

# How Is California Spending the Water Bond?

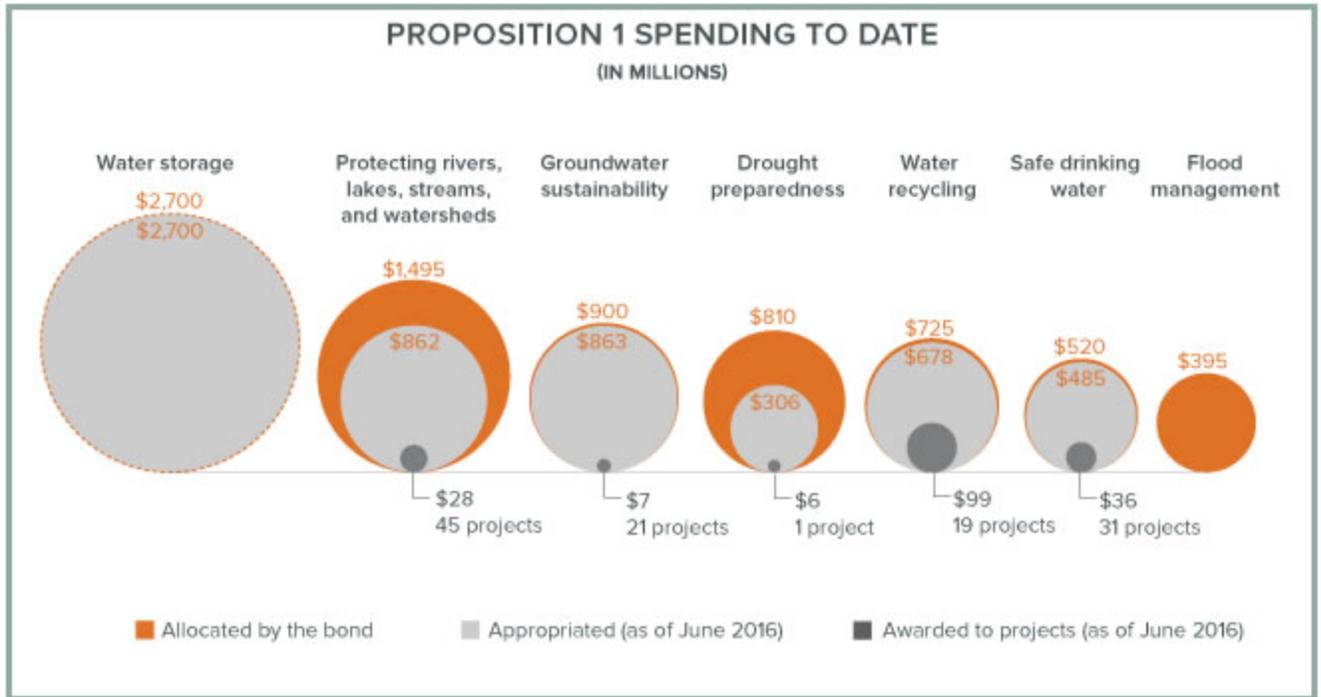
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Almost two years ago, California voters passed Proposition 1—a \$7.5 billion water bond intended to provide significant investments in the state’s drought-challenged water systems. Today, Californians concerned about the prospects of **worsening drought** may wonder how the state is spending these funds, and whether they are moving out the door fast enough.

Proposition 1 has seven funding categories, with a pot of money allocated to each. The bond language preauthorized spending in the largest area—\$2.7 billion for water storage projects. For the other six areas, spending must be appropriated in the state budget.

With the **passage of the most recent budget**, nearly 80 percent of the bond has now been appropriated. The only category with no funds appropriated is flood management, which is still spending down money from earlier bonds.

Far less of Proposition 1—just \$177 million, or 2 percent—has been awarded for spending. This gap reflects the additional prep work needed to use the appropriated funds. Bond money is generally appropriated to specific state agencies, who distribute it as cost-share grants through a competitive process. To ensure accountability, agencies set up rules on how they will evaluate applications. Once these rules are publicly vetted and finalized, agencies solicit project applications and award funds.



To date, the awards have focused on addressing priorities related to urgent public health and safety issues and the drought. Thirty-one grants will help disadvantaged communities with safe drinking water and wastewater treatment projects, 19 grants will boost urban supplies with wastewater recycling projects, and 21 grants will support local efforts to better manage groundwater reserves. Another priority has been California's ecosystems, which have been **hit hard by the drought**; 45 projects address water supply and habitat to support native species around the state.

No funds have been awarded yet for water storage, another key area for boosting drought resilience. This has led to some criticism that the pace of spending is too slow, but this overlooks the bond language, which laid out a two-year process for establishing funding criteria.

The water bond's storage money can only be used for funding "public benefits" resulting from storage projects. For any given project, at least half of these benefits must be for improving ecosystem conditions. Other qualifying benefits include better flood protection, recreation opportunities, emergency supplies, and water quality. In January, the California Water Commission proposed regulations that outline how the public benefits will be judged and quantified. The public comment period has ended, and the commission is on track to finalize its regulations by the end of 2016 and start soliciting applications in 2017.

The experience so far with Proposition 1 spending highlights something Californians have already seen with past water bonds: turning bonds into projects on the ground takes time. And there can be tradeoffs between expediency and value, because spending money quickly can favor less innovative projects or those that would be relatively easy to fund without bond support. So while California shouldn't drag its feet in funding improvements to the state's drought-challenged water infrastructure, striving for an accountable process that leads to quality projects is likely to be worth the wait.

Figure source: Proposition 1 Bond Accountability Report; Proposition 1 Bond project search website; Wildlife Conservation Board Streamflow Enhancement Program project allocations (downloaded on June 15, 2016)

Figure note: Appropriated amounts (light grey circles) contain both appropriations and costs for issuing and tracking bonds (2% of total costs). Amounts awarded to projects are calculated by the authors compiling data for each project from the Proposition 1 project search website. We searched for projects in "all counties," organized projects by bond spending area/chapter, and summed both total cost of projects (\$571 million) and Proposition 1 contribution to that sum (\$177 million). In addition to money for awarded projects, agencies have also spent some funds for grant administration, which is not included in the dark grey circles.

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Visit the Proposition 1 Bond Accountability webpage

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