



State of California

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**For Additional Information Contact:**  
**Stuart Drown**  
**Executive Director**  
**(916) 445-2125**

## **Commission Calls for New Water Department With Focus on Supply Management and Planning; Separate Entity for State Water Project, More Bond Oversight**

The Little Hoover Commission on Thursday, August 26, 2010, issued recommendations calling for a new approach to managing California's water supply. The Commission released its report, *Managing for Change: Modernizing California's Water Governance*, urging the governor and the Legislature to restructure the state's water administration to better coordinate key supply management and planning roles, and separate them from the operation of the State Water Project.

The Commission concluded that the state's current water management and planning structure, in place since 1969, is obsolete and leaves the state ill-prepared to handle unpredictable precipitation, growing population and the need to better balance environmental needs with urban and agricultural demand. California's current Department of Water Resources was created in 1956 to launch the State Water Project. A half century later, the project is complete. Today, the department's mission of operating the project is at odds with its separate mission of managing existing water resources and planning for future needs.

In the intervening decades, environmental laws and court rulings have added requirements to ensure that sufficient water is devoted to protect the environment and support endangered species. When water supplies are static, or reduced by drought, the result is conflict, too often settled in court, out of the hands of California's leaders.

"The real issue is the reallocation of the resource in a fundamentally different way than the system is capable of handling," Little Hoover Commission Chairman Daniel Hancock said.

The Commission recommends a reorganization that would create a new Department of Water Management as the state's main organization for managing its water resources and planning for future needs, implementing strategies to expand supply and reduce demand through water conservation and efficiency programs. The Commission recommends moving the State Water Project into a separate, independent state-owned water authority. This would create an organization designed specifically to operate the project.

To bolster supply management, the new department would integrate water rights administration and enforcement to improve accounting for how water is used and to reduce illegal or unauthorized water use. As part of the reorganization, the Division

of Water Rights, now part of the State Water Resources Control Board, would be relocated to the new Department of Water Management, reuniting two functions that were separated to accommodate the planning and construction of the State Water Project. The Department of Fish and Game's instream flow analysis unit would move to the new Department of Water Management to enhance the state's ability to factor in water needs for aquatic habitat and wildlife to supply estimates and water rights decisions.

The Commission used the 2009 water reform legislation as a policy foundation for its governance recommendations, with the aim of creating a structure that could ensure that the reforms are implemented to reach their full potential. The 2009 water legislation revived the State Water Commission, whose members have now been appointed. Though the 2009 water bond proposal has been delayed, this newly revived commission could and should be put to use to oversee the investment and results of the \$20 billion in already authorized water resources bonds, whether the bond money is spent through the Natural Resources Agency or by other agencies. Specifically, the Commission recommends that the state:

***Improve transparency, accountability and efficiency for distinct water functions within the current Department of Water Resources.*** The governor and Legislature should integrate water rights administration and accounting with water use planning and management functions, and separate these functions from water supply and delivery operations. These functions should be organized into a new Department of Water Management.

***Provide strong oversight of all natural resources bond spending and ensure that money is allocated strategically.*** The California Water Commission should provide oversight of all natural resources bond expenditures, including current bond programs and future voter-authorized bonds in the Natural Resources Agency as well resource bond-funded programs in other agencies.

***Improve transparency, efficiency and accountability of the State Water Project.*** The governor and Legislature should create a separate, independent publicly owned entity, the California Water Authority, to operate the State Water Project and other current functions related to or influenced by the project's operations. The new entity should work to further integrate its operations with those of the federal Central Valley Project, with the ultimate goal of merging the two systems under state ownership.

The Commission most recently looked at water governance in its January 2009 study, *Clearer Structure, Cleaner Water: Improving Performance and Outcomes at the State Water Boards*, and its November 2005 study, *Still Imperiled, Still Important*, a review of the CALFED Bay-Delta Program.

The Little Hoover Commission is a bipartisan and independent state agency charged with recommending ways to increase the efficiency and effectiveness of state programs. The Commission's recommendations are sent to the governor and the Legislature. To obtain a copy of the report, *Managing for Change: Modernizing California's Water Governance*, contact the Commission or visit its Web site: [www.lhc.ca.gov](http://www.lhc.ca.gov).