

Overview of the 2010 Water Bond

The Safe, Clean, Reliable Drinking Water Supply Act of 2010



Pacific Institute

654 13th Street, Preservation Park

Oakland, CA 94612



Background

- \$11.14 billion water bond - would be largest water bond passed in 50 years
- General Obligation bond
 - State borrows money to fund projects
 - Must repay bond amount, plus interest
 - No revenue source specified for repayment
- No more than half of bond to be issued before 2015

Fiscal impact of bond

- CA has lowest bond rating of 50 states, with 5-6% interest rates
- Annual debt service from general fund would peak at \$800 million
- Lifetime cost: approx. \$22 billion (including interest)

Fiscal impact of bond

- When there is a budget deficit, this forces cuts in other programs
 - *“GO bond repayments are essentially the first funding priority of the General Fund (after K-12 education) and, for this reason, bonded debt service takes precedence over other spending priorities, be they education, health, social services, prisons, etc.”* (Office of Senate Floor Analyses).

Uncertainty around bond implementation

- Broad language in many parts of the bond leaves much up to its implementation
- In many cases, we only know possible ranges of how much funding will go toward certain priorities, e.g. drinking water improvements, new water infrastructure

What does the bond fund?

- Infrastructure projects (41-57% of bond)
 - Includes surface and groundwater storage, conveyance, levees, wastewater treatment, desalination and water recycling plants



What does the bond fund?

- Public Benefits

- Most projects require a 50% local cost share
- Bond money is only to be spent on “public benefit” portions of many projects

- Question: what is a “public benefit”?

- Unclear in the bond



What does the bond fund?

- Ecosystem restoration (approx. 30% of bond)



- \$1,500 million for Delta restoration
- \$1,785 million for various protection and restoration projects statewide

- Question: Should the public or project users pay to fix ecosystem damages caused by past projects?

What does the bond fund?

- Projects in disadvantaged communities (2.6% of bond) & small wastewater systems (0.7% of bond)
 - Local cost-share waived or reduced
 - 3% - 45% of identified “high priority” drinking water needs – but some as loans instead of grants, which some small systems can’t afford
 - Up to 7% of identified small and disadvantaged community wastewater treatment needs

Funds are less targeted to communities with greatest need

New category added:

- *Economically distressed areas* $\leq 85\%$ statewide median household income (MHI), measured at a larger geographical area including entire counties

Two Past Bonds:

- *Disadvantaged communities* $\leq 80\%$ statewide MHI, measured at census tract level
- Prop 84 also had *severely disadvantaged* category (≤ 60 MHI)

Funds major storage projects from General Fund

- No revenue stream for repayment
 - Previous water bonds have required major storage infrastructure to be repaid by users over time



Ecosystem benefit requirements

Storage projects must “provide measurable improvements to the Delta ecosystems”

- Shift toward managing for “co-equal goals” of supply and environment
- Question: how will it be implemented?



New ability for private entities to enter JPAS

Joint Powers Authorities (JPAs)

- Allow public entities to pool authorities & resources
- Bond gives broad, unprecedented authority for ***private entities*** to own, operate and manage storage projects
- Proposed legislation would remove this language

Revives the California Water Commission

- With authority over:
 - allocating funds for new water storage (Chapter 8 of the water bond)
 - developing methods for quantification and prioritization of public benefits for storage projects
- All members appointed by Governor; Senate confirmation required

Special protections for Chapter 8 storage projects

- The **ONLY** chapter of the bond that:
 - Is continuously appropriated
 - Requires two-thirds vote in legislature, plus voter approval for any modification

Additional questions

- Should users pay the full costs of projects (capital, O&M, and ecosystem)?
- How should we be financing our water-related projects (local level, state bond, etc.)?

