

Proposition 1 Implementation Grant Program Discussion

September 21, 2017

Integrated Regional Water Management



Discussion Items

- Proposition 1 IRWM funding
- Previously proposed changes to grant solicitation process
- Overview of comments received
- Revised process concepts and solicit input
- DAC Involvement Status/Implementation Schedule Impact
- Next steps

Proposition 1 IRWM Funding Overview

Chapter 7 – IRWM

- Authorized \$510M
- \$5M for Planning
- \$102M for Disadvantaged Community (DAC) Assistance
 - At least 10% (\$51M) - Ensure involvement of DACs within regions
 - At least 10% (\$51M) - Projects that directly benefit a DAC
- \$367.3M for Implementation Grant Program (in addition to \$51M DAC project funds)
 - DAC Project funding can be solicited as part of the Implementation Grant Program
 - Total of \$418.3M

DWR's Existing Process

- An eligible applicant submits a single grant application on behalf of an IRWM region
 - Once application is submitted, no additional information can be provided to DWR by the region
- DWR evaluates each application then determines which application to fund
 - Awards grant funds to entire suite of proposed projects, rather than removing projects that don't score well

Observations of Existing Process

- Majority of projects funded are quality projects, but also funded projects:
 - With limited benefits
 - With uncertain schedules and permit process
- Many regions with real water resources needs unable to receive funding because applications are just slightly worse than neighboring regions in extremely competitive funding areas (FAs)
 - Disenfranchises smaller organizations/DACs from participating in IRWM planning

Other Observations

- Some proposed projects do not appear to be selected for their ability to meet IRWM plan goals and objectives
 - Instead, available funds are simply divided among entities within region
- FAs are developing funding agreements to make them non-competitive
 - Does not provide real competition

Principles for Improving Process

- Improve engagement between DWR and IRWM regions to discuss how proposed projects will help the region manage water resources more sustainably
- Give DWR an opportunity to seek clarification on projects in an application
- Fund projects in a proposal that address the most critical needs
- Maintain competition in the process
- Ensure projects developed through DACI Program have greatest chance to receive Implementation Grant Funding

Comments Received

- Total of 13 comments letters, representing 14 IRWM regions – thank you!
- Reviewed all comments within each letter and compiled by category
- Summarized major points on following slides

Comments Received – Step 1A

- DWR should not compile a list of greatest FA needs nor use it to evaluate proposals for the following reasons:
 - RWMGs are best suited to manage water resources for regional needs
 - Needs among regions within a FA are too diverse to roll up to FA Level
 - Duplicative to the IRWM planning effort previously conducted by the RWMG

Recommendations Received – Step 1A

- Meet with regions to help them determine regional needs prior to submittal of the application
- Provide guidance to regions that need assistance developing a project selection process
- Incentivize IRWM regions to merge or combine by FA

Comments Received – Step 1B

- DWR should not request 150% of max grant award because:
 - Goes against the principle of regional decision making
 - Jeopardizes local support of regional project selection process
 - Discourages many smaller stakeholders who struggle to compile grant application materials
 - Will increase size of applications, the effort required, and the cost
- DWR should keep the application process simple

Comments Received – Step 2

- DWR should meet with applicants during solicitation process to:
 - Discuss the needs of the region
 - Enhance DWR's understanding of local project selection
 - Ensure proposed projects meet the region and State's needs
- One comment suggested that a two-step process will create:
 - More layers of bureaucracy,
 - Potential delays in grant funding outlays, and
 - Undue local grant preparation costs

Comments Received – DWR Project Selection

- DWR should not select projects for the following reasons:
 - Goes against the intent of IRWM and Prop 1
 - Loses intent of locals and makes it difficult to plan
 - Undermines the trust within the region
 - Projects are submitted as a suite of projects and should not be evaluated independently
- DWR reserving the right to eliminate or reject proposed projects may free up funds for other IRWM regions

Revised Process Concepts

- Must meet Prop 1 Requirements
- Improve engagement between DWR and the IRWM regions to:
 - Discuss how proposed projects will help the region meet its most critical needs and work towards sustainability
 - Give applicant an opportunity to further justify projects
- Reduce the possibility of project delays due to issues such as environmental, permitting requirements, etc.
- Reduce application costs and maintain transparency

Prop 1 Requirements

- Grants are awarded competitively
- Projects must be included in an adopted IRWM Plan and:
 - Respond to climate change and
 - Contribute to regional water security (water supply reliability)
- Projects will address the most critical statewide needs and priorities for public funding

Prop 1 Priorities

- Priority will be given to projects that leverage non-State funding or produce greatest public benefit
- Special consideration for projects that:
 - Cover a greater portion of the watershed
 - Achieve multiple benefits and
 - Employ new or innovative technology or practices

Additional Proposed Project Eligibility Requirements

- All projects must:
 - Contribute to the regional water resources need as defined in the IRWM Plan
 - Provide a lifecycle benefit for 15 years as required by Government Code 16727 for construction projects
 - Project benefit must be justifiable in terms of cost
 - Demonstrate a funding source for O&M for construction projects
 - Have CEQA completed and permits acquired before agreement execution
 - What else?

Proposed Revised Process

- Step 1 – Applicant presentation/consultation
- Step 2 – DWR response
- Step 3 – IRWM Region submits application
- Step 4 – DWR Evaluates and makes Draft Funding Recommendation

Step 1– Applicant Presentation/Consultation

- Applicant presents:
 - Region description and critical needs
 - Potential projects that could address those needs and demonstrates how they are eligible
 - How past IRWM funding has contributed to addressing the needs and how the proposed projects build on past projects)
 - Nature of stakeholder coordination
- Critical Need Examples
 - Water Supply, Water Quality, Flood Management, etc.

Step 2– DWR Response

- DWR reviews potential projects
- Does not score, but provides applicant with a list of observations and comments

Step 3 – Application

- Applicant may drop/replace/adjust projects based on DWR's review
- IRWM Region submits application

Step 4– Application Evaluation

- DWR evaluation produces project specific and overall proposal scores
- DWR makes Draft Funding Recommendation
 - Similar to existing process, DWR will not drop individual eligible projects from a proposal

Additional Input

DAC Involvement Status/ Implementation Schedule Impact

- DACI
 - Originally targeted June 2017 for agreement execution
 - Awarded 10 FAs with two remaining
 - New target is December 2017
- Implementation
 - At least Two Rounds
 - Round 1 Draft Proposal Solicitation Package to be released in Spring 2018
 - Applications due Fall 2018
 - Round 2 – 2020

Next Steps