

March 11, 2025

President pro Tempore Mike McGuire
California State Senate
1021 O Street, Suite 8518
Sacramento, CA 95814

Speaker Robert Rivas
California State Assembly
1021 O Street, Suite 8330
Sacramento, CA 95814

Honorable Scott Wiener
California State Senate
1021 O Street, Suite 8630
Sacramento, CA 95814

Honorable Jesse Gabirel
California State Assembly
1021 O Street, Suite 8230
Sacramento, CA 95814

Honorable Benjamin Allen
California State Senate
1021 O Street, Suite 6610
Sacramento, CA 95814

Honorable Steve Bennett
California State Assembly
1021 O Street, Suite 4710
Sacramento, CA 95814

RE: 2025-26 State Budget: Climate Bond Implementation and Greenhouse Gas Reduction Fund

Dear President pro Tempore McGuire, Speaker Rivas, Budget Chairs Weiner and Gabriel, and Subcommittee Chairs Allen and Bennett:

On behalf of the Association of California Water Agencies (ACWA), I am writing to highlight specific priorities of our members in both the climate bond implementation and ongoing discussions on the various allocations in the Greenhouse Gas Reduction Fund (GGRF). ACWA represents approximately 470 public water agencies that are collectively responsible for 90 percent of the water delivered to communities, farms, and businesses in California.

Proposed Climate Bond Funding Plan

First, ACWA wants to recognize and thank the Legislature for their work to put forward a climate bond to voters. California's changing climate creates increased risks of drought, floods, intense rain events, and sea level rise that will present unique challenges to public water agencies and their ability to reliably provide water to California's farms and cities. The State is currently underprepared to manage a water system with a decreasing snowpack, less frequent precipitation, and increasing weather extremes. Adapting to climate change will require California to urgently and significantly rehabilitate and modify existing water facilities, improve operational flexibility, and make generational investments in new water infrastructure.

ACWA appreciated the opportunity to provide input as the bond was being considered by the Legislature. Likewise, as the Legislature considers the Administration's proposed implementation of Proposition 4, ACWA would encourage consideration of the following priorities and recommendations.

Water Quality and Safe Drinking Water

The funding for water quality and safe drinking water is one of the larger funding categories in the climate bond with a total allocation of \$610 million. The State Water Resources Control Board (State Water Board) has testified in both the Senate and Assembly budget subcommittees that the intent is to administer this funding through the safe drinking water and clean drinking water state revolving funds. The State Water Board has also said it plans to primarily use the drinking water part of this funding for addressing failing drinking water systems with a focus on small, disadvantaged communities. Safe and affordable drinking water continues to be a priority for ACWA and its members and we also support the ongoing funding for the Safe and Affordable Funding for Equity and Resilience (SAFER) program from the GGRF, referenced later in this letter.

However, we also want to highlight the significant need for funding for safe drinking water for treatment for per- and polyfluoroalkyl substances (PFAS). Public water agencies across the state are working to treat drinking water to meet current Federal standards and State notification and response levels to ensure safe drinking water. The cost of treatment for PFAS is substantial, and without assistance from funds like the climate bond, these costs will be borne solely by ratepayers, having significant impacts on affordability. ACWA would ask the Legislature to ensure that funding for PFAS is included within the final spending plan for the water quality and safe drinking water category of the climate bond. Additionally, ACWA and its members are in the process of working on a study of cost of compliance with PFAS treatment standards and hope to have a better understanding of the total fiscal impact to public agencies later this year.

Groundwater Storage/Banking/Recharge/Instream Flow

The funding for groundwater storage, banking, recharge, and instream flow is highly valued by ACWA members. ACWA appreciates that the climate bond specifies that funds in these categories are for projects related to groundwater storage, banking, recharge, or instream flow supporting conjunctive use and agrees that this is the appropriate focus for this funding. In response to the Sustainable Groundwater Management Act (SGMA), local agencies have proposed more than 340 new recharge projects that, if built, could result in as much as 2.2 million acre-feet of additional stored water in a single wet year by 2030.

Brackish Desalination & Salinity Management Projects

ACWA supports ensuring that funding and permitting for brackish desalination projects continue to be a top priority for the Legislature and Administration. It is critical to make certain that these funds can be distributed and projects can be implemented. The State has set a target of expanding brackish groundwater desalination by 84,000 acre-feet per year by 2040. Both ocean and brackish groundwater and surface water desalination play an important role in local communities' water supply planning

processes to enhance California's drought resilience, and the Legislature should consider allowing the use of this funding to include ocean desalination projects consistent with the Governor's Water Supply Strategy.

Regional Conveyance Projects & Repairs to Existing Conveyances

New regional water conveyance systems and repairs of existing facilities are essential to create a more resilient water infrastructure system. The Bureau of Reclamation estimates that repairing arterial canals in the central valley that have been damaged due to subsidence will cost over \$500 million. Many local and regional conveyance upgrades and repairs are needed throughout the State to create access to new water sources or provide emergency backup conveyance. ACWA recognizes that this category is a new funding program and that guidelines need to be established; however, there is a significant need for action to address conveyance and subsidence issues and request a more accelerated spending plan for this program.

Wildfire and Forest Resilience

ACWA's members are actively engaged in wildfire prevention and forest health projects across the state, often participating through regional collaboration efforts. The Legislature, very rightfully, is focused on the impacts of and preparation for wildfire due to the catastrophic, climate-drive wildfire events in Los Angeles earlier this year. These intense wildfires have devastating impacts on communities, and public water agencies serve a critical local government role in preparing for and responding to these emergencies. There are significant needs for wildfire prevention activities across the state from the mountainous regions to the coast and in between. With that in mind, ACWA would request that the Legislature ensure broad regional distribution of funds to benefit all communities across the state.

Invasive Species Account

Many ACWA members manage reservoirs used for recreation in addition to drinking water and storage purposes. The funds in the climate bond for invasive species are a critical resource as water managers address these challenges. ACWA would like to highlight the emerging challenge many of our members are facing related to Golden Mussels, which are threatening to create havoc for water infrastructure up and down the state. There is the potential that some water agencies may close access to recreational reservoirs because of these issues and will likely only grow as a problem if there is not a concrete effort to address this escalating challenge.

Reject Proposed Fund Reversions

ACWA would strongly urge the Legislature to reject the Administration's proposal to "backfill" earlier general fund commitments with climate bond funding. The climate bond funding was intended to be additive to other funding available for climate efforts and these monies are critical resources for climate adaptation. Specifically, we would ask the Legislature to reject the following proposed reversions:

- \$47 million for Dam Safety
- \$51 million for Water Recycling

- \$15 million for Systemwide Flood Risk Reduction
- \$32 million for Watershed Climate Resilience

Administrative Procedures Act Exemption

On February 1, 2025, the Administration released a draft trailer bill proposal that would exempt funding guidelines for programs within the climate bond from the Administrative Procedures Act (APA). ACWA supports this exemption. As an organization that has historically participated in the public processes the State uses to establish funding guidelines for programs, ACWA believes that this exemption is appropriate. State agencies provide opportunities for robust public participation and input as they develop these guidelines.

Existing Program Solicitation Timelines

The budget change proposal (BCP) on the climate bond put forth by the Administration includes some language stating, “existing programs may offer grant solicitations as early as Spring or Summer of 2026.” This language is unnecessarily constraining processes for existing programs; if those programs are able to offer a solicitation sooner than that timeline, it should not be prevented by this language in the BCP. We would ask the Legislature to reject this constraint on grant solicitation timing, allowing state agencies to work within whatever timeline is appropriate for each specific program.

Greenhouse Gas Reduction Fund

As California’s Cap-and-Trade Program is up for reauthorization, we urge the Legislature to carefully consider its funding priorities in the Greenhouse Gas Reduction Fund (GGRF). ACWA strongly supports continued funding for the following programs:

- \$130 million for the Safe and Affordable Funding for Equity and Resilience (SAFER)
- \$200 million for healthy and resilient forest activities
- \$21 million for the State Water Efficiency and Enhancement Program (SWEEP)
- \$50 million for the Healthy Soils Program (HSP)
- \$230 million for the Oroville Pumped Storage Project (Oroville Project)

Safe and Affordable Funding for Equity and Resilience

The GGRF currently provides an ongoing appropriation of five percent of annual GGRF revenues (up to \$130 million) for the SAFER Program under the State Water Board through the 2029-30 fiscal year. Funding for the SAFER program strengthens access to safe and affordable drinking water throughout the state, especially in disadvantaged communities. As of April 2024, nearly five years into the SAFER program, the State Water Board has distributed more than \$831 million in grants for drinking water projects in California’s disadvantaged communities, and over 250 failing water systems have returned to compliance with drinking water standards, benefiting more than 2 million people. This funding is a critical resource as the state works to address these challenges, and we strongly support its continued inclusion in the GGRF allocations.

Healthy and Resilient Forest Activities

The GGRF currently provides an ongoing appropriation of \$200 million for healthy and resilient forest activities through the 2029-30 fiscal year. The recent devastating Southern California wildfires have further proven the vital importance of forest management activities. These funds promote forest health and prevent fires through reforestation, fuels reduction, pest management, prescribed fire, forest biomass utilization, defensible space inspections, fire prevention education, fire hazard severity mapping, and more.

State Water Efficiency and Enhancement Program and Healthy Soils Program

ACWA strongly supports the ongoing appropriations in the GGRF for the SWEEP and HSP programs. SWEEP funds projects that reduce water use; facilitate fuel conversion; and enhance or replace on-farm pumps, motors, and irrigation systems. These projects help to reduce greenhouse gas (GHG) emissions, increase water efficiency, and decrease air pollution. Funding through HSP incentivizes on-farm management practices that sequester carbon, reduce GHG emissions, and improve soil health. Projects that receive this funding benefit communities by reducing air pollution and dust exposure, increasing food access, and providing educational opportunities through schools and nonprofits.

Pumped Oroville Storage Project

The current Cap and Trade Expenditure Plan proposes to allocate \$230 million over three fiscal years starting with \$30 million in 2025-26. ACWA supports this funding as the project would ensure sufficient cold water releases from Oroville into the Feather River to allow for operation of the existing pumped hydroelectric storage project, which would make advances toward the State Water Project's statutory obligation to procure 100 percent of its electricity from eligible renewable energy resources and zero-carbon resource.

These investments are essential to ensure safe and affordable drinking water, mitigate potential wildfire disasters, increase water and energy efficiency, and promote sustainable farming practices.

ACWA appreciates your consideration of these budget priorities. If you have any questions, please contact Julia Hall at JuliaH@acwa.com.

Sincerely,



Julia Bishop Hall
State Legislative Director
Association of California Water Agencies