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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

LAO  
**75**  
YEARS OF  
SERVICE

# Overview of Bond Funding for California State Parks

Presented to:  
Assembly Water, Parks, and Wildlife Committee  
Hon. Marc Levine, Chair





## Overview of State Bonds

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- 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 2016-17 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.



## Considerations for Designing and Implementing Bonds

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- ☑ ***Designating Funding Recipients.*** Given state priorities, determine how much funding to provide to meet state, regional, and local needs.
- ☑ ***Determining Method for Distributing Funds.*** Choose fund allocation methods—such as direct funding to state departments, competitive grant programs, or per-capita payments to local governments—that would best meet desired outcomes.
- ☑ ***Selecting Types of Projects for Funding.*** Establish criteria for selecting projects that ensure projects help to achieve state priorities for bond funds. For example, focusing on long-term projects that provide benefits over many years instead of short-term projects or ongoing operational costs that future taxpayers might not benefit from.
- ☑ ***Ensuring Long-Term Operations.*** Make sure that funding will be available to operate and maintain the capital investments so that they continue to provide services over their entire expected lifespan.
- ☑ ***Maximizing Funding for Projects.*** Limit administrative costs in order to reserve more funding for projects.
- ☑ ***Ensuring Accountability and Oversight.*** Departments should be required to collect and evaluate data on project outcomes to allow the Legislature and voters to understand what has been achieved with the investment of the bond dollars. Accountability requires that information on programs be public, accessible, and timely.



## Past Bond Funding for Parks

<b>Recent Bond Funding for State and Local Parks</b>					
<i>(Dollars in Millions)</i>					
<b>Bond</b>	<b>Year</b>	<b>Total Authorized Amount</b>	<b>Allocation for Parks</b>	<b>Portion of Parks Allocation for Local Assistance</b>	<b>Remaining Funds Available<sup>a</sup></b>
Proposition 12	2000	\$2,061	\$1,364	62%	\$5
Proposition 40	2002	2,518	1,186	81	27
Proposition 84	2006	5,388	900	44	12
<b>Totals</b>		<b>\$9,967</b>	<b>\$3,450</b>	<b>64%</b>	<b>\$45</b>

<sup>a</sup> Estimate as of February 2016.



### **\$3.5 Billion in Bond Funding for Parks Approved Since 2000**

- As shown in the above figure, since 2000, voters have approved three bonds that included a total of \$3.5 billion for state and local parks. About two-thirds of that amount was allocated to local parks, and the remaining one-third was for the state parks system.
- \$45 million will be available at the end of the 2016-17 for future appropriation. Most of this amount—\$27 million from Proposition 40—is allocated for two local grant programs, the California Youth Soccer Program and State Urban Parks and Healthy Communities Program.



## Proposed Parks and Resources Bond— AB 2444 (Garcia)

<b>Proposed Uses of Bond Funds<sup>a</sup></b>	
<i>(Dollars in Millions)</i>	
<b>Creation and expansion of safe neighborhood parks</b>	<b>\$995</b>
Competitive grants for communities with relatively few parks	995
<b>State and local park rehabilitation, trails, and rural recreation</b>	<b>\$1,055</b>
Per-capita grants for local park rehabilitation and improvement	450
State park facility restoration and preservation	350
Competitive grants to expand, rehabilitate, or restore parks	120
Competitive grants for trails and non-motorized access to natural environments	50
Competitive grants for rural recreation and tourism	50
Competitive grants for small, urbanized cities and districts	35
<b>Water and land conservation, climate preparedness, and habitat resilience</b>	<b>\$1,070</b>
Wildlife Conservation Board funding	340
State conservancy funding	245
Competitive grants for trails and waterfront greenways	210
Assistance to coastal communities for climate change adaptation	80
Projects that (1) protect resources, (2) convert former fossil fuel power plants to open space and parks, or (3) improve recreation and tourism in areas not covered by conservancies	80
Reducing fire risk and improving forest health	60
California Conservation Corps park and watershed projects	40
Improving agricultural and open-space soil health	15
<b>Total</b>	<b>\$3,120</b>

<sup>a</sup> Allocated in Assembly Bill 2444 (Garcia).