

Background

California voters passed Proposition 1, The Water Quality, Supply, and Infrastructure Improvement Bond Act of 2014, on November 4, 2014. Proposition 1 added Section 79731 to the California Water Code, authorizing the state to issue bonds, and the legislature to appropriate the proceeds, for multi-benefit water quality, water supply, and watershed protection and restoration projects for the watersheds of the state.

Proposition 1 allocates \$25 million of these funds for the Sierra Nevada Conservancy (SNC). The SNC has developed a plan to seek appropriation of these funds beginning with a \$10 million appropriation in the 2015-16 Fiscal Year (FY) (which is included in the Governor's proposed budget). Among the purposes described in the statute guiding the expenditure of these funds are:

- Implement fuel treatment projects to reduce wildfire risks, protect watersheds tributary to water storage facilities, and promote watershed health.
- Protect and restore rural and urban watershed health to improve watershed storage capacity, forest health, protection of life and property, and greenhouse gas reduction.
- Implement watershed adaptation projects in order to reduce the impacts of climate changes on California's communities and ecosystems.

While Proposition 1, the SNC statutory authority, and the SNC Strategic Plan identify a variety of activities that could be supported with these funds, staff is proposing focusing the program on the points noted above for a number of reasons.

First of all, the SNC Governing Board has identified the protection and enhancement of the multiple benefits associated with healthy forests as the organization's highest priority. Consistent with that direction the SNC and the U.S. Forest Service have launched the Sierra Nevada Watershed Improvement Program, with an initial focus of restoring forest health.

In addition, the SNC is provided a total of \$25 million in Proposition 1, intended to be expended over six years, making a focused approach necessary. The proposed grant guidelines do not provide for meadow and stream restoration or abandoned mine lands remediation projects (both previously supported project types). Further, staff is recommending that only very limited acquisition opportunities relating to biomass utilization be authorized under the guidelines.

Finally, staff is basing its recommendation of a Forest Health focus on the fact that Proposition 1 identifies a number of other state agencies with significantly greater resources available to fund projects not included in the proposed guidelines. The SNC is currently coordinating with those agencies and working with partners to ensure the development of competitive projects from the Region.

Current Status

The proposed Final Draft Proposition 1 FY 2015-16; 16-17 Grant Guidelines, included as [Attachment A](#) to this staff report, include revisions made as the result of comments received from the public, SNC Board, and the California Natural Resources Agency. The comment period for the draft guidelines closed on March 27, 2015. Public workshops were held in Auburn, Visalia, and Redding, and the Auburn meeting was also live-streamed on the internet.

A detailed summary of all of the comments received during the public review period with SNC responses is provided in [Attachment B](#). Substantive changes to the Draft Grant Guidelines circulated for public comment and brought to the Board in March are listed in more detail below:

- SNC received multiple comments expressing a desire for the guidelines to include conservation easements and fee title acquisitions as eligible projects. In response, staff has developed three alternatives related to this issue and is seeking direction from the Board. Staff is recommending Alternative 1 based on previous Board comments and its consistency with the Healthy Forest focus.
 - Acquisition Alternative #1:
 - Category 1: Fee title acquisitions that support forest products manufacturing and/or biomass utilization facilities, and
 - Category 2: Pre-acquisition or due diligence activities that will result in a fee title acquisition that supports forest products manufacturing and/or biomass utilization facilities
 - Acquisition Alternative #2:
 - Category 1: Fee title acquisitions that support forest products manufacturing and/or biomass utilization facilities, and fee title acquisitions or conservation easement acquisitions that protect forested lands from conversion to other uses and protect natural resources, and
 - Category 2: Pre-acquisition or due diligence activities that will result in fee title acquisitions that support forest products manufacturing and/or biomass utilization facilities, or will result in a fee title acquisition or conservation easement acquisition that protects forested lands from conversion to other uses and protects natural resources
 - Acquisition Alternative #3:
 - Category 1: No acquisitions will be considered, and
 - Category 2: No pre-acquisition or due diligence activities that result in an acquisition will be considered
- Application requirements for CEQA and appraisals have been added for acquisition projects pending Board direction.

- Prescribed burning has been identified as an eligible fuel treatment.
- Specific direction is included for applicants to comply with requirements to consult California Conservation Corps/Local Conservation Corps.
- Evaluation criteria have been expanded to include examples of project benefits that will be evaluated, as well as more specific direction for applicants.
- Changes have been incorporated to accommodate requirements associated with the Human Right to Water (Water Code Section 106.3).
- Information has been added about how SNC will implement Tribal Consultation policy.

Next Steps

Staff will make any final revisions to the Final Draft Grant Guidelines based on Board direction received at this meeting and complete a companion Grant Application Packet (GAP) with necessary forms and instructions. Staff expects to release the guidelines, GAP and a Request for Proposals upon passage of the state budget.

Recommendation

Staff recommends approval of the Sierra Nevada Conservancy Proposition 1 FY 2015-16/16-17 Grant Guidelines, incorporating Acquisition Alternative #1 and all other Board recommendations; to make non-substantive changes as needed; and to take actions to implement the FY 2015-16/16-17 Sierra Nevada Conservancy Grant Program.