

Implementation of Past Natural Resources Bonds

LEGISLATIVE ANALYST'S OFFICE

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Assembly Water, Parks, and Wildlife Committee
Hon. Eduardo Garcia, Chair





Overview of State Bonds

- Bonds Typically Used for Larger Projects That Provide Long-Term Benefits.*** Bonds allow the state to borrow needed funds upfront and then repay them with interest over a period of many years. Since infrastructure typically provides services over many years, it is reasonable for both current and future taxpayers to help pay for it. Additionally, the large costs of major projects can be difficult to pay for all at once.

- Total Cost of Bonds Includes Interest.*** The state makes annual principal and interest payments until a bond is paid off. These payments are referred to as “debt service.” In general, the state pays more in the long run when it relies on bond debt because of the added interest costs. For each \$1 borrowed, the state generally pays about \$1.30 in debt service (when adjusted for inflation).

- General Fund Pays for Most General Obligation (GO) Bond Debt Service.*** Debt service on GO bonds typically is paid from the state General Fund. Under the California Constitution, state GO bonds need voter approval.

- GO Bond Debt Service Is a Large General Fund Expense in the Resources Area.*** The Governor’s 2017-18 budget includes \$1 billion from the General Fund to repay resources-related GO bond debt. This amount reflects 36 percent of total General Fund expenditures in the resources area.



Past Bond Funding for Natural Resources

Resources General Obligation Bonds, 2000 to Present				
<i>(Dollars in Millions)</i>				
Bond	Year	Purposes	Allocation	Remaining Funds Available^a
Proposition 12	2000	Parks, forests, and open space	\$2,100	\$7
Proposition 13	2000	Water infrastructure	2,095	116
Proposition 40	2002	Parks and conservation	2,600	10
Proposition 50	2002	Water projects	3,440	-66
Proposition 1E	2006	Flood protection	4,090	2
Proposition 84	2006	Water supply, flood protection, and parks	5,388	119
Proposition 1	2014	Water projects	7,546	1,814
Totals			\$27,259	\$2,002

^a As of August 2016, except for Proposition 1, which is as of February 2017.



\$27 Billion in Bond Funding for Natural Resources Approved Since 2000

- As shown in the above figure, since 2000, voters have approved seven bonds that included a total of \$27 billion for natural resources programs.



Most Bond Funding Has Been Appropriated for Projects

- For bonds approved prior to 2014, 93 percent of the funding has been appropriated. Not all of this has yet been spent since payments are often provided on a reimbursement basis.
- Of the \$7.5 billion provided in Proposition 1, approved in 2014, \$1.8 billion remains available for future appropriation including for watershed protection and restoration, regional water management, and flood management.



Past Bond Funding for Natural Resources

Summary of Proposition 1 Bond Funds				
<i>(In Millions)</i>				
Purpose	Implementing Departments	Bond Allocation	Prior Appropriations	2017-18 Proposed
Water Storage		\$2,700	\$10	\$416
Water storage projects	CWC	2,700	10	416
Watershed Protection and Restoration		\$1,496	\$792	\$162
State obligations and agreements	CNRA	475	448 ^a	17
Watershed restoration benefiting state and Delta	DFW	373	93	37
Conservancy restoration projects	Conservancies	328	163	60
Enhanced stream flows	WCB	200	78	39
Los Angeles River restoration	Conservancies	100	—	—
Urban watersheds	CNRA	20	10	9
Groundwater Sustainability		\$900	\$825	\$35
Groundwater cleanup projects	SWRCB	800	764 ^a	—
Groundwater sustainability plans and projects	DWR	100	61	35
Regional Water Management		\$810	\$290	\$217
Integrated Regional Water Management	DWR	510	87	214
Stormwater management	SWRCB	200	105	3
Water use efficiency	DWR	100	98	—
Water Recycling and Desalination		\$725	\$648	\$1
Water recycling	SWRCB	725	598 ^a	—
Desalination	DWR	—	51	1
Drinking Water Quality		\$520	\$475	\$5
Drinking water for disadvantaged communities	SWRCB	260	248	3
Wastewater treatment in small communities	SWRCB	260	227	2
Flood Management		\$395	—	—
Delta flood management	DWR and CVFPB	295	—	—
Statewide flood management	DWR and CVFPB	100	—	—
Administration and Oversight		—	\$2	\$1
Administration ^b	DWR and CNRA	—	2	1
Totals		\$7,546	\$3,042	\$837

^a Reflects reversion of some previously appropriated funds, as proposed in the 2017-18 Governor's Budget.

^b Bond does not provide a specific allocation for bond administration and oversight, but allows a portion of other allocations to be used for this purpose.
 CWC = California Water Commission; CNRA = California Natural Resources Agency; DFW = Department of Fish and Wildlife; WCB = Wildlife Conservation Board; SWRCB = State Water Resources Control Board; DWR = Department of Water Resources; and CVFPB = Central Valley Flood Protection Board.