

July 23, 2002

Proposition 50

Water Quality, Supply and Safe Drinking Water Projects. Coastal Wetlands Purchase and Protection. Bonds. Initiative Statute.

Background

Coastal Protection and Water Resources Programs. The state administers a number of programs to acquire and protect coastal wetlands and watersheds, conserve and protect water resources, and develop and improve the reliability of water supplies. The state also provides grants and loans to local agencies and nonprofit organizations for similar purposes. These programs are for a variety of specific purposes, including:

- ***Coastal Wetlands and Watersheds.*** The state has provided funds to acquire and restore coastal wetlands and watersheds.
- ***Safe Drinking Water.*** The state has provided funds for loans and grants to public water systems for facility improvements to meet safe drinking water standards.
- ***Bay-Delta Restoration.*** The state has also funded the restoration and improvement of fish and wildlife habitat in the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (the Bay-Delta). Additionally, the state has funded water quality and supply projects in the Bay-Delta region which supplies a substantial portion of the water used in the state for domestic, industrial, agricultural, and environmental purposes. These funds have been provided through the CALFED Bay-Delta Program which is a joint state and federal effort to better manage water resources in this region.
- ***Other Water Quality and Water Supply Projects.*** The state has also provided funds for various other projects throughout the state that improve water quality and/or supply. For example, the state has provided loans and grants to local agencies for the construction and implementation of wastewater treatment, water recycling, and water conservation projects and facilities. Also, the state has provided funds to line canals to conserve Colorado River water.

Funding for Coastal Protection and Water Resources Programs. Funding for these programs has come from various sources, including the state General Fund, federal funds, and general obligation bonds. Since 1990, voters have approved about \$3 billion in bonds that are primarily for water-related purposes. It is estimated that about \$1.9 billion of the bonds authorized by these previous bond acts will have been spent or committed to

specific projects as of June 2002, leaving a balance of about \$1.1 billion for future projects. In addition, in March 2002, voters approved a \$2.6 billion resources bond measure. A majority of the funds from that bond are for park-related projects, although some funds are available for water conservation and water quality projects.

Proposal

This measure allows the state to sell \$3.44 billion in general obligation bonds for various water-related programs. Figure 1 summarizes the purposes for which the bond money would be available for expenditure by various state agencies and for loans and grants to local agencies and nonprofit associations. It shows that more than half of the funds would be allocated to two purposes—coastal protection and the CALFED Bay-Delta Program.

Figure 1	
Proposition 50 Uses of Bond Funds	
(In Millions)	
	Amount
Coastal Protection	\$950
• Wetlands acquisition, protection, and restoration	750
• Watershed protection	200
CALFED Bay-Delta Program	\$825
• Water use efficiency and conservation	180
• Water supply reliability	180
• Ecosystem restoration	180
• Watershed protection	90
• Water conveyance	75
• Delta levee restoration	70
• Water storage planning and studies	50
Integrated Regional Water Management	\$640
• Various water supply, pollution reduction, water treatment, flood management, and wetlands restoration projects	500
• Land and water acquisitions to improve/protect water quality, water supply reliability, and fish and wildlife habitat	140
Safe Drinking Water	\$435
• Small community drinking water system upgrades, contaminant removal and treatment, water quality monitoring, drinking water source protection	
Clean Water and Water Quality	\$370
• Water pollution prevention, water recycling, water	100

quality improvements	
• River parkway projects	100
• Coastal nonpoint source pollution control	100
• Lake Tahoe water quality improvements	40
• Land and water acquisitions to protect water quality in the Sierra Nevada-Cascade Mountain Region	30
Desalination and Water Treatment Project	\$100
• Desalination projects, treatment/removal of specified contaminants, drinking water disinfecting projects	
Colorado River Management	\$70
• Ecosystem restoration	50
• Canal lining	20
Water Security	\$50
• Protection of drinking water systems from terrorist attacks and other deliberate acts of destruction or degradation	

Fiscal Effects

Bond Costs. The cost of these bonds would depend on their interest rates and the time period over which they are repaid. If the bonds were sold at an interest rate of 5.25 percent (the current rate for this type of bond) and repaid over 30 years, the cost would be about \$6.9 billion to pay off both the principal (\$3.44 billion) and interest (\$3.46 billion). The average payment would be about \$230 million per year.

However, total costs to the state will be somewhat less. This is because the measure requires that loans made for coastal nonpoint source pollution control (up to \$100 million) be repaid to the General Fund. The repayment of these loans could reduce the General Fund costs by up to \$100 million (not including interest payments) over the life of the bonds.

Property Tax-Related Impacts. The measure provides funds for land acquisition by governments and nonprofit organizations, for various purposes including coastal protection. Under state law, property owned by government entities, and by nonprofit organizations under specified conditions, is exempt from property taxation. To the extent that this measure results in property being exempted from taxation due to acquisitions by governments and nonprofit organizations, local governments would receive reduced property tax revenues. We estimate these reduced property tax revenues would range from a few million dollars to roughly \$10 million annually. Because existing law requires the state to make up for any property tax losses experienced by schools, we estimate about one-half of any losses resulting from this change would be offset by the state.

Operational Costs. State and local governments may incur additional costs to operate or maintain a property or project that is purchased or developed with the bond funds. The amount of these additional costs is unknown.