

CONTACT: Juliet Christian-Smith at 510-251-1600 x111; jchristiansmith@pacinst.org
or Asha Nordwall at 510-251-1600

WHAT DOES THE PROPOSED CALIFORNIA WATER BOND SAY AND DO?

PACIFIC INSTITUTE RELEASES INDEPENDENT ANALYSIS OF THE WATER BOND

August 2, 2010, Oakland, Calif.: The California Legislature approved an \$11.14 billion bond for the November ballot, the largest water bond in 50 years. The Pacific Institute, one of the preeminent research organizations on water issues, has released an analysis of the finance and governance implications, highlighting the bond's real costs and benefits. The report, *The 2010 California Water Bond: What Does It Say and Do? An Independent Analysis of the Proposed Bond*, is available on the Pacific Institute website at http://www.pacinst.org/reports/water_bond/index.htm, along with three "Need to Know" information sheets about the bond.

It is a critical time in California water policy. In 2009 the California Legislature passed a series of water-related bills aimed at moving the state out of decades of gridlock over water resource management. It simultaneously approved the \$11.14 billion bond, called the "Safe, Clean, and Reliable Drinking Water Supply Act of 2010," to fund water system upgrades.

"California faces considerable water challenges over the next decades, and a state water bond could be a vehicle for investing in strategic and wide-reaching solutions," said Peter Gleick, president of the Pacific Institute. The Governor recently called for postponing the bond, though the Legislature has not taken the action required to pull it from the November ballot.

"The Legislature will soon decide whether this bill will stay on the ballot, be postponed, be amended, or be pulled altogether. Therefore, this is an opportune time to examine its contents closely," said Juliet Christian-Smith of the Pacific Institute, coauthor of the report. "We completed a detailed analysis because all of us – legislators and voters alike – need to know exactly how this bond proposes to address many of California's water challenges, how it allocates funds, and how it would impact the state budget."

Pacific Institute researchers analyzed what the bond language says and covers; how it compares to past water bonds; how it addresses needs of disadvantaged communities; and its fiscal impacts. As a result, three "Need to Know" information sheets are available on the Institute's website addressing: [What are the Fiscal Impacts of an \\$11 Billion Water Bond?](#); [How Does the 2010 Water Bond Compare to Past Bonds?](#); and [Does the 2010 Water Bond Help Those Who Need It Most?](#) The information sheets sum up key areas from the [full report](#).

The report points out the growing reliance on general obligation bonds to finance water improvements. Since 2000, the frequency of water-related general obligation bonds has increased markedly over the previous three decades (\$9.8 billion in 2010 dollars from 1970 - 1999, and \$22 billion since 2000). The 2010 water bond allocates 30% to 43% of total funds to the restoration and protection of ecosystems, over \$2 billion for the Delta ecosystem alone. In addition, it allocates approximately one-third for water storage projects, \$3 billion - \$4.2 billion, depending on implementation. The last time California voters approved a general obligation bond to finance the construction of major new water storage was in 1960 when they approved a \$1.8 billion bond to construct the State Water Project (\$12.7 billion in 2010

dollars). However, the conditions for that bond required the State Water Project to be repaid almost entirely by those who used the water. The proposed water bond, instead, relies on the General Fund for repayment, which is primarily supported by taxes.

The Pacific Institute report notes that, unlike prior bonds and legislation, this bond gives broad authority for nongovernmental partners to enter into joint powers authorities to “own, govern, manage, and operate a surface water storage project” funded in part by taxpayer funds. This is a significant change in joint powers authorities and may allow any type of private organization, including for-profit entities, to reap financial gain from publicly funded infrastructure.

The report also notes that there are still a significant number of Californians without safe tap water, particularly in small and low-income communities. Recent water bonds, and the proposed bond, as well, set aside funding to “disadvantaged communities.” The proposed bond, however, broadens the types of communities eligible for such considerations. By including larger areas with higher median household incomes, the limited funding that is set aside (less than 3% of the total bond) is less targeted at those with the most need.

Recently, concerns about the State’s budget, growing opposition from particular interest groups, and other factors have led to suggestions that the bond be removed from the ballot, rewritten, or amended. Given these possibilities, the report offers principles for a responsible water bond to guide such amendment. “It is important that any new water bond ensures that publicly funded projects provide real public benefits, that the needs of the most vulnerable stakeholders are prioritized, and that water resource management strategies are compared in terms of their economic, social, and environmental costs,” said Eli Moore of the Pacific Institute, coauthor of the report.

The Pacific Institute in Oakland, Calif., is a nonpartisan research institute that works to create a healthier planet and sustainable communities. Through interdisciplinary research and partnering with stakeholders, the Institute produces solutions that advance environmental protection, economic development, and social equity – in California, nationally, and internationally. www.pacinst.org.

URLs in this press release:

Report:

The 2010 California Water Bond: What Does It Say and Do? An Independent Analysis of the Proposed Bond
http://www.pacinst.org/reports/water_bond/index.htm

Information Sheets:

What are the Fiscal Impacts of an \$11 Billion Water Bond?
http://www.pacinst.org/reports/water_bond/bond_fiscal_impacts.pdf

How Does This 2010 Water Bond Compare to Past Water Bonds?
http://www.pacinst.org/reports/water_bond/bond_comparison.pdf

Does the 2010 Water Bond Help Those Who Need It Most?
http://www.pacinst.org/reports/water_bond/does_bond_help_those_who_need.pdf

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