Little Hoover Commission
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Introduction

As the Little Hoover Commission evaluates California's water governance structure and forms recommendations for improving coordination, efficiency, transparency, and accountability, it will be valuable to consider the role of Integrated Regional Water Management (IRWM). IRWM is the application of broader Integrated Water Management principles on a regional basis. IRWM integrates local agency responses to regional resource management issues and facilitates compliance with State laws and policies. Over the past decade, IRWM efforts have emerged across California as some local governments and agencies sought a path forward from long, debilitating law suits and many others responded to financial incentives offered by the State. As a consequence, many local governments and agencies are working more closely on a regional basis and better integrating their resource management decisions. This typically results in both more efficient and sustainable water management plans and better representation and transparency in water management decisions.

IRWM can also serve as a framework for better coordinating State laws and policies. As State agencies with water management authority and responsibility work together to develop and refine IRWM guidelines and review IRWM plans, they must jointly consider potential conflicts and develop priorities in implementing those laws and policies. State agencies are motivated to work collaboratively on IRWM guidelines, because access to State funding can provide strong incentive for local agencies to comply with State laws and policies. Moreover, issuing State financial assistance through a coordinated IRWM program -- as opposed to many single purpose grant programs -- provides a single point of coordination for both local and state agencies and allows flexibility in using funding for the highest regional priorities.

Specific Responses to Questions from the Commission

Question: Is the approach of integrated water management the only model available to address a statewide systematic management of California's water resources?
Response: In its broadest sense, Integrated Water Management is a philosophy and process of coordinating the management of water, land and related resources, with the goal of maximizing economic and social welfare while maintaining the sustainability of vital ecosystems. In practice, Integrated Water Management involves coordinating laws, policies, and investment decisions that affect the development and management of water supplies, water demand, water quality, flood management, and protecting and enhancing

the environment. Promoting Integrated Water Management principles should be in the forefront when considering changes to governance of California's water resources.

The California Water Plan identifies two key initiatives for advancing management of California's water resources:

- Promote Integrated Regional Water Management to enable regions to implement strategies appropriate for their own needs and help them become more self-sufficient.
- Improve statewide water management systems to provide for upgrades to the large physical facilities, such as the State Water Project, and statewide management programs essential to the California economy.

It is important to understand that while issues concerning statewide water management systems most often receive the most statewide attention (e.g. management of the State Water Project and Central Valley Project in light of drought and decline of the Sacramento – San Joaquin Delta), the majority of California's water management investments are made at the local and regional level. While my testimony today focuses on improving and better aligning regional water management with State laws and policies, Integrated Water Management principles should apply to both regional water management and the management of statewide water systems.

IRWM leads local governments and agencies to work together on a regional basis to define water resources management objectives and priorities; integrate infrastructure and other assets to improve efficiency of investments; develop a diverse portfolio of water management programs, projects and management tools to improve water supply reliability and sustainability; and to improve collaboration with diverse interest groups and stakeholders. As the practice of IRWM matures, State agencies should leverage this regional collaboration by working together to develop and refine guidelines that set minimum requirements and competitive criteria for IRWM plans. State IRWM guidelines should seek to integrate all applicable State laws and policies, both to provide a single point of information for local governments and agencies and to focus State financial incentives on compliance with those laws and policies.

This approach can improve the functionality of the existing State governance structure; however, a key to success is that all applicable State agencies must have the necessary staff resources to participate in the collaborative process. As State budgets become leaner, coordination efforts must often be sacrificed in favor of complying with the core mission of any given agency, or even the core mission of individual programs within agencies.

As the Commission considers changes to the State's water governance structure, providing additional resources and incentives for State agencies to participate in developing and refining IRWM guidelines and reviewing IRWM plans should be a consideration. One path towards improving this participation would be to, over time, integrate more State financial assistance programs with the IRWM process. This could take the form of moving more State funding from single purpose grant and loan programs

into the IRWM fund, or requiring local proposals for State funding from those single purpose grant funds to be consistent with an adopted and approved IRWM plan.

Question: How could DWR create incentives to encourage greater participation regionally of municipalities, agriculture and industrial interests within the integrated water management program?

Response: Most regions across California are engaged in IRWM planning and DWR is encouraged by the level of interest and response to the IRWM program. To continue to advance regional participation in the program, DWR should:

- Continue to work with other State agencies and encourage their participation in developing IRWM guidelines and reviewing IRWM plans. Broader incorporation of State laws and policies will provide additional incentive for regional participation.
- As funds are available, provide financial assistance to local agencies to improve their plans and, particularly in economically disadvantaged areas, provide capacity to engage in the planning process. Provide facilitation services to local agencies when requested.
- Attempt to clarify minimum levels of outreach and participation in IRWM plans. Because all regions are unique, this is best accomplished by State agency staff being available for at least a minimum level of observation and participation in regional planning processes to assure adequate collaboration of regional interests is occurring.
- Provide clear, consistent guidelines for regional development of IRWM plans and State agency review of those plans. Requirements for IRWM plans must evolve over time, but changes to guidelines must only be made after deliberative, transparent public processes. State agencies must provide sufficient lead time and possible cost sharing for making improvements to IRWM plans necessary to meet the new guidelines.
- Provide adequate and consistent incentive through IRWM implementation grants. Funding cycles must occur often enough to maintain momentum of regional planning processes. Over the long term, identifying a consistent source of funding for IRWM grants to replace general obligation bond funding will likely be necessary.

If the State Water Project were separated from the DWR, what would the remaining programs within DWR look like and how could they function more effectively?

There is already significant separation within DWR of State Water Project functions and other water resources management functions. SWP funds are budgeted and accounted for separately from other sources of funding. Operation and Maintenance of the SWP is the responsibility of a distinct division within DWR. Environmental and engineering services for the SWP also are managed in distinct divisions within DWR, and those divisions also provide these specialty services to other programs in DWR.

The primary functions remaining at DWR, absent management of the SWP, would include:

- A statewide planning program, focused on resource data collection and management and updating of the California Water Plan.
- A regional water management program, focused on providing technical and financial assistance to local agencies and implementing the IRWM program.
- A flood management program, focused on improving and maintaining Central Valley flood management systems and providing statewide flood management financial assistance,
- A Safety of Dams program, focused on maintaining adequate safety of State regulated dams.
- A variety of specific statutorily defined programs, focused primarily on improving management of California's water resources through direct action and by coordinating with and assisting federal and local agencies.

The key concern for DWR, in the event management of the SWP is moved to a different agency, was described by Director Snow in his testimony to the Commission in June of this year:

> "The integration of the SWP within DWR currently provides for unique cross-training functions in the water resources engineering and scientific fields. For example, a DWR employee may work on a matrix-team style project to integrate the purchase and management of mitigation lands for flood projects with lands set aside for SWP mitigation purposes to achieve optimal swainson's hawk habitat. On a project like this, DWR is able to easily draw upon a wide variety of intradepartmental expertise from a number of divisions."

Removal of the SWP would diminish DWR's organizational stability. Currently, as new programs and projects are implemented (e.g. implementation of the $5 billion FloodSAFE California program, following passage of Propositions 1E and 84 in 2006) staff with appropriate expertise and qualification may move easily between divisions to take on a higher priority assignment. As programs and projects wind down, staff may be incorporated into a variety of other ongoing, funded projects. With the current level of inconsistency in funding for DWR programs, removal of the SWP could lead to instances where qualified staff cannot be identified in a timely manner to carry out high priority programs, or layoffs are necessary when programs end.

These issues could be mitigated with improvements to the State's human resources system that allow easier transfer of employees across Departments, and more efficient examination and hiring of qualified candidates into State service. A consistent source of State funding, to replace diminishing general funds and inconsistent general obligation bond funds, would also become even more vital for DWR without the SWP.

Would the separation of the State Water Project upset the source of revenue of the remaining planning functions of DWR?

Response: The SWP contributes only a minor amount of funding for DWR's statewide programs, and only when there is a direct benefit to the SWP (e.g. water data collection activities that assist in the management of the SWP.) Separation of the SWP from DWR

would not have major effect on available funding to carryout DWR's broader mission of managing California's water resources. The bigger impact, as described above, would be the loss of cross training opportunities and the diminished accessibility of staff to meet changing needs as projects are initiated and completed or program priorities change.

Additional Background

Overview of Integrated Regional Water Management

Over the past decade, California has improved its understanding of the value of regional planning and made significant steps in implementing IRWM. IRWM is a comprehensive approach for determining the appropriate mix of water demand and supply management options and water quality actions to provide long-term, reliable water supplies for all uses at lowest reasonable cost and with highest possible benefits for economic development, environmental quality, and other societal objectives. IRWM plans are developed on a regional basis, considering watershed, jurisdictional and political boundaries; involve multiple agencies, stakeholders, individuals, and groups; and attempt to address the issues and differing perspectives of all the entities involved through mutually beneficial solutions.

IRWM actions provide a broad variety of benefits, including meeting existing and future water demands; improving the quality of water sources and supplies; providing flexibility to deal with extreme hydrological events, such as droughts and floods; and restoring and enhancing ecosystems to help sustain our natural resources.

History of IRWM

IRWM is an example of integrated resource planning, which began in the late 1980s in the electric power industry as a comprehensive approach to resource management and planning. When applied to water management, integrated resource planning is a systems approach that explores the cause-and-effect relationships between different aspects of water resource management, with an understanding that changes in the management of one aspect of water resources can affect others. Because water resources are often not confined to the boundaries of a single water management agency, a consensus-based, cross-jurisdictional, regional approach provides an opportunity to formulate comprehensive solutions to water resource issues within a region. The tools to formulate these solutions include a range of water resource management strategies which relate to water supply, water quality, water use efficiency, operational flexibility, and stewardship of land and natural resources.

Previously, water management entities tended to work with a narrow focus on their service area and primary function, sometimes competing against similar efforts to resolve similar issues or advancing duplicative efforts. IRWM operates on the principle that each stakeholder holds a piece of the water management solution for their region and that the best solutions require better communication and understanding of regional issues than has previously occurred.

To encourage local agencies to work cooperatively to manage local and imported water supplies to improve the quality, quantity, and reliability of those supplies, the California

Water Code was amended by The Integrated Regional Water Management Act of 2002 (SB 1672, Costa). While this act provided the authority for IRWM plans, it gave little guidance or incentive for IRWM planning or implementation.

In September 2008, the Integrated Regional Water Management Planning Act was amended by the legislature and signed by the Governor. The IRWM Act amends the California Water Code and provides an updated general definition of an IRWM plan as well as guidance to State agencies as to what IRWM program guidelines must contain.

Financial Incentives for IRWM

With the passage of a number of water bonds over the last decade, we have learned that bond funds can provide significant leverage for investment of local funds resulting in major investments in the State's water infrastructure and programs.

In November 2002, California voters passed Proposition 50, the *Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002*, which provided $500 million to fund competitive grants for projects consistent with an adopted IRWM plan. The grant program was run as a joint effort between the Department of Water Resources and the State Water Quality Control Board to provide both planning and implementation grants to IRWM efforts. The incentive provided by this funding, as well as the direction provided in grant program guidelines, were major drivers in IRWM.

In November 2006, California voters passed Proposition 84, the *Safe Drinking Water, Water Quality, and Supply, Flood Control, River and Coastal Protection Bond Act of 2006*. Proposition 84 provides $1 billion for IRWM planning and implementation. At the same time, California voters also passed Proposition 1E, the *Disaster Preparedness and Flood Prevention Bond Act of 2006*, which provides, among other actions, $300,000,000 for storm water projects that reduce flood damage and are consistent with an IRWM plan.

Past experience indicates that an investment of $1 billion in IRWM from State bond funds could result in water supply benefits of approximately 1.2 million acre-feet per year in addition to a number of ancillary benefits to water quality, the environment, flood protection and other regional objectives.

Incorporating State Policies in IRWM Plan Guidelines and Requirements

As noted in the California Water Plan Update 2005, IRWM is one of the initiatives key to ensuring reliable water supplies in the future. IRWM will help communities and regions incorporate sustainable actions into their water management efforts. A main focus of IRWM planning is diversification of a region's water portfolio so that multiple resource management strategies are employed in meeting future water and water quality needs of all sectors. This diversification should help regions to better prepare to face an uncertain future of water availability and water use; while protecting and improving water quality and the environment.

The next update of the California Water Plan, to be finalized early in 2010, will present over 25 resource management strategies that should be considered in developing IRWM plans. DWR has worked with more than 15 State agencies through a steering committee effort, and employed a robust public involvement program to develop the California Water Plan update.

DWR is currently implementing a Regional Acceptance Process (RAP) that will determine eligible entities for competing for the first round of IRWM grants made available from Proposition 84 funding. Since the inception of the IRWM program, DWR has encouraged and supported the formation of self-determined IRWM regions, encouraging broader, watershed-based planning areas whenever possible. DWR acknowledges multiple perspectives on water management issues and requires collaborative involvement of multiple stakeholders as a basic eligibility requirement for an IRWM region.

In the first RAP cycle, DWR received 46 proposals for IRWM regions. These regions cover 82 percent of the State lands and 98 percent of the State population. In a draft decision currently undergoing public review and comment, thirty-four regions were approved and eleven received conditional approval. If State economic conditions allow adequate access to General Obligation bond funding, DWR will proceed with the first cycle of Proposition 84 competitive IRWM grant funding in the coming months.