

AUTHORIZES BONDS TO FUND PROJECTS FOR WATER SUPPLY AND QUALITY, WATERSHED, FISH, WILDLIFE, WATER CONVEYANCE, AND GROUNDWATER SUSTAINABILITY AND STORAGE. INITIATIVE STATUTE.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on the Secretary of State’s website at <http://voterguide.sos.ca.gov>.

- Authorizes \$8.877 billion in state general obligation bonds for various infrastructure projects: \$3.03 billion for safe drinking water and water quality, \$2.895 billion for watershed and fisheries improvements, \$940 million for habitat protection, \$855 million for improved water conveyance, \$685 million for groundwater sustainability/storage, and \$472 million for surface water storage/dam repairs.
- Appropriates money from General Fund to pay off bonds.
- Requires certain projects to provide matching funds from non-state sources; gives priority to disadvantaged communities.

SUMMARY OF LEGISLATIVE ANALYST’S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Increased state costs to repay bonds averaging about \$430 million per year over the next 40 years.
- Savings to local governments, likely averaging a couple hundred million dollars annually over the next few decades.

State Bond Cost Estimates

Authorized new borrowing	\$8.9 billion
Average annual cost to pay off bonds	\$430 million
Likely repayment period	40 years
Source of repayment	General Fund tax revenues

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Californians Get Water From Several Sources. Most of the water used for drinking and farming in California comes from rain and melted snow. Rain and snow flow into streams and rivers, many of which start in the mountains. The areas where these streams and rivers begin are referred to as “watersheds.” California has built dams, reservoirs, and canals to store water and deliver it around the state. Water is also pumped from underground (referred to as “groundwater”), especially during dry years when not as much rain and snow falls. A small share of the state’s water comes from other sources, such as cleaning and reusing the wastewater that households and businesses send into sewers (referred to as “water recycling”).

Most Spending on Water Is by Local Governments. Local government agencies—usually water districts, cities, and counties—fund most of the projects that provide clean water for people to drink, supply water for farming, and protect

communities from floods. These agencies spend about \$25 billion each year on these types of water-related activities. Residents pay for the majority of this spending when they pay their water and sewer bills.

State Also Spends Money on Water, as Well as Environmental Projects. The state gives grants and loans to local government agencies to help pay part of the costs of some of their water projects. The state also spends money on projects to improve the natural environment, including protecting habitats that are home to fish, birds, and other wildlife. In many cases, the state—rather than local governments—provides most of the funding for these environmental projects. Sometimes state departments carry out environmental projects themselves, and sometimes they give grants to local governments, nonprofit organizations, and other organizations for these projects. In recent years, the state has spent about \$4 billion per year to support water and environmental projects.

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

Voter-Approved Bonds Are a Common Source of State Funding for These Projects. The state mainly uses general obligation (GO) bonds and the state’s General Fund to pay for water and environmental projects. GO bonds are a way to borrow money. Voters give the state permission to sell bonds to investors, and the state uses that money as “up-front” funding for projects. The state then repays the investors over time, with interest, from the General Fund—the state’s main operating account, which also pays for education, prisons, health care, and other services. (For more information on the state’s use of bonds, see “Overview of State Bond Debt” later in this guide.)

Since 2000, voters have approved about \$31 billion in GO bonds in statewide elections to pay for different types of water and environmental projects. Of this amount, roughly one-third was still available to pay for new projects as of June 2018. This includes \$4 billion that was approved by voters through Proposition 68 in June 2018.

- **Watershed Lands (\$2.5 Billion).** This category funds projects to improve the conditions of watershed lands, which include forests, meadows, wetlands, and areas near rivers. Funded projects must protect or improve the supply and quality of the water that comes from these lands. Many of these projects would also have environmental benefits, such as improving habitat for fish and wildlife or reducing the risk of forest fires. This funding category includes about 50 subcategories with special requirements, including that certain amounts be spent in specific areas of the state. For example, the proposition provides \$250 million for the forests in the Sierra Nevada Mountains and \$200 million for the Salton Sea in Southern California.
- **Water Supply (\$2.1 Billion).** This funding is for projects that will increase the amount of water available for people to use. This includes money for collecting and cleaning up rainwater (\$550 million), cleaning up

PROPOSAL

\$8.9 Billion Bond for Water and Environmental Projects. This proposition allows the state to sell \$8.9 billion in new GO bonds for various water and environmental projects. These funds fall into six broad categories, as summarized in Figure 1.

Within these broad categories, the proposition includes around 100 subcategories for how certain amounts must be spent, including for particular regions of the state or on specific projects. The proposition’s broad spending categories include the following:

Figure 1		
Uses of Proposition 3 Bond Funds (In Millions)		
Category	Primary Activities	Amount
Watershed lands	Protect, restore, and improve the health of watershed lands in specified areas of the state to increase the amount and quality of water.	\$2,495
Water supply	Improve and increase: drinking water and wastewater treatment, water recycling, collection and clean-up of rainwater, and water conservation.	2,130
Fish and wildlife habitat	Improve habitats for fish and wildlife, including by restoring streams and wetlands to more natural conditions.	1,440
Water facility upgrades	Make connections and repairs to existing dams, canals, and reservoirs.	1,227
Groundwater	Clean up, recharge, and manage groundwater.	1,085
Flood protection	Reduce flood risk, including by expanding floodplains and repairing reservoirs.	500
Total		\$8,877

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

drinking water (\$500 million), and recycling wastewater (\$400 million). The proposition also provides funding for water conservation activities that decrease how much water people use (\$300 million). This could include paying some of the costs for people to install low-flow toilets or replace their lawns with plants that use less water.

- **Fish and Wildlife Habitat (\$1.4 Billion).** This category funds projects to improve fish and wildlife habitat. The types of projects could include increasing the amount of water that flows to a wetland or river, as well as buying undeveloped land to keep it in a natural state. The proposition targets some of the funding for projects to help certain species, including native fish in the Central Valley (\$400 million), salmon and steelhead trout (\$300 million), and migratory birds (\$280 million).
- **Water Facility Upgrades (\$1.2 Billion).** This funding is for four specific projects to improve the availability of water in certain areas of the state. These projects include: (1) repairing the federally owned Madera and Friant-Kern canals in the Central Valley (\$750 million), (2) building canals and other types of projects that connect local reservoirs and communities in the San Francisco Bay region (\$250 million), (3) repairing the state-owned Oroville Dam in Butte County (\$200 million), and (4) planning changes for the North Bay Aqueduct that serves Solano and Napa Counties (\$5 million).
- **Groundwater (\$1.1 Billion).** This category funds projects related to groundwater storage to make sure groundwater will be available in future years. This includes activities to clean up groundwater by removing salts to make it more usable (\$400 million). Funding will also be used for projects that help water to soak back into the ground so that it can be used in the future (known as “groundwater recharge”).

- **Flood Protection (\$500 Million).** This funding is for projects that reduce the risk from floods. These projects could include expanding floodplains (which provide areas where floodwaters can spread without causing much harm) and repairing reservoirs. Some of these projects would provide other benefits, such as improving fish and wildlife habitat, increasing water supplies, and improving recreation opportunities. Some of this funding is for projects in specific areas of the state, including the Central Valley (\$200 million) and the San Francisco Bay Area (\$200 million).

Distributes Most Funding Through Grants. The proposition provides funding to more than a dozen different state departments. The proposition continuously appropriates the bond funds to these departments, which is different from most water and environmental bonds. This means that the Legislature would not spend the funds in the annual state budget. Instead, departments would automatically receive funding when they are ready to spend it. Departments would spend some of the funds to carry out projects themselves. However, almost all of the funds would be given as grants to local government agencies, Indian tribes, nonprofit organizations, and private water companies for specific projects. For some funding subcategories—particularly those related to increasing or protecting water supply—grant recipients would have to provide at least \$1 in local funds for each \$1 of grant funding they receive.

Provides Funding for “Disadvantaged Communities.” The proposition has several requirements to help disadvantaged communities (those with lower average incomes). For a few spending subcategories, the proposition requires that funding be spent on projects that benefit these communities. Also, in many cases disadvantaged communities that receive grants would not have to pay the local share of costs discussed above.

ANALYSIS BY THE LEGISLATIVE ANALYST

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Provides Greenhouse Gas (GHG) Funds for Water Projects. Separate from the \$8.9 billion bond, this proposition also changes how the state must spend some existing funding related to GHGs. The state has passed laws to reduce global warming by limiting the amount of GHGs that are released in California. These efforts include the “cap-and-trade” program, which requires some companies and government agencies to buy permits from the state to release GHGs. The program causes some water agencies to have higher electricity costs to operate parts of their water delivery systems, such as pumps and water treatment plants. This proposition requires that a portion of the funding the state receives from the sale of permits be provided to four water agencies—the state Department of Water Resources, the Metropolitan Water District of Southern California, the Contra Costa Water District, and the San Luis and Delta Mendota Water Authority. The amount of funding would be equal to each agency’s additional electricity costs associated with state programs to reduce GHGs. We estimate these costs could total tens of millions of dollars annually. (In the most recent year, the state has received \$3 billion from the sale of permits.) The agencies would be required to spend the funds they receive on such activities as water conservation programs. As such, these funds would no longer be available for the state to spend on other activities.

FISCAL EFFECTS

State Bond Costs. This proposition would allow the state to borrow \$8.9 billion by selling additional GO bonds to investors. These investors would be repaid with interest using the state’s General Fund tax revenues. The cost of these bonds would depend on various factors—such as the interest rates in effect at the time they are sold, the timing of bond sales, and the time period over which they are repaid. We estimate that the cost to state taxpayers to repay this bond would total \$17.3 billion to pay off both principal

(\$8.9 billion) and interest (\$8.4 billion). This would result in average costs of **about \$430 million annually over the next 40 years.** This amount is about one-third of 1 percent of the state’s current General Fund budget.

Local Costs and Savings to Complete Projects.

Much of the bond funding would be used for local government projects. Providing state funds for local projects would affect how much of their own funds these local governments spend on these projects. In many cases, state bonds would reduce local spending. For example, this would occur in cases where the state bond funds replaced monies that local governments would have spent on projects anyway.

In some cases, however, state funds could increase total spending on projects by local governments. For example, some local governments might choose to build additional or substantially larger projects than they would if state funds were not available. For some of these projects—such as when the bond requires a local cost share—local governments would bear some of the additional costs.

On balance, we estimate that this proposition would result in savings to local governments to complete the projects funded by this bond. These savings could average a couple hundred million dollars annually over the next few decades. The exact amount would depend on which specific projects local governments choose and their share of the total project costs.

Visit <http://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2018-ballot-measure-contribution-totals/> for a list of committees primarily formed to support or oppose this measure. Visit <http://www.fppc.ca.gov/transparency/top-contributors/nov-18-gen.html> to access the committee’s top 10 contributors.

If you desire a copy of the full text of the state measure, please call the Secretary of State at (800) 345-VOTE (8683) or you can email vigfeedback@sos.ca.gov and a copy will be mailed at no cost to you.

★ ARGUMENT IN FAVOR OF PROPOSITION 3 ★

Proposition 3 meets California’s urgent, critical need to secure a safe, reliable and clean water supply by

- Improving long term drought preparedness
- Providing safe drinking water to millions of Californians, including those in disadvantaged communities
- Increasing mountain water runoff we can capture and use
- Repairing existing canals that irrigate our food crops
- Repairing Oroville and other dams to keep people safe and hold more water
- Improving water quality in groundwater, rivers, lakes, and streams
- Using purified recycled water for industry and landscaping

We must secure our state’s future water supply by continued investment in water conservation, recycling, canals, pipelines and water storage facilities.

“California must be prepared for the next inevitable drought and flood, which will be worsened by climate change. Proposition 3 gets California ready for changes in water supply, water quality, and flooding. It invests in water conservation and recycling.”—*Betty Andrews, Water Resources Engineer*

“Proposition 3 will improve water quality in our ocean, lakes, rivers, and streams, and protect natural habitat for California fish, birds, and wildlife.”—*Professor Peter Moyle, Biology Scientist*

“A natural disaster would put our water supply at risk. By improving our water supply facilities, Proposition 3 will protect Californians from earthquakes, wildfires, floods, and landslides. It will also provide multiple benefits, including water for fish and wildlife habitat, farms, cities, and recreation.”—*David Guy, Northern California Water Association*

“California must use all water sources for a reliable water supply and improved water quality.”—*Charley Wilson, Southern California Water Coalition*

“Water quality of our rivers, lakes, bays and oceans will be improved by Proposition 3.”—*David Lewis, Save The Bay*

“We must capture stormwater and use it for water supplies, and prevent trash from being washed into rivers and the ocean.”—*Juliana Gonzalez, Ph.D., Water Resources Planner*

“Protecting and restoring watersheds improves water supply and quality.”—*Esther Feldman, Community Conservation Solutions*

“Damages from flooding and erosion will be reduced, while streams and rivers will be improved with green spaces and trails.”—*Ann Riley, Ph.D., Water Resources Planner*

“This measure will help protect our local food supply so we can continue to enjoy fresh fruit, rice, milk, and other locally grown farm products.”—*Carol Chandler, Peach Grower*

“Proposition 3 will improve the quality of our watersheds, helping prevent devastating wildfires, and recover from past wildfires.”—*Barbara Balen, Mountain Counties Water Resources Association*

“California’s environment and economy rely on a clean and reliable water supply. That’s why environmental and business organizations like the California Chamber of Commerce, Bay Area Council, Ducks Unlimited, Silicon Valley Leadership Group, Natural Heritage Institute, and Valley Industry and Commerce Association support Proposition 3.”—*Alan Zarembeg, California Chamber of Commerce*

“California’s wildlife and communities depend upon reliable clean water. Prop. 3 provides safe drinking water and long-term drought relief by cleaning up contaminated waterbodies, restoring forests and wetlands, and improving fisheries and aquatic habitats.”—*Collin O’Mara, National Wildlife Federation*

Local water districts support Proposition 3 because it provides safe, reliable and clean drinking water.

Yes on 3!

DYAN WHYTE, Water Quality Scientist

JANET SANTOS COBB

California Wildlife Foundation

ROBERTO RAMIREZ, Water Resources Engineer

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 3 ★

“Secure a safe, reliable and clean water supply” says the proponents’ argument. But the money thrown at a multitude of proposals will not produce one drop of new water.

New water comes from the sky—rain on the lowlands and snow on the mountains. The only way to collect and store rain and snowmelt is with suitably-placed dams on our major rivers. Prop. 3 doesn’t fund even one dam.

Not only that, but dams gradually fill with silt (rocks and dirt). Over time, they’re able to store less water, are dangerous if they collapse, and take time and money to remove the silt. Some older dams have been taken down for those reasons. Prop. 3 provides money to remove silt from one dam—just one. Other sections of the measure specifically forbid using funds to remove silt—

restrictions that make no sense if we’re trying to store water.

Prop. 3 claims to solve one of California’s major problems—our chronic shortage of water. Don’t be misled. Nothing in the measure will accomplish that. It’s basically a scheme to collect a lot of money for special interests.

We, our children, and our grandchildren will pay for it.

JANET S. ROBERTS, President

Central Solano Citizen/Taxpayer Group

ROBERT D. JARVIS, Vice President

Central Solano Citizen/Taxpayer Group

MURRAY T. BASS, Member

Central Solano Citizen/Taxpayer Group

★ ARGUMENT AGAINST PROPOSITION 3 ★

Does Prop. 3 look familiar? It should.

We saw a water-related measure on the June ballot, with similar words. In fact, since 1996, there have been eight statewide bond measures committing money to water issues. So far the total amount is more than 29 Billion Dollars!

What do we have to show for all that money? Not one thing that will get us more water.

California is basically a desert. Without dams collecting rain and snow-melt from the mountains, extensive agriculture in the Central Valley would not exist. Our cities would be a fraction of their present populations.

Despite a decades-long drought, not one penny of that \$29 Billion went to build a new dam. The near-catastrophic failure at northern California's Oroville Dam last year showed that the State doesn't even take care of its existing dams.

Instead of projects that would capture or store more of the precious precipitation that California gets, officials pander to special interests and pour millions of dollars into parks, hiking trails, wildlife—like a little bait-fish in the Sacramento River—and things that have nothing to do with solving the State's water shortages. Half the water in our rivers just runs into the Pacific Ocean.

Politicians tried to prove that they're serious about conserving water; they passed a law requiring cities to clamp down on us water-wasters. At the end of 2020, we'll be limited to 55 gallons per resident per day for indoor residential use. And to make sure we get the message, the allowance drops to 50 gallons in 2030. What happens to our trees and landscaping?

If you don't have greenery in your yard and think the problem doesn't affect you, drive down I-5 in the

San Joaquin Valley. You'll see huge areas of bare land where farmers don't have the water to keep their trees and crops alive. Farms which feed much of the Nation have been hit by politically-driven water policies and lack of foresight.

How do the proponents of Prop. 3 want to spend \$8.9 Billion? Pretty much like before.

You can read the details; but note that—again—there isn't one penny for a new dam. A little more than \$4 Billion—almost half—is going to “disadvantaged communities” with no explanation of who or where they are.

Let's get to the important thing. *How much is this going to cost us?*

Number-crunchers estimate that interest on the bonds will almost double the total amount that has to be paid to the lenders. In other words, paying back the \$8.9 Billion Dollar “loan” will cost the State—that's us taxpayers—about \$17.3 Billion. It averages out to about \$433 Million per year for 40 years. That has to mean more taxes!

Do we want to give politicians another \$9 Billion Dollars to do the same things that haven't gotten us one drop of water? And the money coming out of our pockets?

Think about it. No on Prop. 3!

JANET S. ROBERTS, President
 Central Solano Citizen/Taxpayer Group

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★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 3 ★

“Proposition 3 protects disadvantaged communities by providing funding for clean, safe drinking water. Proposition 3 moves us closer to guaranteeing every Californian's basic human right to water.”—*Susana de Anda, Community Water Center*

Bonds finance schools, hospitals, and clean water, just like we use mortgages to buy homes. California's bond ratings are the strongest in years. This is a good time to invest.

Proposition 3 will repair Oroville Dam.

“Restoring our mountain and urban watersheds will improve their water storage capacity, and the quality of the water they produce. This is a key way we can capture stormwater that would otherwise be lost. Everyone from rural county residents to city dwellers will benefit.”—*Cindy Montanez, TreePeople*

“California's agricultural bounty, including our fresh fruits and vegetables, milk, wine and hundreds of other crops, depends on a reliable and balanced surface and groundwater supply. Proposition 3 will provide that supply, while protecting the environment.”—*Joy Sterling, Iron Horse Vineyards*

Proposition 3 provides enough water for 3 million families, family farmers, and California's fish and wildlife.

Climate change will worsen the inevitable next drought. Proposition 3 gets California ready for drought without raising taxes.

“Proposition 3 creates good jobs throughout California by building and operating badly needed water projects.”—*Bill Whitney, Contra Costa State Building and Construction Trades Council*

Proposition 3 restores watersheds and reduces fire danger.

“We know how vulnerable California is to drought. The bond makes prudent investments to protect our water supply and to restore wildlife habitat.”—*Senator Dianne Feinstein*

Yes on 3!

PHIL ANGELIDES, Former California State Treasurer

HOWARD PENN
 Planning and Conservation League

JEANNE PINCHA-TULLEY, Fire Chief