

Official Title and Summary Prepared by the Attorney General

CALIFORNIA SAFE DRINKING WATER BOND LAW OF 1986. This act provides for a bond issue of one hundred million dollars (\$100,000,000) to provide funds for improvement of domestic water systems to meet minimum drinking water standards.

Text of Proposed Law

This law proposed by Assembly Bill 2668 (Statutes of 1986, Chapter 410) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Water Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Chapter 10.7 (commencing with Section 13895) is added to Division 7 of the Water Code, to read:

CHAPTER 10.7. CALIFORNIA SAFE DRINKING WATER BOND LAW OF 1986

13895. This chapter shall be known and may be cited as the California Safe Drinking Water Bond Law of 1986.

13895.1. The Legislature hereby finds and declares all of the following:

(a) The State Department of Health Services has discovered toxic chemicals in 126 of California's large public drinking water systems.

(b) Many of the chemical contaminants in California's drinking water supplies are known or suspected of causing cancer, birth defects, and other serious illnesses.

(c) Following the passage of the California Safe Drinking Water Bond Law of 1984, the State Department of Health Services received 1,359 requests for eight hundred twenty-five million dollars (\$825,000,000) to improve public drinking water systems. The department has determined that an additional five hundred million dollars (\$500,000,000) is needed immediately for public water systems to correct deficiencies which pose a health hazard to enable hundreds of systems to meet minimum health standards.

(d) New monitoring programs for small public water systems are expected to identify many new toxic contamination problems. It is unlikely that these problems can be solved without financial assistance from the State of California.

13895.2. The Legislature further finds and declares that the protection of the health, safety, and welfare of the people of California requires that water supplied for domestic purposes be at all times pure, wholesome, and potable, and that it is in the interest of the people that the State of California provide technical and financial assistance to the end that the people of California are assured a safe, dependable, and potable supply of water for domestic purposes and that water is available in adequate quantity at sufficient pressure for health, cleanliness, and other domestic purposes.

13895.3. The Legislature further finds and declares that it is the intent of the Legislature to provide for the upgrading of domestic water supply systems to assure that all domestic water supplies at least meet minimum domestic water supply standards established under Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code.

13895.4. The State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code) is adopted for the purpose of the issuance, sale, and repayment of, and otherwise providing with respect to, the bonds au-

thorized to be issued pursuant to this chapter, and the provisions of that law are included in this chapter as though set out in full in this chapter, except that notwithstanding anything in the State General Obligation Bond Law, the bonds authorized hereunder shall bear the rates of interest, or maximum rates, as may, from time to time, be fixed by the Treasurer, with the approval of the committee, and the maximum maturity of bonds shall not exceed 50 years from the date of the bonds, or from the date of each respective series. The maturity of each respective series shall be calculated from the date of the series.

13895.5. As used in this chapter, and for purposes of this chapter as used in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), the following terms shall have the following meanings:

(a) "Committee" means the Safe Drinking Water Finance Committee created by Section 13895.6.

(b) "Department" means the Department of Water Resources.

(c) "Domestic water system" means a system for the provision to the public of piped water for human consumption, if the system has at least five service connections or regularly supplies water to at least 25 individuals. The term includes any water supply, treatment, storage, and distribution facilities under the control of the operator of the system.

(d) "Fund" means the California Safe Drinking Water Fund.

(e) "Supplier" or "supplier of water" means any person, partnership, corporation, association, or other entity or political subdivision of the state which owns or operates a domestic water system.

(f) "Federal assistance" means funds available, or which may become available, to a supplier either directly or through allocation by the state from the federal government as grants or loans for the improvement of domestic water systems.

(g) "Treatment works" means any devices or systems used in the treatment of water supplies, including necessary lands, which render water supplies pure, wholesome, and potable for domestic purpose.

(h) "Project" means proposed facilities for the construction, improvement, or rehabilitation of the domestic water system, and may include water supply, treatment works, and all or part of a water distribution system, if necessary to carry out the purpose of this chapter.

(i) "Public agency" means any city, county, city and county, district, joint powers authority, or other political subdivision of the state which owns or operates a domestic water system. For purposes of this chapter, Chapter 10.2 (commencing with Section 13810), Chapter 10.5 (commencing with Section 13850), and Chapter 10.6 (commencing with Section 13880), a political subdivision of the state may be any public agency.

13895.6. The Safe Drinking Water Finance Committee is hereby created. The committee shall consist of the Governor, the Treasurer, the Director of Finance, the Director of Water Resources, and the State Director of Health Services or their designated representatives. A majority of

Continued on page 56

Proposition 55 Text of Proposed Law

Continued from page 13

the committee may act for the committee.

13895.7. There is in the State Treasury the California Safe Drinking Water Fund, which fund is hereby created.

13895.8. The committee may create a debt or debts, liability or liabilities, of the State of California, in an aggregate amount of one hundred million dollars (\$100,000,000) in the manner provided in this chapter. The debt or debts, liability or liabilities, shall be created for the purpose of providing the money to be used for the objects and works specified in Section 13895.9.

13895.9. (a) An aggregate amount of one hundred million dollars (\$100,000,000) of the moneys in the fund are hereby continuously appropriated and shall be used for the purposes set forth in this section and Section 13898.

(b) The department may enter into contracts with suppliers having authority to construct, operate, and maintain domestic water systems, for loans to suppliers to aid in the construction of projects which will enable the supplier to meet, at a minimum, safe drinking water standards established pursuant to Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code.

(c) Any contract entered into pursuant to this section may include provisions as agreed by the parties thereto, and the contract shall include, in substance, all of the following provisions:

(1) An estimate of the reasonable cost of the project.

(2) An agreement by the department to loan to the supplier, during the progress of construction or following completion of construction as agreed by the parties, an amount which equals the portion of construction costs found by the department to be eligible for a state loan.

(3) An agreement by the supplier to repay the state over a period not to exceed 50 years, (A) the amount of the loan, (B) the administrative fee as described in Section 13897, and (C) interest on the principal, which is the amount of the loan plus the administrative fee.

(4) An agreement by the supplier, (A) to proceed expeditiously with, and complete, the project, (B) to commence operation of the project upon completion thereof, and to properly operate and maintain the project in accordance with the applicable provisions of law, (C) to apply for, and make reasonable efforts to secure, federal assistance for the project, (D) to secure approval of the department and of the State Department of Health Services before applying for federal assistance in order to maximize and best utilize the amounts of that assistance avail-

able, and (E) to provide for payment of the supplier's share of the cost of the project, if any.

(d) Bond proceeds may be used for a grant program in accordance with this chapter, with grants provided to suppliers that are political subdivisions of the state that are otherwise unable to meet minimum safe drinking water standards established pursuant to Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code. The total amount of grants made pursuant to this chapter shall not exceed twenty-five million dollars (\$25,000,000).

(e) Notwithstanding any other provision, the proceeds of any bonds authorized to be issued under the California Safe Drinking Water Bond Law of 1976 (Chapter 10.5 (commencing with Section 13850)), and the California Safe Drinking Water Bond Law of 1984 (Chapter 10.2 (commencing with Section 13810)) which are unissued and uncommitted on the effective date of this chapter, shall be used for loans and grants to suppliers in accordance with the terms, conditions, and purposes of this chapter. Loans made after November 6, 1984, pursuant to Chapter 10.2 (commencing with Section 13810) shall carry an interest rate calculated as prescribed in Section 13897.3.

13896. (a) The department may make state grants to suppliers that are political subdivisions of the state, from moneys in the fund available for that purpose pursuant to subdivision (d) of Section 13895.9, to aid in the construction of projects which will enable the public agency to meet, at a minimum, safe drinking water standards established pursuant to Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code. A grant may be made by the department only upon the specific approval of the Legislature, by an act enacted after the receipt of a report filed pursuant to Section 13896.2

(b) Any contract for a grant entered into pursuant to this chapter may include provisions as agreed by the parties thereto, and the contract shall include, in substance, all of the following provisions:

(1) An estimate of the reasonable cost of the project.

(2) An agreement by the department to grant to the public agency, during the progress of construction or following completion of construction as agreed by the parties, an amount which equals the portion of construction costs found by the department to be eligible for a state grant.

(3) An agreement by the public agency, (A) to proceed expeditiously with, and complete, the project, (B) to commence operation of the project upon completion thereof, and to properly operate and maintain the project in ac-

cordance with the applicable provisions of law, (C) to apply for, and make reasonable efforts to secure, federal assistance for the project, (D) to secure approval of the department and of the State Department of Health Services before applying for federal assistance in order to maximize and best utilize the amounts of that assistance available, and (E) to provide for payment of the public agency's share of the cost of the project, if any.

13896.1. Applications for grants under this chapter shall be made to the department in the form and with the supporting material as prescribed by the department.

13896.2. The department shall prepare a report on each grant application pursuant to this chapter. The report shall be filed with the Legislature, if it is in session or, if it is not in session, with the Joint Rules Committee. The department shall be authorized to make the grant only upon the specific approval of the grant by the Legislature, by an act enacted after the receipt of the report from the department.

13896.3. (a) Loans and grants may be made only for projects for domestic water systems. The State Department of Health Services may make reasonable allowance for future water supply needs and may provide for additional capacity when excessive costs would be incurred by later enlargement. The loans and grants may be made for all, or any part, of the cost of constructing, improving, or rehabilitating any system when, in the judgment of the State Department of Health Services, improvement or rehabilitation is necessary to provide pure, wholesome, and potable water in adequate quantity at sufficient pressure for health, cleanliness, and other domestic purposes. The State Department of Health Services shall determine and notify applicants of eligibility of components requested to be included in the proposed project. The department shall use this determination as a basis for disbursing grants. No single public agency shall receive grants pursuant to this chapter totaling more than four hundred thousand dollars (\$400,000). Loans may be made to provide for the purchase of a water system or the purchase of watershed lands. No loan to an individual supplier shall exceed the sum of five million dollars (\$5,000,000), unless the Legislature by an act raises the limit specified in this section.

(b) Upon receipt of an application for a grant or loan pursuant to this chapter, the department shall propose to the applicant improvements to the applicant's water development, distribution, and utilization system which will conserve water in a cost-effective manner. These improvements may include, but need not be limited to, leak detection and repair programs, valve repair and replacement, meter calibration and replacement, physical improvements to achieve corrosion control, distribution and installation of water conservation devices and fixtures, and other capital improvements which can be demonstrated to conserve water in a cost-effective manner. The department and applicant may agree to include these capital improvements in the grant or loan. Failure by the applicant to include water conservation capital improvements in the grant or loan application shall not be sufficient cause for the department to refuse to make the grant or loan.

13896.4. An application for a grant pursuant to this chapter shall not be approved by the department, unless the department determines that the public agency is otherwise unable to meet minimum safe drinking water standards established pursuant to Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code.

No grant shall be made by the department except upon approval by the State Department of Health Services of project plans submitted by the applicant and upon written

approval by the State Department of Health Services that the proposed project is consistent with Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code.

13896.5. First priority for grants shall be granted to public agencies having immediate health related problems, as certified by the State Department of Health Services. Additional high priority shall be granted to projects to correct immediate problems, as opposed to grants for construction of projects to meet future growth needs.

13896.6. First priority for loans shall be given to suppliers with the most critical public health problems. Priority for loans shall also be given to suppliers which have a lesser capability to reasonably finance system improvements.

13896.7. Preliminary design work, including a cost estimate for the project, shall be completed before a loan or grant is awarded. Operation and maintenance costs shall be the responsibility of the supplier and may not be considered as part of the project cost. Costs for planning and preliminary engineering studies may be reimbursed following the receipt of a loan or grant, subject to approval by the department and the State Department of Health Services.

13896.8. No application for a grant may be made pursuant to this chapter unless the public agency has also applied for a loan pursuant to this chapter. A public agency shall be eligible for a grant only to the extent that the department finds that the agency is found unable to repay the full costs of a loan.

If the department has determined that the applicant is unable to repay the full costs of a loan, the applicant may also file for a grant. Upon receipt of a grant application, the department shall determine that portion of the full costs that the applicant is capable of repaying. Grant funds shall only be provided for that portion that the applicant is not capable of repaying.

13896.9. Grant funds shall be expended by the public agency within three years of the making of the grant. No grant funds may be expended by the public agency unless the public agency is able to demonstrate to the department, within one year of the making of the grant, supported by an acceptable bid, that the amount to be expended for the project will be within 20 percent of the public agency's cost estimate for the project.

13897. For the purpose of administering this chapter, the total expenditures of the department and the State Department of Health Services may not exceed 5 percent of the total amount of the bonds authorized to be issued under this chapter. The department shall establish a reasonable schedule of administrative fees for loans, which fees shall be paid by the supplier pursuant to Section 13895.9, to reimburse the state for the costs of state administration of this chapter.

Charges incurred by the Attorney General in protecting the state's interests in the use and repayment of grant and loan funds under this chapter shall be paid from the proceeds of bond sales under this chapter. These charges shall not be paid from funds allocated for administrative purposes, but shall be treated as a program expense not to exceed 1.5 percent of the total amount of the bonds authorized to be sold under this chapter.

13897.1. As much of the moneys in the fund as may be necessary shall be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

13897.2. Repayment of all or part of the principal, which is the loan plus the administrative fee, may be deferred during a development period not exceeding 10 years within the maximum 50-year repayment period,

when, in the department's judgment, the development period is justified under the circumstances. Interest on the principal shall not be deferred. Repayment of principal which is deferred during a development period may, at the option of the supplier, be paid in annual installments during the remainder of the loan repayment period.

13897.3. The department shall annually establish the interest rate for loans made pursuant to this chapter at 50 percent of the average interest rate, computed by the true interest cost method, paid by the state on general obligation bonds for the prior calendar year. All loans made pursuant to this chapter shall carry the established interest rate for the calendar year in which the funds are committed to the loan, as of the date of the letter of commitment from the department, and shall remain at that interest rate for the duration of the loan.

13897.4. (a) The department, after public notice and hearing and with the concurrence of the State Department of Health Services, shall adopt rules and regulations necessary to carry out the purposes of this chapter. The regulations shall include, but not be limited to, criteria and procedures for establishing the eligibility of a supplier.

(b) The department shall adopt rules and regulations that, in its judgment, will most effectively carry out this chapter in the public interest, to the end that the people of California are most efficiently and most economically provided supplies of pure, wholesome, and potable domestic water. The rules and regulations may provide for the denial of funds when the purposes of this chapter may most economically and efficiently be attained by means other than the construction of the proposed project.

(c) Notwithstanding subdivision (a) or any other provision of law, existing rules and regulations adopted by the department pursuant to the California Safe Drinking Water Bond Law of 1984 (Chapter 10.2 (commencing with Section 13810)) which are in effect on the effective date of this chapter, may, at the option of the department, be utilized upon voter approval of this chapter for purposes of implementing this chapter. The department, with the concurrence of the State Department of Health Services, may subsequently revise those rules and regulations pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code as necessary to implement provisions of this chapter which differ from Chapter 10.2 (commencing with Section 13810) or for any other reason to carry out the purposes of this chapter.

13897.5. The State Department of Health Services shall notify suppliers that may be eligible for loans pursuant to this chapter of (a) the purposes of this chapter and (b) the rules and regulations adopted by the department.

13897.6. (a) The State Department of Health Services, after public notice and hearing and with the advice of the department, shall, from time to time, establish a priority list of suppliers to be considered for financing.

(b) Notwithstanding subdivision (a) or any other provision of law, the priority list established by the State Department of Health Services pursuant to the California Safe Drinking Water Bond Law of 1984 (Chapter 10.2 (commencing with Section 13810)) in effect on the effective date of this chapter may, at the option of the State Department of Health Services, be utilized upon voter approval of this chapter until the State Department of Health Services adopts a new priority list.

13897.8. Not more than twenty-five million dollars (\$25,000,000) of state loans for projects shall be authorized by the department in a single calendar quarter. No contract shall be approved by the department, unless the department finds that the supplier has the capacity to repay the loan amounts specified in the contract.

At the request of the department, the Public Utilities Commission shall furnish comments concerning the ability of suppliers subject to its jurisdiction to finance the project from other sources and the ability to repay the loan.

13897.9. All bonds authorized, which have been sold and delivered pursuant to this chapter, shall constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereon.

There shall be collected annually in the same manner, and at the same time as other state revenue is collected, a sum, in addition to the ordinary revenues of the state, that is required to pay the principal and interest on the bonds, and it is hereby made the duty of all officers charged by law with any duty in regard to the collection of that revenue, to do and perform each and every act which shall be necessary to collect that additional sum.

All money deposited in the fund which has been derived from premium on bonds sold is available for transfer to the General Fund as a credit to expenditures for bond interest.

13898. (a) All money repaid to the state pursuant to any contract executed under Section 13895.9 shall be deposited in the General Fund and, when so deposited, shall be applied as a reimbursement to the General Fund on account of principal and interest on bonds issued pursuant to this chapter which has been paid from the General Fund.

(b) The department may enter into contracts with suppliers of water for grants or short-term loans for the purpose of investigating and identifying alternatives for system improvements. Any loans or grants pursuant to this section shall be made from the fund. No supplier shall receive for a single investigation more than twenty thousand dollars (\$25,000) in the form of a loan or grant pursuant to this section. The State Department of Health Services shall review all proposed investigations and shall determine if they are necessary and appropriate.

(c) Any contract entered into pursuant to this section shall include terms and conditions consistent with this chapter, and any loan contract shall provide for a repayment period not to exceed 24 months.

(d) Not more than three million dollars (\$3,000,000) may be expended for the purposes of this section, of which not more than one million dollars (\$1,000,000) may be used for grants to public agencies. A loan or grant made for the purposes of this section shall not decrease the maximum amount of any other loan or grant which may be made under this chapter, Chapter 10.2 (commencing with Section 13810), Chapter 10.5 (commencing with Section 13850), or Chapter 10.6 (commencing with Section 13880).

13898.1. There is hereby appropriated from the General Fund in the State Treasury, for the purpose of this chapter, an amount equal to the sum of the following:

(a) The amount annually necessary to pay the principal of, and the interest on, the bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The amount necessary to carry out Section 13898.2, which amount is appropriated without regard to fiscal years.

13898.2. For the purpose of carrying out this chapter, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter.

Any amounts withdrawn shall be deposited in the fund

and shall be disbursed by the department in accordance with this chapter. Any money made available under this section to the department shall be returned by the department to the General Fund plus interest the money would have earned in the Pooled Money Investment Account from money received from the first sale of bonds sold for the purpose of carrying out this chapter subsequent to the withdrawal.

13898.3. Upon request of the department, supported by a statement of the proposed arrangements to be made pursuant to Section 13895.9 for the purposes stated therein, the committee shall determine whether or not it is necessary or desirable to issue any bonds authorized under this chapter in order to make those arrangements,

and, if so, the amount of bonds then to be issued and sold. Successive issues of bonds may be authorized and sold to make those arrangements progressively, and it shall not be necessary that all of the bonds authorized to be issued shall be sold at any one time.

13898.4. The committee may authorize the Treasurer to sell all or any part of the bonds authorized at the time or times as fixed by the Treasurer.

13898.5. All proceeds from the sale of bonds, except those derived from premiums and accrued interest, are available for the purpose provided in Section 13898.5, but are not available for transfer to the General Fund to pay principal and interest on bonds. The money in the fund may be expended only as provided in this chapter.
