

August 26, 2008

# ABx2 8—Safe, Clean, Reliable Drinking Water Supply Act of 2008

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LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Special Committee on Water

Hon. Lois Wolk, Chair





## Resources Bonds Funding History

<b>Resources General Obligation Bonds, 1996 to Present</b>					
<i>(In Millions)</i>					
<b>Bond</b>	<b>Year</b>	<b>Total Authorization</b>	<b>Previous Appropriations<sup>a</sup></b>	<b>Proposed Appropriations<sup>b</sup></b>	<b>Balance (July 2009)</b>
Proposition 204 <sup>c</sup>	1996	\$870	\$811	\$11	\$48
Proposition 12	2000	2,100	2,078	8	14
Proposition 13 <sup>c</sup>	2000	2,095	1,901	68	126
Proposition 40	2002	2,600	2,562	24	14
Proposition 50	2002	3,440	3,220	195	26
Proposition 1B <sup>d</sup>	2006	3,300	558	251	2,492
Proposition 1C <sup>e</sup>	2006	400	14	30	356
Proposition 1E	2006	4,090	587	642	2,862
Proposition 84	2006	5,388	1,708	731	2,949
<b>Totals</b>		<b>\$24,283</b>	<b>\$13,438</b>	<b>\$1,960</b>	<b>\$8,885</b>

<sup>a</sup> Includes funds previously appropriated, statewide bond costs, future-year obligations, and reversions.  
<sup>b</sup> Based on Conference Committee version of 2008-09 Budget Bill.  
<sup>c</sup> \$125 million was transferred from Proposition 204 to Proposition 13 accounts.  
<sup>d</sup> Primarily a transportation bond, this figure shows amounts for air quality.  
<sup>e</sup> Proposition 1C includes up to \$400 million for parks.

<b>Resources General Obligation Bonds, 1996 to Present<sup>a</sup> by Program Area</b>					
<i>(In Millions)</i>					
		<b>Previous Allocation</b>	<b>Previous Appropriations<sup>b</sup></b>	<b>Proposed Appropriations<sup>c</sup></b>	<b>Balance (July 2009)</b>
Parks and recreation		\$4,046	\$2,877	\$103	\$1,066
State parks		(1,094)	(788)	(63)	(243)
Local parks		(2,612)	(1,844)	(38)	(731)
Historic and cultural resources		(240)	(239)	(2)	(-1)
Nature education		(100)	(7)	—	(93)
Water quality		3,647	2,051	215	1,381
Water management		6,843	2,813	953	3,076
Conservation, restoration, and land acquisition		4,711	3,603	374	734
CalFed/delta related		1,686	1,486	64	136
Air quality		3,350	608	251	2,492
<b>Totals</b>		<b>\$24,283</b>	<b>\$13,438</b>	<b>\$1,960</b>	<b>\$8,885</b>

<sup>a</sup> Includes Propositions 204, 12, 13, 40, 50, 1B, 1C, 1E, and 84.  
<sup>b</sup> Includes funds previously appropriated, statewide bonds costs, future year obligations, and reversions.  
<sup>c</sup> Based on Conference Committee version of 2008-09 Budget Bill.



## ABx2 8 (Huffman, Caballero, and Wolk)— Summary of Provisions

<b>ABx2 8, Proposed Uses of Water Bond Funds</b>	
<i>(In Millions)</i>	
<b>Water Supply Reliability</b>	<b>\$2,000</b>
Integrated Regional Water Management	1,500
Local and Regional Drought Relief	500
<b>Delta Sustainability</b>	<b>\$1,900</b>
Public Benefits and Delta Sustainability	700
Delta Ecosystem	1,200
<b>Statewide Water System Operational Improvement</b>	<b>\$3,000</b>
Public Benefits of Water Storage Projects	3,000
<b>Conservation and Watershed Protection</b>	<b>\$1,335</b>
Ecosystem and Watershed Protection and Restoration	1,000
Invasive Species Control	85
Watershed Restoration in Fire Damaged Areas and Fuel Reduction	100
Improved Fish Passage on Rivers and Streams	150
<b>Groundwater Protection and Water Quality</b>	<b>\$1,050</b>
Prevention or Reduced Contamination of Groundwater	360
Emergency Drinking Water Projects	90
Small Community Wastewater Treatment	200
Stormwater Management and Water Quality	300
Ocean Protection Trust Fund	100
<b>Water Recycling and Advanced Treatment Technologies</b>	<b>\$500</b>
<b>Water Use Efficiency Program</b>	<b>\$20</b>
<b>Total</b>	<b>\$9,805</b>



## ABx2 8—Summary of Key Provisions

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- Authorizes \$9.8 billion for specified water supply reliability and water source protection programs.
- All funds are only available upon appropriation by the Legislature.
- Grant funds available under ABx2 8 generally require a 50 percent local cost share. However, in some cases disadvantaged communities are not required to provide this cost share.
- Funds may not be used to fund the costs of design, construction, maintenance, or operation of an “alternate Delta Conveyance.”
- Funds for Delta Sustainability are to be spent according to a comprehensive Delta Sustainability program that “takes into consideration” Delta Vision and the Bay Delta Conservation Plan. The plan for such a program shall be submitted annually to the Legislature.
- The measure authorizes the California Water Commission to select water storage projects for funding (upon legislative appropriation), based on a competitive process. Eligible projects include surface storage projects identified in the CalFed Record of Decision, groundwater storage projects, conjunctive use projects, and regional and local surface storage projects.
- Bond funding for water storage projects shall be used solely to pay for the public benefits of the projects—ecosystem restoration, water quality, and flood control improvements. In general, public bond funds may not exceed 50 percent of project costs.
- Funds for the Salton Sea Watershed shall be spent according to the “Preferred Alternative” developed by the Resources Agency.



## Fiscal Impacts of ABx2 8

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The main fiscal impacts of the measure on state and local governments are the following:

- **Total and Annual Bond Costs.** Total bond costs of \$19.1 billion (including \$9.3 billion in interest) to repay the bonds, assuming a 30-year term and 5 percent interest rate. The annual cost to the General Fund would be approximately \$638 million.
- **Property Tax Impacts.** Local property tax rolls will be reduced if the bond funds are used for property acquisitions by government agencies and/or nonprofit entities, which do not pay property taxes. The measure does not specify what portion of the funds are to be used for acquisitions, but some provisions provide funds that could be used for land acquisition.
- **Operational Costs.** State and local governments will likely use some portion of the available bond funds to acquire or develop new projects that will require annual operations and maintenance costs. These costs are unknown, but could be in the tens of millions of dollars per year.



## Issues for Legislative Consideration

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ABx2 8 provides that the Legislature may enact legislation necessary to implement the programs funded by the proposed bond. Some areas that may need implementing legislation include:

- ***Annual Versus Continuous Appropriation.*** ABx2 8 makes all funds subject to annual appropriation by the Legislature, whereas the Governor's bond proposal continuously appropriates \$3 billion for water storage projects. As a matter of legislative oversight, we recommend that all bond funds be subject to legislative appropriation.
- ***Defining Administrative Costs.*** ABx2 8 caps "administrative costs" at 5 percent of program costs, but does not define these terms. Additional clarification will ensure that only appropriate administrative costs are incurred using bond funds.
- ***Repayment of Grant Funds.*** In several areas, such as funding for invasive species control or the prevention or reduction of groundwater contamination, ABx2 8 requires the adoption of implementing legislation requiring the repayment of grant funds, should the responsible party be identified.
- ***Salton Sea Restoration.*** The Legislature has not adopted a restoration plan for the Salton Sea. Therefore, the Legislature may wish to amend ABx2 8 so that funds for the Salton Sea Restoration can be spent consistent with the Legislature's ultimately adopted approach rather than the alternative developed by the Resources Agency.
- ***Delta Water Conveyance Issues.*** The measure provides substantial funding for "Bay-Delta Sustainability." These funds shall be spent according to a comprehensive "Delta Sustainability Plan" to be developed by the administration, based on general criteria provided in the measure. While considering ABx2 8, it is important that the Legislature ensure that it has ample flexibility in future years to make decisions about the operation of the Delta water supply system and ecosystem restoration program.