THE 2014 CALIFORNIA WATER BOND— A FLUID SITUATION

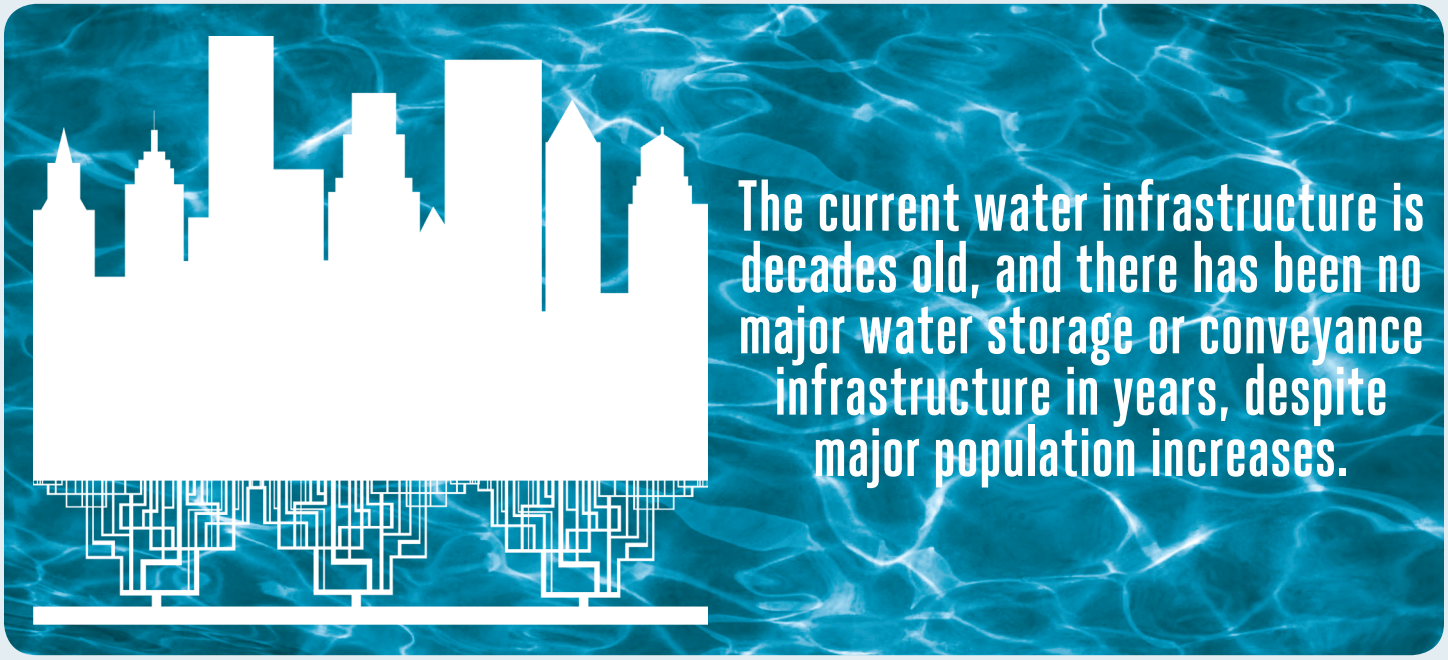
by BOYD HILL

Come November 4, California voters will likely see a new water bond on their ballot. The Bond measure is crucial because of our severe three-year drought, as well as the need to upgrade decades-old water infrastructure and water supply deficiencies for California's growing population. This year has seen significant debate over the amount of the Bond and its funding priorities, and the deadline for a replacement measure was extended into the summer months in hopes of crafting one that would appeal to enough voters in order to pass.

The current bond measure, the Safe, Clean and Reliable Drinking Water Supply Act was enacted in 2009 under Governor Schwarzenegger. Under the Act, spending priorities are at a rough equilibrium between local water resources development, Bay Delta and other ecosystem restoration, and public benefits associated with new water storage projects. Every $1 authorized as part of the Bond would leverage $3 to $4 in other funds, for a total of up to $40 billion for water-related investments. The public vote to approve the Bond financing for the Act requires a two-thirds majority. The vote was postponed to 2014 due to concerns about its size and funding priorities.

The $11.4 billion Bond amount is high in comparison to prior bond measures. The Bond would significantly increase California's general fund bond debt of $75 billion, which currently requires more than $6 billion in taxpayer repayment every year. Repayments for the Bond would add an additional obligation of between $600 million and $800 million a year, for a total of $22 to $24 billion over the thirty-year borrowing period. On top of that, the legislature is also contemplating placing a $9 billion school bond measure on the ballot, which would compete with the Water Bond.

However, water agencies argue that large-scale investments are needed for water storage capacity, recycling facilities, levee improvements, flood control facilities, groundwater remediation, and demand management. The current water infrastructure is decades old, and there has been no major water storage or conveyance infrastructure in years, despite major population increases. The existing water supply has been increasingly



limited by restrictive environmental regulations and is under threat by earthquakes and climate change.

The high cost of the Bond is driven in part by the inability to reach consensus on the Bond funding priorities. Many water agencies, generally supported by Republicans, will only support legislation that includes significant funding for new and upgraded above-ground reservoirs. They advocate for three long-planned reservoirs and the process of "continuous appropriation" for those reservoirs (Water Commission rather than approval). Other constituencies, including a former head of the State Resources Agency, generally supported by Democrats, favor underground water storage, environmental cleanup, and conservation measures.

There is considerable debate about the benefit, environmental impact, and cost of the contemplated above-ground storage facilities. A recent study concluded that demand management, recycled water development, and storm water capture would provide sufficient supplies to account for the new water yield otherwise provided by new surface reservoirs.

Another concern is that the significant cost of the proposed new reservoirs might not be justified given that much of the new water yield from those facilities might be allocated to fish and environmental protection, not people. Given prior statutes enacted by the legislature requiring water allocation for the environment, the new facilities might only provide new water yield usable for a few hundred thousand people rather than for millions.

There is also considerable debate about whether to exclude Bond fund allocation for a tunnel project that would allow the intake valves for water going to Central California farms and Southern California cities to be relocated thirty miles north from their current location in the Delta. The Sacramento-San Joaquin Delta is a large estuary that captures more than half of California's surface water. The major rivers of the Sierra Nevada flow into the Delta where their flows meet the tidal influences of the San Francisco Bay. Two out of every three Californians depend on the Delta as a key water source. Currently, operations of water intake pumps located in the south end of the Delta can alter flows in the Delta, causing saltwater intrusion from the Bay.

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The State's Bay Delta Conservation Plan calls for three new Sacramento River intakes north of the Delta and two thirty-mile long, large diameter underground tunnels to replace the existing infrastructure. Democratic legislators want to require Bond funding for the Bay Delta restoration to undergo a second level of scrutiny by an entity called the Delta Conservancy, claiming that the tunnels might be politically unpopular for Northern Californians. Large water agencies (and likely the Governor) oppose that additional level of scrutiny, given that the Conservancy would likely not approve funding for the new intake pumps and tunnels.

As of the date of submission of this article, the two leading bills being considered by lawmakers appear to be SB 848 at $10.5 billion and AB 2686 at $9.25 billion. Both provide funding for above-ground water storage projects, in an amount similar to the Act, but the latter bill, supported by California water agencies, appears to be more supportive of the Bay Delta Conservation Plan. The governor recently weighed in with a much smaller $6 billion proposal. The governor's proposal would allocate $2 billion to water storage, $1.5 billion to water quality and supply reliability, $1.5 billion for watershed protection and restoration, $.5 billion to Delta restoration and flood protection, and $.5 billion to statewide flood management. The ongoing negotiations for a replacement bond measure should make for a long and interesting summer focusing on the priorities for California's water future.

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