

# California's Stormwater: A Fiscal Orphan

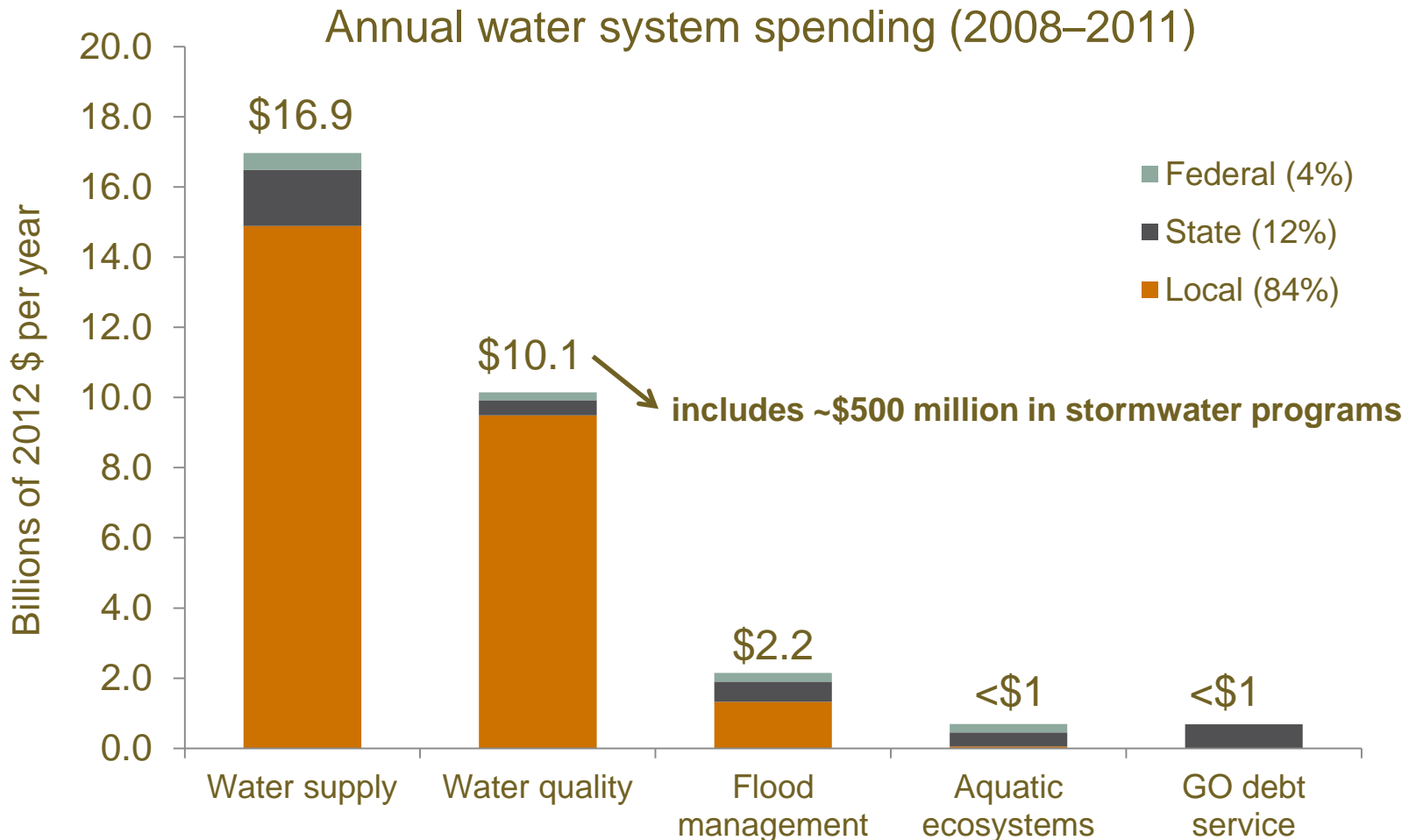
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# Stormwater is a fraction of the \$30+ billion spent annually on California water



# Stormwater is one of 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)	<b>Failing</b>	\$30–\$160
Flood protection	<b>Failing</b>	\$800–\$1,000
Stormwater management	<b>Failing</b>	\$500–\$800
Aquatic ecosystem management	<b>Failing</b>	\$400–\$700
Integrated management	<b>On the brink</b>	\$200–\$300

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

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"> <li>• Property taxes reduced</li> <li>• Local special taxes require 2/3 voter approval</li> <li>• State taxes require 2/3 legislative approval*</li> </ul> <p>* Ballot measures can still pass with simple majority (50%) of state voters</p>	<ul style="list-style-type: none"> <li>• General taxes no longer available to special districts</li> <li>• Local property-related fees/assessments:               <ol style="list-style-type: none"> <li>1. Property-owner protest hearings</li> <li>2. Strict cost-of-service requirements</li> <li>3. Floods and stormwater: new charges require 50% vote by property owners or 2/3 popular vote</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• Stricter requirements on local non-property related fees and state regulatory fees (more likely to be taxes)</li> <li>• Stricter cost-of-service requirements for wholesale agency fees</li> </ul>



# Stormwater management has been most hindered by constitutional reforms



The Los Angeles River watershed is expected to reach “zero-trash”

- New and growing regulatory mandate to manage pollution, not just drainage
- Any new charge requires a vote – often at 2/3 supermajority – and beneficiaries are usually downstream
- Costs are rising as regulations get stricter

# Stormwater capture is an example of integrated water management



Green Streets in Burlingame

- Addresses pollution
- Augments water supply
- Success requires
  - Breaking down management silos
  - Raising funds
- Water bills can pick up *part* of the tab (for water supply benefits)

# 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"> <li>Statewide surcharges on water, chemical use</li> </ul>
Flood protection	\$800-\$1,000	\$395	<ul style="list-style-type: none"> <li>Developer fees</li> <li>Property assessments</li> <li>Special state, local taxes</li> </ul>
Stormwater management	\$500-\$800	\$200	<ul style="list-style-type: none"> <li>Developer fees</li> <li>Property assessments</li> <li>Special state, local taxes</li> <li>Surcharges on water, chemical, or road use</li> </ul>
Aquatic ecosystem management	\$400-\$700	\$2,845**	<ul style="list-style-type: none"> <li>Special state, local taxes</li> <li>Surcharges on water use, hydropower production</li> </ul>
Integrated management	\$200-\$300	\$510	<ul style="list-style-type: none"> <li>Special state, local taxes</li> <li>Surcharges on water use</li> </ul>

\* 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



# Some local stormwater funding successes, mainly in coastal areas

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- General obligation bonds (e.g., Los Angeles, 2004)
- Property-related fees/assessments (e.g., Burlingame and Santa Clarita, 2009)
- Transportation-related fees (San Mateo County, 2005)
- Special taxes (e.g., Ferndale, 1997)
- Surcharge on water bill (Irvine Ranch and Santa Margarita Water Districts, with special authority under AB 810 – enacted in 2001)

For details, see Appendix A and Appendix E of Hanak et al. Paying for Water (PPIC, 2014)





# The legislature can help in many ways

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- Extend local funding authorities
  - Progress last year (e.g., AB 2403)
  - Statewide AB 810 authority would also help
- Facilitate integration (e.g., by allowing locals to use transportation funds to match state grants)
- Pass new state fees and taxes on key pollutants (e.g., transportation fuels, street trash sources)
- Lower costs by controlling pollution at source (e.g., restrictions on toxic chemical use)



# Thank you!

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- More information is available at [www.ppic.org](http://www.ppic.org):
- *Paying for Water in California* (main report)
- Five detailed appendices:
  - A: Legal analysis
  - B: Spending, revenues, needs
  - C: Recent water bond spending
  - D: Who pays for different funding sources
  - E: Local water-related ballot measures
- “Paying for Water in California: The Legal Framework” (*Hastings Law Journal*, Vol. 65: p. 1603)



# Notes on the use of these slides

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- 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](mailto:hanak@ppic.org)
- Thank you for your interest in this work.

