

Paying for Water in California: What Roles for the State?

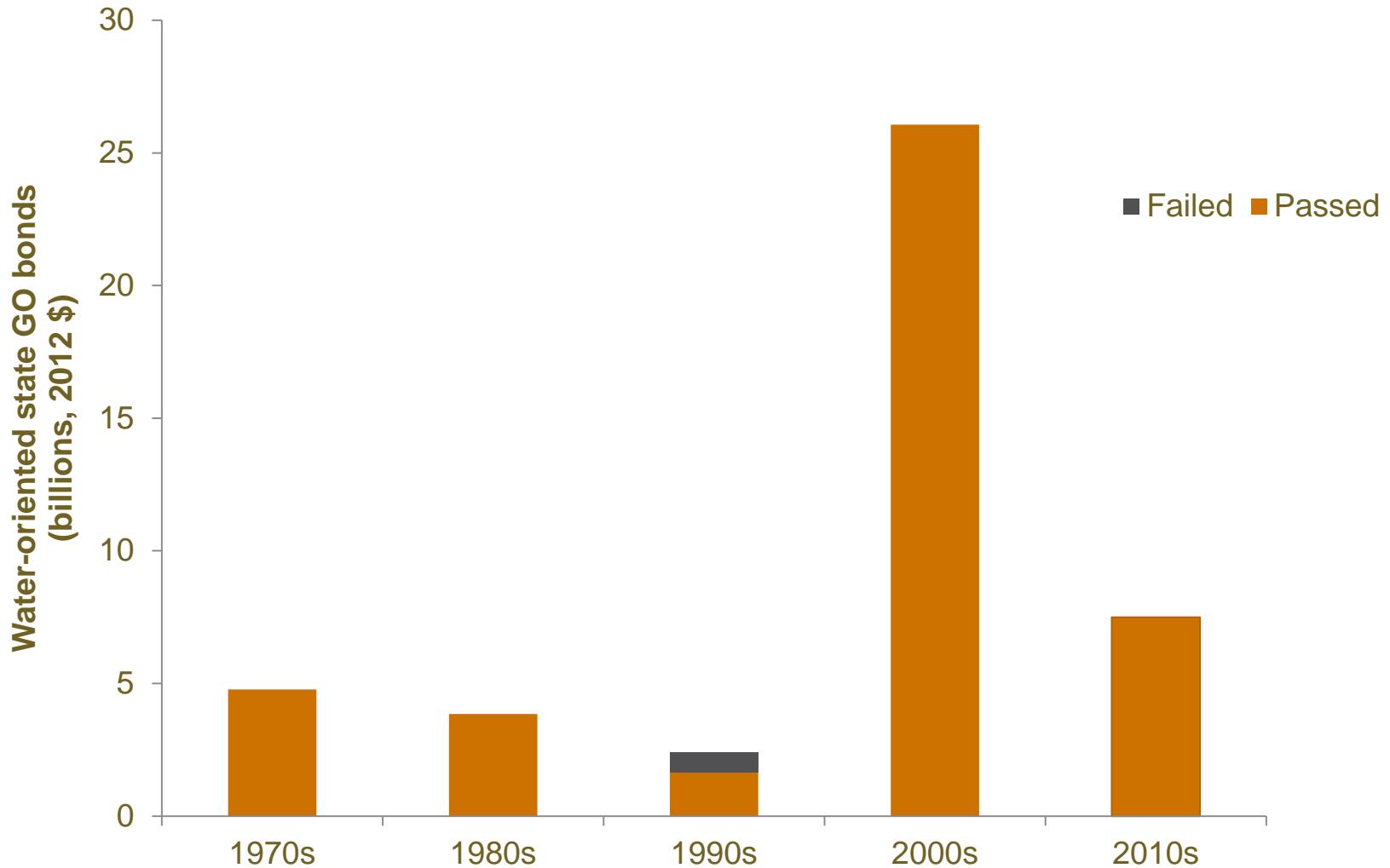
Ellen Hanak

Public Policy Institute of California

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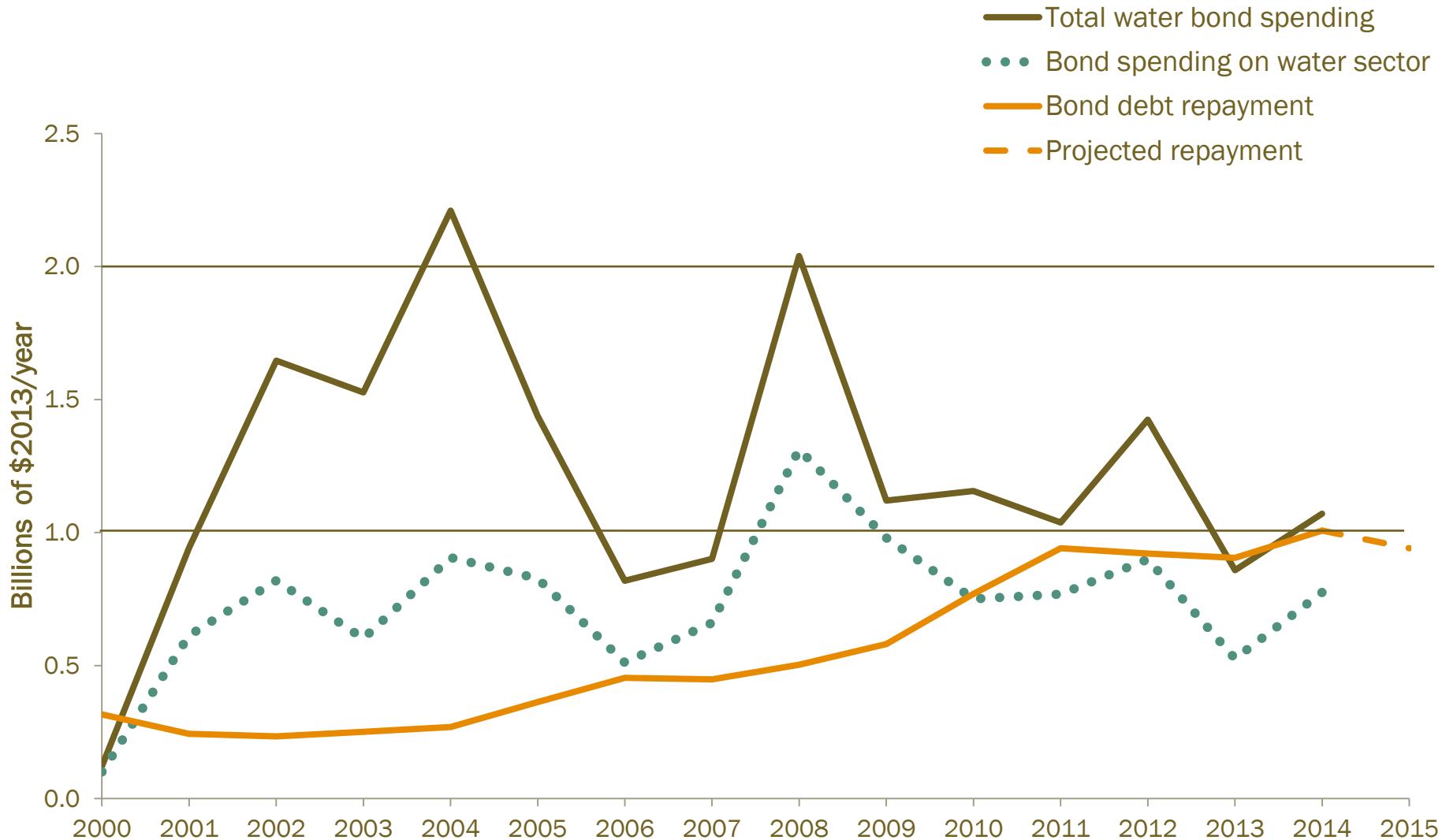
State GO water bonds have grown significantly since the early 2000s



Source: Governor's Budgets



State bonds contribute under \$1B/year to water system; debt service now as high

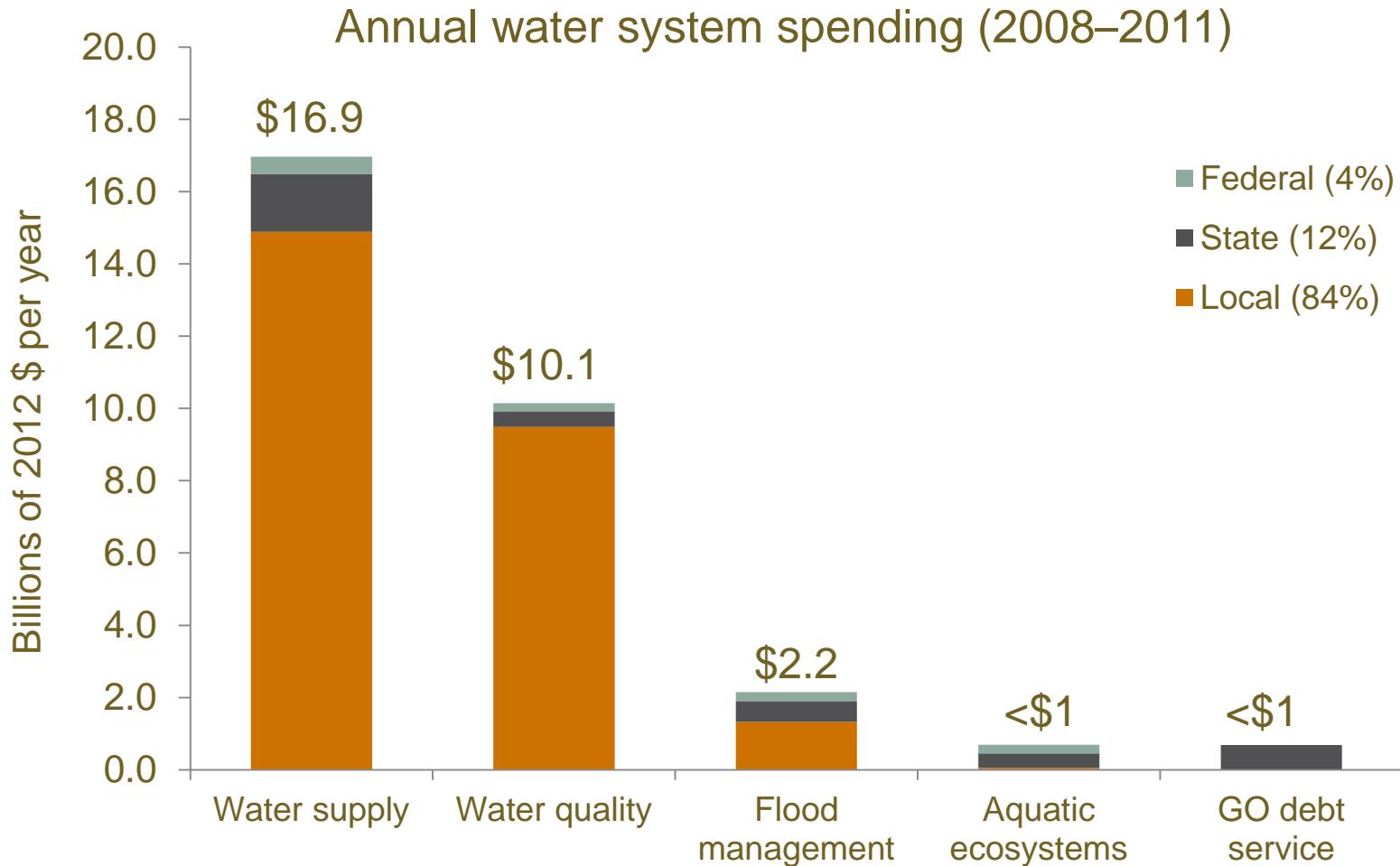


Source: Governor's Budgets

* Total bond spending includes funds for parks



Local agencies raise most of the \$30+ billion spent annually on California water



Source: Hanak et al., Paying for Water in California (PPIC, 2014).



Three constitutional reforms have made it harder to pay for local water services

1978 Prop 13	1996 Prop 218	2010 Prop 26
<ul style="list-style-type: none"> Property taxes reduced Local special taxes require 2/3 voter approval State taxes require 2/3 legislative approval* <p>* Ballot measures can still pass with simple majority (50%) of state voters</p>	<ul style="list-style-type: none"> General taxes no longer available to special districts Local property-related fees/assessments: <ol style="list-style-type: none"> Property-owner protest hearings Strict cost-of-service requirements Floods and stormwater: new charges require 50% vote by property owners or 2/3 popular vote 	<ul style="list-style-type: none"> Stricter requirements on local non-property related fees and state regulatory fees (more likely to be taxes) Stricter cost-of-service requirements for wholesale agency fees



Five “fiscal orphans” with debilitating funding gaps

	Overall grade	Annual gap (\$ millions)
Water supply	Passing (mostly)	—
Wastewater	Passing (mostly)	—
Safe drinking water (small rural systems)	Failing	\$30–\$160
Flood protection	Failing	\$800–\$1,000
Stormwater management	Failing	\$500–\$800
Aquatic ecosystem management	Failing	\$400–\$700
Integrated management	On the brink	\$200–\$300

**Total: \$2–\$3 Billion
(\$12 - \$20/month/household)**

Source: Hanak et al., Paying for Water in California (PPIC, 2014).



California needs to look beyond state bonds to close funding gaps

Gap area	Annual gap (\$ millions)	One-time infusion from Prop 1 (\$ millions)	Other long-term funding options
Safe drinking water in small rural systems	\$30-\$160	\$260*	<ul style="list-style-type: none"> Statewide surcharges on water, chemical use
Flood protection	\$800-\$1,000	\$395	<ul style="list-style-type: none"> Developer fees Property assessments Special state, local taxes
Stormwater management	\$500-\$800	\$200	<ul style="list-style-type: none"> Developer fees Property assessments Special state, local taxes Surcharges on water, chemical, or road use
Aquatic ecosystem management	\$400-\$700	\$2,845**	<ul style="list-style-type: none"> Special state, local taxes Surcharges on water use, hydropower production
Integrated management	\$200-\$300	\$510	<ul style="list-style-type: none"> Special state, local taxes Surcharges on water use

* These funds are available for communities of all sizes. Another \$260 million is available for small community wastewater systems.** This includes the \$1.495 billion earmarked for ecosystem investments and \$1.35 billion from water storage project matching funds set aside for ecosystem benefits



The Legislature can help in many ways

- Extend broader funding authorities to local agencies
 - Some progress in 2014 (groundwater)
- Guide courts on interpretation of water management costs
 - Some progress in 2014 (stormwater)
- Encourage consolidation of small systems by taking on liability for legacy contaminants
- Pass new fees and taxes



Building drought resilience requires special attention to state capacity

- Emergency funds have mainly supported:
 - Affected communities and ecosystems
 - Local efficiency and diversification efforts
- The drought has also exposed critical weaknesses
 - State information systems for managing water scarcity
 - State strategies for managing ecosystems during droughts
- Both areas deserve more attention, funds



Notes on the use of these slides

- These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:
- Ellen Hanak: 415-291-4433, hanak@ppic.org
- Thank you for your interest in this work.

