

August 8, 2006

Proposition 84

The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006

LEGISLATIVE ANALYST'S OFFICE

Presented To:

Senate Committee on Natural Resources and Water

Hon. Sheila James Kuehl, Chair

Assembly Committee on Water, Parks and Wildlife

Hon. Lois Wolk, Chair





Resources Bonds Funding History

Resources Bond Fund Conditions		
<i>(In Millions)</i>		
	Total Authorization In Bond	Balance Available^a
Proposition 204 (b)	\$995	\$247
Proposition 12 (c)	2,100	19
Proposition 13 (d)	1,970	328
Proposition 40 (e)	2,600	6
Proposition 50 (f)	3,440	353
Totals	\$11,105	\$953

^a Amount available after accounting for appropriations made through 2006-07.
^b Safe, Clean, Reliable Water Supply Fund, 1996.
^c Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund, 2000.
^d Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Fund, 2000.
^e California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund, 2002.
^f Water Security, Clean Drinking Water, Coastal and Beach Protection Fund, 2002.

Resources Bond Fund Conditions^a By Programmatic Area		
<i>(In Millions)</i>		
	Total Authorization In Bonds	Balance Available (July 1, 2007)
Parks and Recreation	\$2,699	\$2
State Parks	(750)	(—)
Local Parks	(1,671)	(—)
Historical and Cultural Resources	(278)	(2)
Water Quality	2,013	205
Water Management	1,722	313
Land Acquisitions and Restoration	3,154	88
CALFED Bay-Delta Program	1,468	345
Air Quality	50	—
Totals	\$11,105	\$953

^a Includes Propositions 204, 12, 13, 40, and 50.



Proposition 84—Summary of Provisions

Proposition 84 Uses of Bond Funds	
	Amounts (In Millions)
Water Quality	\$1,525
<ul style="list-style-type: none"> • Integrated regional water management. 1,000 • Safe drinking water. 380 • Delta and agriculture water quality. 145 	
Protection of Rivers, Lakes, and Streams	\$928
<ul style="list-style-type: none"> • Regional conservancies. 279 • Other projects—public access, river parkways, urban stream restoration, California Conservation Corps. 189 • Delta and coastal fisheries restoration. 180 • Restoration of the San Joaquin River. 100 • Restoration projects related to the Colorado River. 90 • Stormwater pollution prevention. 90 	
Flood Control	\$800
<ul style="list-style-type: none"> • State flood control projects—evaluation, system improvements, flood corridor program. 315 • Flood control projects in the Delta. 275 • Local flood control subventions (outside the Central Valley flood control system). 180 • Floodplain mapping and assistance for local land use planning. 30 	
Sustainable Communities and Climate Change Reduction	\$580
<ul style="list-style-type: none"> • Local and regional parks. 400 • Urban water and energy conservation projects. 90 • Incentives for conservation in local planning. 90 	
Protection of Beaches, Bays, and Coastal Waters	\$540
<ul style="list-style-type: none"> • Protection of various coastal areas and watersheds. 360 • Clean Beaches Program. 90 • California Ocean Protection Trust Fund—marine resources, sustainable fisheries, and marine wildlife conservation. 90 	
Parks and Natural Education Facilities	\$500
<ul style="list-style-type: none"> • State park system—acquisition, development, and restoration. 400 • Nature education and research facilities. 100 	
Forest and Wildlife Conservation	\$450
<ul style="list-style-type: none"> • Wildlife habitat protection. 225 • Forest conservation. 180 • Protection of ranches, farms, and oak woodlands. 45 	
Statewide Water Planning	\$65
<ul style="list-style-type: none"> • Planning for future water needs, water conveyance systems, and flood control projects. 65 	
Total	\$5,388



Proposition 84—Summary of Provisions

(Continued)



New Program Areas:

- ***San Joaquin River Restoration.*** In past years, the state has spent limited funds on studies and some restoration efforts relating to the San Joaquin River. However, the \$100 million allocated in the bond for restoration activities for purposes of implementing a court settlement signifies a substantial increase in the state's efforts in this area.
- ***Sustainable Communities.*** The state has previously provided funding from a variety of sources, including bond funds, to support water, energy, and natural resource conservation. However, it has not previously provided resources bond funds specifically to encourage local/regional land use planning that will conserve natural resources. Proposition 84 provides \$90 million for this purpose. In addition, Proposition 84 provides another \$90 million for urban water and energy conservation projects, of which at least \$20 million is for urban forestry projects (an existing program).



Areas of Overlap With Proposition 1E (Disaster Preparedness and Flood Prevention Bond Act of 2006):

- Proposition 84 and Proposition 1E each provide funding for the following three areas of flood management:
 - ***Flood Control in the Central Valley and Delta.*** Proposition 1E includes \$3 billion for flood control projects in the state Central Valley system and the Delta region. Proposition 84 includes \$590 million for these projects.
 - ***Subvention Funding for Local Flood Control Projects.*** Proposition 1E provides \$500 million for local flood control projects outside the state Central Valley system. Proposition 84 provides \$180 million for this purpose.



Proposition 84—Summary of Provisions

(Continued)

- ***Floodplain Mapping.*** Proposition 1E provides \$290 million for flood protection corridors and bypasses and floodplain mapping. Proposition 84 provides \$30 million for floodplain mapping and local land use planning assistance.
- ***Identified Flood Management Funding Requirements.*** While there is overlap between the two bond measures for flood management, we note that the Department of Water Resources has made rough estimates of the funding necessary to repair and upgrade the Central Valley and Delta levee systems of between \$7 billion and \$12 billion.



Proposition 84—Summary of Provisions

(Continued)



Programs Previously Funded With Resources Bond Funds Not Directly Funded From Proposition 84:

- **CALFED.** While previous bond measures have included funds to directly support the CALFED Bay-Delta Program, Proposition 84 does not include a pot of funds specifically for CALFED. However, a number of the bond's provisions provide funding for purposes that would advance CALFED's objectives. These include funding to improve water quality in the Delta (\$130 million), repair and upgrade Delta levees (\$275 million), and restore Delta and coastal fisheries (\$180 million).
- **Watershed Protection.** Previous bonds have allocated almost \$1.6 billion for various watershed restoration and protection projects. Proposition 84 does not include funds specifically for a general watershed program, although watershed protection or restoration projects are an eligible use of some of the measure's funds, including funding allocated to the state conservancies and for integrated regional water management.
- **Water Storage.** Previous bond measures have included funds to investigate future surface water storage projects and to support local groundwater storage projects. While Proposition 84 does not include funds specifically allocated for storage projects, water supply reliability and groundwater management are two of the eligible elements of projects funded under the measure's integrated regional water management provisions.
- **Air Quality.** Previous bonds have included funds to improve air quality, namely for diesel emission reduction incentive programs. Proposition 84 does not include any funds specifically for air quality programs. However, funds available to promote conservation in local planning and for urban greening projects could have air quality benefits. In addition, Proposition 1B (the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006) includes \$1.2 billion for air quality improvements.



Fiscal Impacts of Proposition 84



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

- **Total and Annual Bond Costs.** Total bond costs of \$10.5 billion (including \$5.1 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 \$350 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 non-profit entities, which do not pay property taxes. The measure does not specify what portion of the funds are to be used for acquisitions, but many provisions provide that land acquisition is one of the eligible uses. The impact on local property taxes would likely be several million dollars annually.
- **Operational Costs.** State and local governments will likely use some portion of the available bond funds to acquire or develop new projects, such as parks, 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

- Legislative Appropriations Versus Continuous Appropriations.*** The majority of the funds allocated in Proposition 84 are available upon appropriation by the Legislature. (While the Legislature typically appropriates such bond funds in the annual budget act, it can also appropriate funds in a separate bill.) However, there are certain sections for which the funding is continuously appropriated. These include: floodplain mapping (\$30 million), flood control projects (\$275 million), forest conservation and protection (\$180 million), and habitat protection and restoration (\$135 million). We note, however, that a continuous appropriation of funding in a bond measure does not preclude the Legislature from including these funds in the annual budget act as a way of increasing its legislative oversight of the expenditure of these funds.

- Implementing Legislation.*** There are several areas of Proposition 84 for which the Legislature may wish to consider enacting implementing legislation.

 - ***Implementation Legislation for Previous Bonds.*** The Legislature adopted a series of implementing legislation for both Proposition 40 and Proposition 50. This legislation served various purposes, including to define the parameters of new programs (e.g. the Clean Beaches Program), to specify requirements for grant guideline development, to specify local matching requirements, and to specify reporting requirements.
 - ***Senate Bill 153 (Chesbro).*** This bill has been amended to be a vehicle for implementing legislation for Proposition 84 and Proposition 1C (the housing bond) on the November ballot. Specifically, SB 153, in its current version, specifies the allocation of the \$400 million in Proposition 84 for local and regional parks under the bond measure's "Sustainable Communities" provisions.



Issues for Legislative Consideration

(Continued)

■ ***Additional Areas in Proposition 84 That May Need Implementing Legislation:***

- **Eligibility of Private Water Companies.** Proposition 84 does not specify whether or not private water companies (which serve a significant portion of the state’s residents) are eligible for grants and loans for water quality and water supply projects.
- **Flood Control Projects (\$275 Million).** The measure does not specify whether these projects must be part of the state Central Valley system or whether funding is available for any project in the state.
- **Groundwater Contamination (\$60 Million).** Proposition 84 directs the Department of Health Services to require repayment of costs from parties responsible for the contamination. Implementation of this provision may require further legislative guidance.
- **Stormwater Contamination of Rivers, Lakes, and Streams (\$90 Million).** This section provides funds for matching grants to local agencies. Implementing legislation could give the administration guidance on matching requirements and grant guidelines.
- **Urban Greening Projects (\$90 Million).** The measure does not specify an implementing agency and gives only very general guidelines for the expenditure of these funds.
- **Planning Incentives for Conservation (\$90 Million).** Similarly, the measure does not specify an implementing agency and gives only very general guidelines for the expenditure of these funds.
- **Administrative Costs.** Proposition 84 caps administrative costs at 5 percent of funds allocated to any “program.” However, it does not provide a definition of program or a definition of what is included in administrative costs.