

# **2003-04 Budget Overview: Proposition 50 Bond Expenditures and the CALFED Bay-Delta Program**

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L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

Presented To:  
Senate Budget and Fiscal Review  
Subcommittee No. 2

Hon. Byron Sher, Chair





## Proposition 50 Proposed 2003-04 Expenditures



The budget proposes about \$1.1 billion in expenditures from Proposition 50 as follows, leaving a balance of about \$1.9 billion for future years.

*(In Millions)*

	Amount
<b>Coastal Protection</b>	<b>\$318.0</b>
• Wetlands acquisition, protection, and restoration	272.0
• Watershed protection	46.0
<b>CALFED Bay-Delta Program</b>	<b>\$326.6</b>
• Water use efficiency and conservation	64.5
• Water supply reliability	115.0
• Ecosystem restoration	70.9
• Watershed protection	31.1
• Water conveyance	1.8
• Delta levee restoration	22.5
• Water storage planning and studies	20.8
<b>Integrated Regional Water Management</b>	<b>\$153.9</b>
• Various water supply, pollution reduction, water treatment, flood management, and wetlands restoration projects	93.7
• Land and water acquisitions to improve/protect water quality, water supply reliability, and fish and wildlife habitat	60.2
<b>Safe Drinking Water</b>	<b>\$102.1</b>
• Small community drinking water system upgrades, contaminant removal and treatment, water quality monitoring, drinking water source protection	
<b>Clean Water and Water Quality</b>	<b>\$88.0</b>
• Water pollution prevention, water recycling, water quality improvements	37.2
• River parkway projects	25.3
• Coastal nonpoint source pollution control	18.4
• Lake Tahoe water quality improvements	—
• Land and water acquisitions to protect water quality in the Sierra Nevada-Cascade Mountain Region	7.1
<b>Desalination and Water Treatment Project</b>	<b>\$26.9</b>
• Desalination projects, treatment/removal of specified contaminants, drinking water disinfecting projects	
<b>Colorado River Management</b>	<b>\$54.0</b>
• Ecosystem restoration	35.0
• Canal lining	19.0
<b>Water Security</b>	<b>\$15.1</b>
• Protection of drinking water systems, dams, and the State Water Project from terrorist attacks and other deliberate acts of destruction or degradation	
<b>Total</b>	<b>\$1,084.6<sup>a</sup></b>

<sup>a</sup> In addition, the budget proposes \$2.3 million in the Resources Agency for statewide bond administration costs.



## Proposition 50: Issues for Legislative Consideration

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- ☑ ***Improving Bond Fund Accountability.*** We recommend the enactment of legislation to require a fund condition for Proposition 50 to be displayed annually in the Governor's budget document. (Please see *Analysis*, page B-46.)
  
- ☑ ***Enacting Implementing Legislation.*** We recommend the enactment of legislation to guide the implementation of new or substantially expanded programs funded from Proposition 50 bond funds, particularly in cases where the budget provides very few details of the proposed expenditures. We recommend implementing legislation to guide the following proposals for Proposition 50 expenditures:
  - \$84.8 million proposed for integrated regional water management projects (mainly for competitive grants). (Please see *Analysis*, page B-48.)
  - \$15.1 million proposed for water security activities. (Please see *Analysis*, page B-48.)
  - \$25.4 million proposed for grants for river parkway projects. (Please see *Analysis*, page B-76.)
  - \$7 million proposed for grants for land and water resource acquisition in the Sierra Nevada Cascade program. (Please see *Analysis*, page B-76.)
  - \$15 million proposed for grants for desalination projects. (Please see *Analysis*, page B-109.)



## Proposition 50: Issues for Legislative Consideration

*(Continued)*



### ***Ensuring That Legislative Direction Is Followed***

The Legislature should deny budget proposals that are inconsistent with prior legislative direction. In this regard, we recommend denial of the Governor's proposal for \$32.5 million for a Colorado River program because the proposal is inconsistent with Chapter 617, Statutes of 2002 (SB 482, Kuehl) that governs the expenditure of the Proposition 50 allocation relied on. (Please see *Analysis*, page B-96.)

The Legislature should also adopt budget control language, where appropriate, to ensure that prior legislative direction is followed. In this regard, we raise two issues related to the CALFED Bay-Delta Program:

- The Governor's budget proposal gives a greater initial role to the new California Bay-Delta Authority than authorized in the CALFED governance legislation (Chapter 812, Statutes of 2002 [SB 1653, Costa]). We recommend the adoption of budget bill language to provide assurance to the Legislature that the legislative direction provided in Chapter 812 will ultimately be followed. (Please see *Analysis*, page B-26.)
- We recommend the adoption of budget bill language to ensure that bond funds allocated in Proposition 50 explicitly for CALFED do not lose their required connection to the CALFED "Record of Decision." (Please see *Analysis*, page B-28.)



***Legislative Oversight of Wildlife Conservation Board's (WCB's) Bond-Funded Capital Outlay Expenditures.*** Most of the WCB's bond expenditures are not reviewed by the Legislature given the board's "continuous appropriations" authority. Proposition 50 allocates \$940 million to WCB, \$890 million of which is continuously appropriated. We recommend steps to improve the Legislature's oversight of these funds, including making these funds subject to an appropriation in the budget bill. (Please see *Analysis*, page B-93.)



## CALFED Bay-Delta Program Budget



The Governor's budget proposes about \$497 million of *state funds* (mainly bond funds) for the CALFED Bay-Delta Program in 2003-04, essentially the same level as estimated for 2002-03:

<b>CALFED Expenditures<sup>a</sup></b>		
<i>(In Millions)</i>		
<b>Expenditures by Program Elements</b>	<b>2002-03</b>	<b>Proposed 2003-04</b>
Ecosystem restoration	\$147.3	\$136.5
Environmental Water Account	45.3	35.9
Water use efficiency	45.9	94.6
Water transfers	0.6	0.6
Watershed management	42.8	30.0
Drinking water quality	44.6	5.6
Levees	4.1	22.2
Water storage	100.0	31.1
Water conveyance	41.8	31.8
Science	12.3	23.3
Water supply reliability <sup>b</sup>	1.7	76.2
CALFED program management	10.0	8.8
<b>Totals</b>	<b>\$496.4</b>	<b>\$496.6</b>
<b>Expenditures by Department</b>		
Water Resources	\$248.5	\$276.1
California Bay-Delta Authority	5.1	170.6
State Water Resources Control Board	73.3	45.4
Fish and Game	4.5	4.1
Forestry and Fire Protection	0.1	0.2
Conservation	0.1	0.1
San Francisco Bay Conservation And Development Commission	0.1	0.1
Secretary for Resources	164.7	—
<b>Totals</b>	<b>\$496.4</b>	<b>\$496.6</b>
<b>Expenditures by Fund Source</b>		
Proposition 50	\$67.1	\$329.4
Proposition 13	199.9	62.5
Proposition 204	165.1	50.1
General Fund	27.9	18.2
Other state funds	36.4	36.4
<b>Totals</b>	<b>\$496.4</b>	<b>\$496.6</b>

<sup>a</sup> State funds only.

<sup>b</sup> Could include conveyance, water storage, water use efficiency, water transfers, and Environmental Water Account expenditures.



## CALFED Bay-Delta Program Issues

- Federal funding continues to be highly uncertain, and has substantially lagged the state’s contribution for CALFED.**

<b>CALFED State Versus Federal Funding</b>		
<i>(In Millions)</i>		
<b>Year</b>	<b>State Contribution</b>	<b>Federal Contribution<sup>a</sup></b>
2000-01	\$382.0	\$59.7
2001-02	402.2	119.6
2002-03	496.4	67.9 <sup>b</sup>
2003-04	496.6 <sup>c</sup>	33.6 <sup>d</sup>
<b>Totals</b>	<b>\$1,777.2</b>	<b>\$280.8</b>
<sup>a</sup> Federal contribution includes (1) direct spending and (2) federal reimbursements passed through the state budget. <sup>b</sup> To date in the current year, almost all federal expenditures reflect direct spending as opposed to federal reimbursements passed through the state budget. <sup>c</sup> As proposed by Governor’s budget. <sup>d</sup> Actual amount will depend on Congressional action on the 2004 federal budget.		

- The budget proposes substantial initial expenditure authority for the new California Bay-Delta Authority—beyond that envisioned in the CALFED governance legislation (Chapter 812, Statutes of 2002 [SB 1653, Costa]).**
- CALFED budget proposal raises policy issues, including issues related to the Environmental Water Account.**
- Need for legislative oversight of CALFED bond-funded expenditures.**