

March 6, 2007

## **Proposition 84 Bond Implementation— Water, Parks and Wildlife Policy/Budget Issues**

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LEGISLATIVE ANALYST'S OFFICE

Presented To:

Assembly Committee on Water, Parks and Wildlife  
Hon. Lois Wolk, Chair





## Prior Resources Bonds Funding History

<b>Resources Bond Fund Conditions</b>		
<i>(In Millions)</i>		
	<b>Total Authorization In Bond</b>	<b>Balance Available<sup>a</sup></b>
Proposition 204 (b)	\$995	\$270
Proposition 12 (c)	2,100	14
Proposition 13 (d)	1,970	193
Proposition 40 (e)	2,600	12
Proposition 50 (f)	3,440	120
<b>Totals</b>	<b>\$11,105</b>	<b>\$609</b>

<sup>a</sup> Amount available after accounting for prior and proposed appropriations through 2007-08.  
<sup>b</sup> Safe, Clean, Reliable Water Supply Fund, 1996.  
<sup>c</sup> Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund, 2000.  
<sup>d</sup> Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Fund, 2000.  
<sup>e</sup> California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund, 2002.  
<sup>f</sup> Water Security, Clean Drinking Water, Coastal and Beach Protection Fund, 2002.

<b>Resources Bond Fund Conditions<sup>a</sup> By Programmatic Area</b>		
<i>(In Millions)</i>		
	<b>Total Authorization In Bonds</b>	<b>Balance Available (July 1, 2008)</b>
<b>Parks and Recreation</b>	\$2,746	\$11
State Parks	(694)	(7)
Local Parks	(1,812)	(4)
Historical and Cultural Resources	(240)	(—)
<b>Water Quality</b>	1,942	74
<b>Water Management</b>	1,888	110
<b>Land Acquisitions and Restoration</b>	2,793	44
<b>CALFED/Delta-Related</b>	1,686	370
<b>Air Quality</b>	50	—
<b>Totals</b>	<b>\$11,105</b>	<b>\$609</b>

<sup>a</sup> Includes Propositions 204, 12, 13, 40, and 50.



## Proposition 84—Summary of Provisions

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



## Proposition 84— Summary of Provisions

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(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).



## Governor's 2007-08 Budget Proposal

- The 2007-08 Governor's Budget proposes a total of \$1.1 billion from Proposition 84 as follows:

<b>Governor's Budget Proposed Expenditures Proposition 84</b>	
<i>(In Millions)</i>	
	<b>2007-08</b>
<b>Water Quality</b>	
Integrated regional water management	\$156
Safe drinking water	76
Delta and agriculture water quality	31
<b>Protection of Rivers, Lakes, and Streams</b>	
Regional conservancies	\$105
Other projects	9
Delta and coastal fisheries restoration	60
San Joaquin River	14
Colorado River	41
Stormwater pollution prevention	15
<b>Flood Control</b>	
State flood control projects	\$93
Delta flood control projects	58
Local flood control subventions	100
Floodplain mapping	25
<b>Sustainable Communities and Climate Change Reduction</b>	
Local and regional parks	\$1
Urban greening	11
Incentives for conservation planning	18
<b>Protection of Beaches, Bays, and Coastal Waters</b>	
Coastal areas and watersheds	\$93
Clean Beaches Program	9
Ocean Protection Trust Fund	29
<b>Parks and Natural Education Facilities</b>	
State park system	\$25
Nature education and research facilities	—
<b>Forest and Wildlife Conservation</b>	
Wildlife habitat protection	\$50
Forest conservation	35
Protection of ranches, farms, and oak woodlands	33
<b>Statewide Water Planning</b>	
Future planning	\$15
<b>Total</b>	<b>\$1,102</b>



## Issues for Legislative Consideration

- ☑ In our *Analysis of the 2007-08 Budget Bill*, we recommend a number of legislative actions to provide for the effective and timely implementation of Proposition 84 bond programs, consistent with legislative priorities. Our recommendations (excluding those pertaining to Proposition 84's flood management provisions) are summarized below:

### Recommendations to Improve Proposition 84 Implementation

- ✓ **Defining Funding Eligibility**
  - Provide legislative direction for new programs funded by Proposition 84.
  - Declare private water companies as eligible recipients of Proposition 84 funds.
- ✓ **Being Advised of Federal Funding**
  - Request administration to advise Legislature at budget hearings of anticipated federal funding for the San Joaquin River restoration settlement.
- ✓ **Considering Streamlining Measures to Improve Project Delivery**
  - Request administration to advise Legislature of statutory action that could be taken to improve timeliness of project delivery.
- ✓ **Coordinating Local Parks Programs**
  - Designate Department of Parks and Recreation as primary administrator for Propositions 1C and 84 local park funds.
- ✓ **Appropriating Bond Funds**
  - Appropriate all funds through budget bill.
- ✓ **Additional Oversight Measures**
  - Ensure, during course of budget review, that bond funds are proposed for capital outlay-related purposes.
  - Provide controls on charging administrative costs to bond proceeds.
  - Require reporting of bond fund information in Governor's budget.
  - Hold joint legislative hearings on bond implementation.



## Issues for Legislative Consideration *(Continued)*

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### Defining Funding Eligibility

- ***Defining Funding Eligibility for New Programs.*** We recommend that the Legislature enact implementing legislation to provide direction for two substantially new programs created by Proposition 84—\$90 million for urban greening projects and \$90 million for conservation planning incentives. We note that for both of these programs, the measure does not specify an implementing agency and provides only very general guidance as to the eligible uses of funds. The Legislature should designate implementing agencies (we recommend the Secretary for Resources as the lead agency) and establish program goals and criteria for awarding grants and funding specific projects under these two programs. We note that the Governor’s budget proposal includes \$6.4 million from these funds in the Department of Conservation for grants to local agencies for the development of planning documents that incorporate the characteristics of a “sustainable California community”—a concept that is vaguely defined in the budget proposal.
  
- ***Addressing Funding 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. We recommend that the Legislature state its policy position on this matter in implementing legislation, and we recommend that private water companies be declared eligible for funding.



## Issues for Legislative Consideration *(Continued)*

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### **Being Advised of Federal Funding Uncertainty—Funding the San Joaquin River Restoration Settlement**

- The budget includes \$14 million from Proposition 84 (out of \$100 million provided in the bond) to implement a settlement of a lawsuit concerning the San Joaquin River. While the state is not a party to the lawsuit, the administration has signed a memorandum of understanding (MOU) with the settling parties (the federal government, water users, and an environmental organization), pursuant to which it proposes to spend state bond funds beginning in the budget year on restoration activities. However, we find that Congressional action necessary to authorize the full federal funding contribution under the settlement has yet to materialize. We recommend against appropriating state funds for the restoration until the federal funding contribution is secured and the Legislature has been given the opportunity to evaluate the appropriate role for the state in the restoration.



### **Coordinating Local Parks Programs**

- Proposition 84 includes \$400 million for local and regional parks, to be administered by the Department of Parks and Recreation (DPR). In addition, Proposition 1C (the housing bond) includes \$200 million for housing-related local and regional parks and *up to* \$200 million for park grants to encourage infill development (out of an \$850 million pot). Proposition 1C does not specify an implementing agency for these funds; the Governor's budget proposes to appropriate these funds to the Department of Housing and Community Development. Given DPR's experience implementing local parks grant programs, and to recognize efficiencies by consolidating like programs, we recommend that the Legislature designate DPR as the administrator of *all* local park funds under Propositions 1C and 84. We also recommend the enactment of legislation specifying what portion of the \$850 million in Proposition 1C for infill-related uses should be allocated for





## Issues for Legislative Consideration *(Continued)*

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local and regional parks, so that these funds can be appropriated to DPR in the future.



### **Additional Oversight Measures**

- ***Legislative Appropriations Versus Continuous Appropriations.*** While the majority of Proposition 84 funds are available for expenditure only upon appropriation by the Legislature (typically done in the budget act), there are certain sections for which the funding is continuously appropriated. These include provisions providing funding to the Department of Water Resources for flood management (\$305 million), and to the Wildlife Conservation Board for (1) forest conservation and protection (\$180 million) and (2) 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 “in lieu” of the continuous appropriation as a way of increasing legislative oversight of the expenditure of these funds. We recommend that the Legislature include such appropriations in the budget act.
- ***Ensuring That Bond Funds Are Used for Capital Purposes.*** Current law (Section 16727 of the Government Code) essentially provides that general obligation bonds are used for capital purposes. Without this control, the door would be opened to expensive debt financing of noncapital expenditures, such as the costs of day-to-day program operations. In order to ensure that bond funds are not proposed for purposes that are clearly not related to capital outlay, we recommend that the Legislature review the Governor’s bond-funded proposals with the Government Code provision in mind.



## Issues for Legislative Consideration *(Continued)*

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In addition to the above issues, in our Analysis of the *2007-08 Budget Bill* we raised a number of issues, pertaining to particular Proposition 84 budget proposals (that have policy implications). These issues include:



### **Budget Fails to Address State Parks Deferred Maintenance Backlog**

- The DPR has identified over \$900 million in deferred maintenance projects in the state park system. In 2006-07, the Legislature appropriated \$250 million in General Fund for deferred maintenance projects. The Governor's budget, however, proposes to revert \$160 million of this prior appropriation and provides no alternative funding source for these funds. We recommend that the Legislature appropriate \$160 million from Proposition 84 to backfill the proposed reversion.



### **Administration Delays Local Parks Funding Until 2009-10**

- Proposition 84 allocates \$400 million for local and regional parks. While the Governor's budget includes a small amount of funding for program delivery costs, the administration does not anticipate making grants for local parks until 2009-10. While there is likely to be implementing legislation for this section of Proposition 84 that will provide legislative direction for grant guidelines that will need to be developed, we think that there may be opportunities for the department to speed up the initiation of grant delivery, given its history of implementing local park grant programs.



### **Surface Storage Proposals Need Matching Funds**

- Through the end of the current fiscal year, the state and federal government will have spent over \$118 million on surface storage feasibility studies under the CALFED Bay-Delta Program. The budget proposes \$9.8 million in bond funds (\$6 million from Proposition 84) to continue feasibility stud-



## Issues for Legislative Consideration *(Continued)*

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ies for three surface storage water projects (Sites Reservoir, Temperance Flat, and Los Vaqueros Reservoir). We find that the CALFED surface storage program has reached a point where these feasibility studies cannot practically move forward unless nonstate entities—parties that would benefit from the projects being studied—step up to the plate and share in the costs of studying and developing these projects.