



November 29, 2021

Hon. Rob Bonta
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Anabel Renteria
Initiative Coordinator

Dear Attorney General Bonta:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative that would authorize \$2.7 billion in general obligation bonds to address brownfields in the state (A.G. File No. 21-0034, Amendment #1).

Background

Many Brownfields Across the State. Brownfields are properties that are underutilized due to the presence or potential presence of a hazardous substance, pollutant, or contaminant. Common examples of brownfield sites are former dry cleaners, gas stations, and chemical storage facilities. Studies estimate that there could be between 150,000 to 200,000 brownfields in the state. Cleanup costs for brownfield sites can vary considerably—which can reach hundreds of thousands of dollars or more—depending on the type and level of contamination.

State Agencies Address Brownfields. The Department of Toxic Substances Control (DTSC) and the State Water Resources Control Board (SWRCB) are the two primary state agencies charged with overseeing the investigation and cleanup of brownfields in the state. Their responsibilities include identification of potentially contaminated sites, assessment of contamination levels, and oversight or performance of cleanup activities. In some cases, brownfield sites will be found to have contamination that can be traced back to a responsible party. In these situations, the state has the legal authority to direct responsible parties to clean up contamination or recover costs for cleanup activities it undertakes.

Proposal

Authorizes Bond to Fund Brownfield-Related Activities. This measure authorizes a \$2.7 billion general obligation bond for various state departments to address brownfields. The measure allocates this funding for the following purposes:

- ***Grants for Specific Brownfield Sites.*** The measure provides \$1 billion to DTSC for the purpose of providing grants to seven local governments to investigate and clean up nine brownfield sites identified in the measure. If any of these funds have not been

allocated by January 1, 2028, the remaining funds may be awarded through a competitive process to local governments throughout the state for other brownfield projects.

- ***Funding to DTSC for Various Brownfield-Related Activities.*** A total of \$700 million would be provided to DTSC to address brownfields across the state. Of the total amount, \$500 million is for several purposes, including (1) the department to undertake investigations and cleanups, (2) a grant program to fund local investigations and cleanups, and (3) a workforce training program. The remaining \$200 million is for DTSC to assess, investigate, and clean up contaminated school sites.
- ***Funding to SWRCB to Address Water Contamination.*** The measure includes \$300 million for SWRCB to investigate and clean up groundwater and surface water at brownfield sites across the state.
- ***Grants to Remediate Abandoned Wells and Petroleum Fields.*** The measure provides \$300 million for grants to local governments and nonprofits to acquire and clean up parcels with abandoned oil and gas wells and petroleum fields.
- ***Grants to Develop Parks at Brownfield Sites.*** The measure includes \$300 million for grants to local governments and nonprofits to convert remediated brownfield sites into parks, trails, and other types of greenspace.
- ***Funding for Local Hazardous Materials Response.*** The measure includes \$100 million for the Governor's Office of Emergency Services to partner with local fire departments to enhance hazardous materials response training, capacity, and personnel.

Other Provisions. The measure allows up to 10 percent of bond funds to be used for program administration. In addition, the measure prohibits the state from seeking cost recovery associated with sites cleaned up with grants supported by this bond. Also, several items in this measure prioritize funding to disadvantaged communities, which have comparatively higher concentrations of certain factors, such as poverty and environmental hazards.

Fiscal Effects

State Bond Costs. This measure would allow the state to borrow up to \$2.7 billion by selling additional general obligation bonds to investors, who would be repaid with interest using the state's general tax revenues. The cost to the state of repaying these bonds would depend on various factors such as the interest rates in effect at the time they are sold and the time period over which they are repaid. We assume that (1) the interest rate for bonds would average 4 percent, (2) they would be sold over the next 5 years, and (3) all bonds would be issued for a 25-year term. Based on these assumptions, the cost to repay the bonds would average about \$140 million annually over the next 30 years, totaling \$4.3 billion to pay off both principal (\$2.7 billion) and interest (\$1.6 billion).

Summary of Fiscal Effects. This measure would have the following major fiscal effect:

- Increased state costs of \$4.3 billion to pay off principal (\$2.7 billion) and interest (\$1.6 billion) on bonds over the next 30 years. Annual payments would average about \$140 million.

Sincerely,

Gabriel Petek
Legislative Analyst

Keely Martin Bosler
Director of Finance

