning to groundwater as surface supplies become less reliable. From 2005 to 2010, 16.5 million acre-feet of groundwater were used on average to meet urban, agricultural, and managed wetland demands (or about 40 percent of their total demands). During this period, up to 13 million acre-feet of groundwater storage were depleted in these areas, more than enough to meet all urban water demands in California for one year. As a result, land subsidence rates of up to 1 foot per year have returned to some San Joaquin Valley localities heavily reliant on groundwater supplies.

### D. Justification

SGMA required GSAs within critically-overdrafted (COD) basins to develop, adopt, and submit a GSP (or Alternative to a GSP) to DWR for review and evaluation by January 31, 2020. There are 21 COD basins within California. One of those basins is adjudicated and not required to submit a GSP. The remaining 20 COD basins submitted either a GSP or an Alternative by the statutory deadline.

## Analysis of Problem

All GSPs must include projects and management actions, that will assist the basin with achieving sustainability, as required by SGMA and the State's GSP Regulations (CCR Title 23, Division 2, Chapter 1.5, Subchapter 2). DWR has two years to evaluate these plans after submittal; however, GSAs may begin implementing their GSP immediately after adoption, which includes the implementation of projects and management actions.

In addition to implementing project and management actions, GSAs are required to submit annual reports and five-year updates to DWR so it can monitor GSP implementation progress. GSAs have 20 years to implement these GSPs. They also have the authority to assess fees to water users to pay for these projects. Despite this planning duration and the ability to assess fees, raising the needed revenue to fund all of these projects and GSP updates will be challenging, as many of the COD basins are comprised of disadvantaged and severely disadvantaged communities (DACs/SDACs). In 2020-21 DWR accelerated the award of \$26M in Proposition 68 SGM Implementation Grant Program funds to COD basin GSAs. The intent of this funding was to provide an immediate influx of resources to get GSPs implemented as quickly as possible. DWR is currently administering this solicitation. This funding will provide much needed support, but as noted above, there are more costs to be incurred by the COD basins to successfully implement their plans.

This proposal will make \$60 million General Fund (\$30 million in 2020-21 and \$30 million in 2021-22) available for grants to support local planning and implementation of GSPs across COD basins. Activities eligible for grant funding could include, but are not limited to: planning and design of projects; the construction of projects that will increase water supply reliability (e.g., stormwater capture, recharge, conjunctive use, recycled water, conveyance, etc.); studies that will address data gaps, including the installation of monitoring wells; and efforts that will address deficiencies in initial GSPs. Providing this additional funding to COD basin GSAs will further the likelihood of successful GSP implementation. If COD basin GSAs are unable to implement their GSPs, their basins will not be managed sustainably. This will lead to the eventual depletion of the entire basin which will have long-term economic impacts to the residents of the basin, as well as, the state. Groundwater pumping in the COD basins comprises more than 60% of the entire state's groundwater pumping. Many California businesses rely on groundwater.

### **E. Outcomes and Accountability**

The intended outcome of this proposal is to effectively support local planning and implementation of GSPs across COD basins by awarding \$60 million in grants to agencies responsible for implementing the GSPs.

Activities eligible for grant funding could include, but are not limited to: planning and design of projects; the construction of projects that will increase water supply reliability (e.g., stormwater capture, recharge, conjunctive use, recycled water, conveyance, etc.); studies that will address data gaps, including the installation of monitoring wells; and efforts that will address deficiencies in initial GSPs.

The proposed funds will be incorporated into DWR's existing SGM Grant Program that resides in DWR's Financial Assistance Branch (FAB). FAB has been awarding and managing grant funds for nearly 15 years and has protocols for monitoring expenditures and tracking grant performance. The SGM Grant Program has a dedicated DWR project manager who is responsible for monitoring project costs and deliverables. FAB will utilize existing SGM Grant Program to determine what planning and project actions are eligible for grant funding.

## Projected Outcomes

## Analysis of Problem

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
e.g., Applications Received, Applications Processed, Call Volume, etc.	Award \$30 million in grants to COD basins; execute grant agreements	Manage grant agreements; award additional \$30 million in grants to COD basins; execute grant agreements	Manage grant agreements	Manage grant agreements	Manage grant agreements	N/A

### F. Analysis of All Feasible Alternatives

Alternative 1: Appropriate \$60 million General Fund (\$30 million in 2020-21 and \$30million in 2021-22) for grants that support local planning and implementation of GSPs across COD basins

Pros:

- The proposal will allow DWR to help GSAs implement their GSPs by providing funding for projects and planning efforts that will address known data gaps and deficiencies in initial GSPs. Overall, providing funding to GSAs could allow for earlier successful implementation of SGMA. Groundwater management has never been implemented in California before the enactment of SGMA; therefore, up-front State funding should foster local success.

Cons:

- Increased obligation to General Fund.

Alternative 2: Deny a Portion of the request.

Pros:

- Reduced obligation to General Fund.

Cons:

- Reduced funding would result in fewer GSAs receiving financial assistance which could delay the implementation of the GSP for those basins. In many cases, the basins that are most financially vulnerable are the ones who have experiences the greatest groundwater level declines.

Alternative 3: Deny the Requested Funding.

Pros:

- No increased obligation to General Fund.

Cons:

- The state's opportunity to provide timely incentive-based financial support for the enhancement and implementation of GSPs and groundwater projects will be missed. If the proposal is not approved, many basins will struggle to implement their GSPs due to a lack of funding. In many cases, the basins that are most financially vulnerable are the ones who have experiences the greatest groundwater level declines.

## **Analysis of Problem**

### **G. Implementation Plan**

The proposed funds will be incorporated into the existing SGM Grant Program.

### **H. Supplemental Information**

None

### **I. Recommendation**

DWR recommends Alternative 1, which would appropriate \$60 million General Fund (\$30 million in 2020-21 and \$30 million in 2021-22) for grants that support local planning and implementation of GSPs across COD basins.

# BCP Fiscal Detail Sheet

BCP Title: Sustainable Groundwater Management Program

BR Name: 3860-041-BCP-2021-GB

Budget Request Summary

## Operating Expenses and Equipment

Operating Expenses and Equipment	FY21 Current Year	FY21 Budget Year	FY21 BY+1	FY21 BY+2	FY21 BY+3	FY21 BY+4
54XX - Special Items of Expense	0	30,000	0	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$30,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Total Budget Request

Total Budget Request	FY21 Current Year	FY21 Budget Year	FY21 BY+1	FY21 BY+2	FY21 BY+3	FY21 BY+4
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$30,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Fund Summary

### Fund Source

Fund Source	FY21 Current Year	FY21 Budget Year	FY21 BY+1	FY21 BY+2	FY21 BY+3	FY21 BY+4
Local Assistance - 0001 - General Fund	0	30,000	0	0	0	0
<b>Total Local Assistance Expenditures</b>	<b>\$0</b>	<b>\$30,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$30,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Program Summary

### Program Funding

Program Funding	FY21 Current Year	FY21 Budget Year	FY21 BY+1	FY21 BY+2	FY21 BY+3	FY21 BY+4
3230 - Continuing Formulation of the California Water Plan	0	30,000	0	0	0	0
<b>Total All Programs</b>	<b>\$0</b>	<b>\$30,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>