



## Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act.

### Official Title and Summary Prepared by the Attorney General

#### SAFE DRINKING WATER, CLEAN WATER, WATERSHED PROTECTION, AND FLOOD PROTECTION BOND ACT.

- This act provides for a bond issue of one billion nine hundred seventy million dollars (\$1,970,000,000) to provide funds for a safe drinking water, water quality, flood protection, and water reliability program.
- Appropriates money from the General Fund to pay off bonds.

#### Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- State cost of up to \$3.4 billion over 25 years to pay off both the principal (\$1.97 billion) and interest (\$1.4 billion) costs on the bonds. Payments of about \$135 million per year.
- Potential costs of an unknown amount to local governments to operate or maintain projects developed with these bond funds.

#### Final Votes Cast by the Legislature on AB 1584 (Proposition 13)

Assembly: Ayes 68      Senate: Ayes 30  
                  Noes 11               Noes 6

#### Analysis by the Legislative Analyst

##### Background

The state carries out a number of programs that provide loans and grants to local agencies for various water-related purposes. These purposes include improving the safety of drinking water, flood control, water quality, and the reliability of the water supply.

**Safe Drinking Water.** In past years, the state has provided funds for loans and grants to public water systems for facility improvements to meet safe drinking water standards. To raise money for these purposes, the state has relied mainly on sales of general obligation bonds. As of June 1999, all but about \$11 million of the \$425 million authorized by previous bond acts since 1976 had been spent or committed to specific projects.

**Flood Control.** The state also has provided funds to local agencies for *locally sponsored*, federally authorized flood control projects. The costs of these projects are shared among local, state, and federal governments. These projects have primarily been funded from the state General Fund. Due to the state's fiscal condition in the early 1990s, the state was not able to pay its full share of the costs for these projects. In 1996, voters approved Proposition 204 which provided \$60 million in general obligation bonds to pay a portion of these costs. These bond funds have been spent. The Department of Water Resources estimates that the unpaid amount the state owes for its share of costs for local flood control projects will total about \$130 million as of June 30, 2000.

In addition, the state has provided funds for *state-sponsored* flood control projects, mainly located in the Central Valley. The primary source of funding for these projects has been the state General Fund.

**Bay-Delta Restoration.** The state also has funded the restoration and improvement of fish and wildlife habitat in the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (the Bay-Delta) and other areas. The state has done this using various fund sources including general obligation bonds and the state General Fund. The Bay-Delta supplies a substantial

portion of the water used in the state for domestic, industrial, agricultural, and environmental purposes. Over the years, the Bay-Delta's capacity to provide reliable supplies of water and sustain fish and wildlife species has been reduced. This has occurred because of increased demand for water from the Bay-Delta and other factors such as pollution, degradation of fish and wildlife habitat, and deterioration of delta levees.

The CALFED Bay-Delta Program is a joint state and federal effort to develop a long-term approach for better management of water resources in the Bay-Delta. Program costs for the first stage of the CALFED Bay-Delta plan (covering seven years) currently under consideration are projected to total about \$5 billion. These costs could double over the projected 30-year term of the plan. It is anticipated that funding would come from a variety of federal, state, local, and private sources.

Proposition 204 provided \$583 million for ecosystem restoration and other improvements in the Bay-Delta. As of June 1999, about \$415 million of this amount remains available for future projects.

**Water Quality and Water Supply.** The state also has provided funds for projects that improve water quality and supply. For example, the state has provided loans and grants to local agencies for construction and implementation of wastewater treatment, water recycling, and water conservation projects and facilities. The state has sold general obligation bonds to raise money for these purposes. As of June 1999, all but about \$100 million of the approximately \$1.8 billion authorized by previous bond acts since 1970 had been spent or committed to specific projects.

**Watershed Protection.** In recent years, the state has modified the way it manages the state's water and other natural resources. Instead of using primarily a project-by-project or site-by-site approach, the state now takes a broader approach by focusing on entire watersheds. Under the "watershed management" approach, programs designed to improve water quality and reliability of supply, restore and

enhance wildlife habitat, and address flood control within a watershed are coordinated, often involving various federal, state, and local agencies. Watershed protection programs may include a variety of activities, such as water conservation, desalination, erosion control, water quality monitoring, groundwater recharge, and wetlands restoration.

In general, under the watershed management approach, the federal and state governments enforce environmental standards, while local agencies develop and implement local watershed management plans to meet the standards set for a watershed.

Funding for watershed protection programs, which have included grants to local agencies to control nonpoint source pollution (such as runoff from farming, logging, and mining operations), has come from various sources, including federal funds, the General Fund, and general obligation bonds.

**Proposal**

This measure allows the state to sell \$1.97 billion of general obligation bonds to improve the safety, quality, and reliability of water supplies, as well as to improve flood protection. Of this total, \$250 million is dedicated specifically to carrying out the CALFED Bay-Delta plan.

General obligation bonds are backed by the state, meaning that the state is required to pay the principal and interest costs on these bonds. General Fund revenues would be used to pay these costs. These revenues come primarily from the state personal and corporate income taxes and sales tax.

Figure 1 summarizes the purposes for which the bond money would be used. The bond money will be available for expenditure by various state agencies and for loans and grants to local agencies and nonprofit associations. The measure specifies the conditions under which the funds are available for loans, including the terms for interest and repayment of the loans.

The measure also requires that funds remaining in specified accounts under the 1996 Safe, Clean, Reliable Water Supply Bond Act (Proposition 204) be used to provide loans and grants for similar types of projects funded under this measure. Additionally, the measure requires that repayments of loans funded from specified Proposition 204 accounts and under the Clean Water and Water Reclamation Bond Law of 1988 (Proposition 83) be used to provide loans and grants for similar projects funded under this measure.

**Fiscal Effect**

**Bond and Other Costs.** For these bonds, the state would make principal and interest payments from the state’s General Fund over a period of about 25 years. If the bonds are sold at an interest rate of 5.5 percent (the current rate for this type of bond), the cost would be about \$3.4 billion to pay off both the principal (\$1.97 billion) and interest (\$1.4 billion). The average payment would be about \$135 million per year.

However, total debt repayment costs to the state will be somewhat less. This is because the measure requires that loans made for nonpoint source pollution control, water conservation, and specified water quality/supply projects (up to \$363 million) be repaid to the General Fund. The repayments of these loans could reduce the General Fund costs by about \$470 million over the life of the bonds.

Local governments that develop projects with these bond funds may incur additional costs to operate or maintain the projects. The amount of these potential additional costs is unknown.

**Use of Repayments of Past Loans.** Proposition 204 authorized \$25 million in loans to local agencies for water conservation projects and groundwater recharge facilities. Currently, repayments of these loans are used to provide additional loans for such projects and facilities. This measure requires, instead, that the repayments be used to fund loans

and grants for projects authorized by this measure. Repayments from the loans made under this measure would be required to be deposited in the state’s General Fund. This will result in a General Fund savings potentially of up to \$40 million to pay off the principal and interest of the bonds.

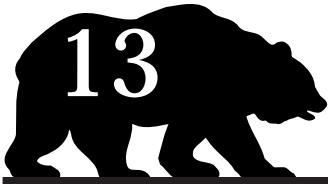
**Figure 1**

**Safe Drinking Water, Clean Water, Watershed Protection, And Flood Protection Act  
Uses of Bond Funds**

*(In Millions)*

	<b>Amount</b>
<b>Safe Drinking Water Facilities</b>	<b>\$ 70</b>
• Public water system capital improvements	70
<b>Flood Protection</b>	<b>\$ 292</b>
• Flood control and fish and wildlife improvements on Yuba and Feather Rivers	90
• Local flood control projects in specified areas, including 13 counties, the state capitol area, and the Santa Cruz region	72
• Land acquisition and restoration projects	70
• Delta levee rehabilitation	30
• Urban stream restoration	25
• Mapping	5
<b>Watershed Protection</b>	<b>\$ 468</b>
• Protection of the Santa Ana River and the Lake Elsinore and San Jacinto watersheds	250
• River parkway acquisition and riparian habitat restoration	95
• Development and implementation of local watershed management plans	90
• Protection and acquisition of coastal salmon habitat	25
• Water education institute, science center, and science laboratory	8
<b>Clean Water and Water Recycling</b>	<b>\$ 355</b>
• “Nonpoint source” pollution control	190
• Wastewater treatment	100
• Water recycling	40
• Seawater intrusion control	25
<b>Water Conservation</b>	<b>\$ 155</b>
• Water delivery system rehabilitation in economically disadvantaged areas	60
• Agricultural water conservation	35
• Urban water conservation	30
• Groundwater recharge	30
<b>Water Supply Reliability</b>	<b>\$ 630</b>
• Various projects in Bay-Delta to improve water quality, fish migration, and water levels (CALFED projects)	250
• Groundwater storage	200
• Projects to improve water quality and supply in areas receiving delta water	180
<b>Total</b>	<b>\$1,970</b>

**For text of Proposition 13 see page 97**



## Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act.

### Argument in Favor of Proposition 13

THIS WATER BOND IS VITAL TO OUR COMMUNITIES. IT'S THE KEY TO SAFE, RELIABLE, POLLUTION-FREE DRINKING WATER WITHOUT NEW TAXES.

#### *Safe drinking water.*

We can't live without it. And we can't take it for granted.

#### *That's why Proposition 13 is so important.*

The California Department of Water Resources predicts major shortages of pollution-free water. Its official five-year forecast says existing water management options won't fix the problem.

#### *Clean drinking water.*

Proposition 13 makes our drinking water safer. It fights groundwater contamination; repairs corroded water pipes and sewer systems; eliminates pollution sources and protects the watersheds that provide our drinking water.

#### *More water.*

Proposition 13 reverses a 20-year trend of decreased water supply and protects us, especially during droughts.

#### *This water bond is necessary.*

It produces enough new water to meet the needs of 8 million Californians by increasing underground storage and by promoting better conservation, recycling and water management.

*Proposition 13 lays the foundation for a lasting water solution without new taxes.*

It is strongly supported by Democrats and Republicans, business and labor, the agricultural and environmental communities and California's water providers.

#### *Proposition 13 is:*

**SAFE DRINKING WATER**—It helps meet safe drinking water standards to protect public health.

**POLLUTION CONTROL**—It fights pollution in lakes and rivers and along our coast; protects water quality from pesticides and agricultural drainage; improves water treatment plants, cleans up urban streams and controls seawater intrusion into clean water supplies.

**VITAL WATER SUPPLY**—It provides new water through conservation, recycling, underground storage and better use of reservoirs.

**FLOOD PROTECTION**—It will protect lives, avert billions of dollars in property damage and prevent massive disruption of clean water supplies for families and businesses throughout California.

**FISH AND WILDLIFE**—Wetlands and other natural habitats are protected, including the San Francisco Bay/Sacramento-San Joaquin Delta, the source of drinking water for 22 million Californians.

**FISCALLY RESPONSIBLE**—This is a wise investment for safe drinking water and against water shortages. It is fiscally responsible, does not raise taxes, qualifies California for new federal funds and limits administrative costs. If we don't act NOW, the cost will be far higher in the future.

*"Every California community needs clean, reliable water. Without Proposition 13, we all face a very uncertain water future."*—Assemblyman Michael J. Machado, Chairman, Assembly Committee on Water, Parks and Wildlife

Join the diverse coalition of Californians supporting this water bond:

Association of California Water Agencies  
The Nature Conservancy  
California Chamber of Commerce  
Agricultural Council of California  
Audubon Society  
League of Women Voters  
California Business Roundtable  
National Wildlife Federation  
California Manufacturers Association  
Planning and Conservation League  
California State Association of Counties  
California State Council of Laborers  
Southern California Water Committee  
Northern California Water Association

Please vote to protect our quality of life by supporting Proposition 13, the safe drinking water bond and Proposition 12, the parks bond. These measures work together for our economy, our environment and our families' health. We need your YES vote on Propositions 12 and 13.

#### **GOVERNOR GRAY DAVIS**

**ALLAN ZAREMBERG**

*President, California Chamber of Commerce*

**LESLIE FRIEDMAN JOHNSON**

*Water Program Director, The Nature Conservancy*

### Rebuttal to Argument in Favor of Proposition 13

Supporters always say that bonds won't increase taxes. How then will the bonds be paid? Taxpayers must pay the principal and interest on these bonds for 30 years. This money comes from our tax dollars. Taxpayers currently pay over \$3 billion per year on existing bond debt.

Let's not forget Proposition 204. Voters approved \$995 million in bonds in November 1996 for the "Safe, Clean, Reliable Water Supply Act." Where did this money go? We were warned about a water crisis then. If they haven't been able to fix the problem with almost a billion dollars, why give them almost \$2 billion more?

Indeed, is there any evidence that our drinking water is unsafe? Or is it just another in a long series of government-sponsored crises designed to extract more money from taxpayers' wallets?

**WATER SUPPLIES**—Residential customers use only 15% of California's water, but must subsidize agricultural and commercial customers who use 85%. If big water users had to

pay the real cost of their water, prices would fluctuate according to supply, leading to conservation.

**POLLUTION CONTROL**—Those who pollute our rivers and lakes should be held fully responsible for the damage they do. Taxpayers shouldn't be put on the hook for damages caused by private businesses and individuals.

Please vote to save \$7 BILLION by opposing Proposition 13 and also Proposition 12, the parks bond. These measures work together to waste our tax dollars on a bunch of "pork-barrel" projects.

**GAIL K. LIGHTFOOT**

*Past Chair, Libertarian Party of California*

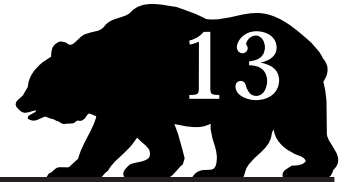
**DENNIS SCHLUMPF**

*Director, Tahoe City Public Utility District*

**TED BROWN**

*Insurance Adjuster/Investigator*

# Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act.



## Argument Against Proposition 13

This is NOT Proposition 13, the legendary 1978 initiative to cut property taxes. This Proposition 13 will cost taxpayers a lot of money.

In an orgy of spending, California legislators passed an \$81 billion budget for Fiscal Year 2000. That's up from \$63 billion just four years ago. There was a \$4 billion budget surplus this year. That money should have been refunded to taxpayers. Each family could have received over \$330 to spend as they chose. But instead, most legislators—Democrat and Republican alike—decided to spend this money on new government programs.

What does this have to do with Proposition 13? If legislators had an extra \$4 billion, why didn't they spend some of it on these projects?

No, they couldn't do that. They had to spend it immediately. Now if voters say "yes" on Proposition 13, these water proposals won't just cost \$1.9 billion. BONDS ALMOST DOUBLE THE COST OF ANY GOVERNMENT PROJECT. Taxpayers will have to pay the interest on these bonds for the next 30 years. At the end, we'll be out about \$3.5 billion.

This proposal would have cost a lot less if it came out of the current budget. But do we need these projects at all?

If you read the fine print, Proposition 13 looks a lot like the "pork barrel" projects the Legislature has passed for years. There's something for just about everyone (everyone who gives a campaign contribution, that is). Here and there a project may be worthwhile, but voters have no way of judging, with so many projects jumbled into the same law.

Of course, some towns benefit from having a powerful legislator. Proposition 13 specifies \$30.5 million for water treatment plants in Manteca, Stockton, Tracy and Orange

Cove, three of which are in the district of Assemblyman Machado, the author of this proposition.

Indeed, since so many local projects are involved, it would seem sensible for people in those communities to decide if they need them, and then determine how to finance them. The lowest cost would be to promote private investment rather than government spending.

Proposition 13 claims it will provide Californians with safe drinking water, flood protection, watershed protection, river habitat protection, water conservation, etc. When has the government ever succeeded in doing any of those things? Most often we hear about government policies CAUSING groundwater contamination, DAMAGING wildlife habitats, and other blunders.

The proposition states that lands acquired with Proposition 13 funds "shall be from a willing seller." We hope this is the case. But too often governments force people to sell their land by use of eminent domain and court-ordered condemnation. Will government officials keep their word?

Send a message to legislators. They should be punished for squandering a hefty budget surplus, instead of refunding it to taxpayers, or even spending it directly on these projects. Please vote NO on Proposition 13.

**GAIL K. LIGHTFOOT**

*Past Chair, Libertarian Party of California*

**THOMAS TRYON**

*Calaveras County Supervisor*

**TED BROWN**

*Insurance Adjuster/Investigator*

## Rebuttal to Argument Against Proposition 13

*They don't understand.*

The signers of the opposition arguments don't seem to understand California water needs.

*The need to improve water infrastructure.*

They seem unaware of the strains population and age have placed on the water infrastructure constructed by Governors Pat Brown and Ronald Reagan.

*The need for new water.*

They seem unacquainted with the Department of Water Resources' serious warning about statewide shortages of clean, reliable drinking water—or that the bond creates enough new water for 8 million people.

*The need for clean water.*

They misjudge "local projects" that, in fact, stop sewage discharges now flowing directly into rivers that 20 million Californians use for their water supply.

**THE FACTS:**

1. Californians need Prop 13's clean drinking water programs.

2. We have always used bonds to fund infrastructure programs like these.

3. This bond is fiscally prudent. Its matching provisions will also significantly increase private sector and federal water revenue coming into our state.

4. Prop 13 has the strictest provisions ever placed in a California bond to slash administrative costs. Governor Davis will also conduct public audits.

5. The California Taxpayers' Association says if we don't act NOW, the cost will be far higher in the future.

*"Prop 13 is the responsible way to protect our drinking water. It's vital to our families, economy and public health."*—Senator Jim Costa, Chairman, Senate Agriculture and Water Resources Committee.

Please vote for Proposition 13. Without it, we all face a very uncertain water future.

**LARRY McCARTHY**

*President, California Taxpayers' Association*

**JIM COSTA**

*Chairman, Senate Agriculture and Water Resources Committee*

**MICHAEL J. MACHADO**

*Chairman, Assembly Water, Parks and Wildlife Committee*