

California's Stormwater: A Fiscal Orphan

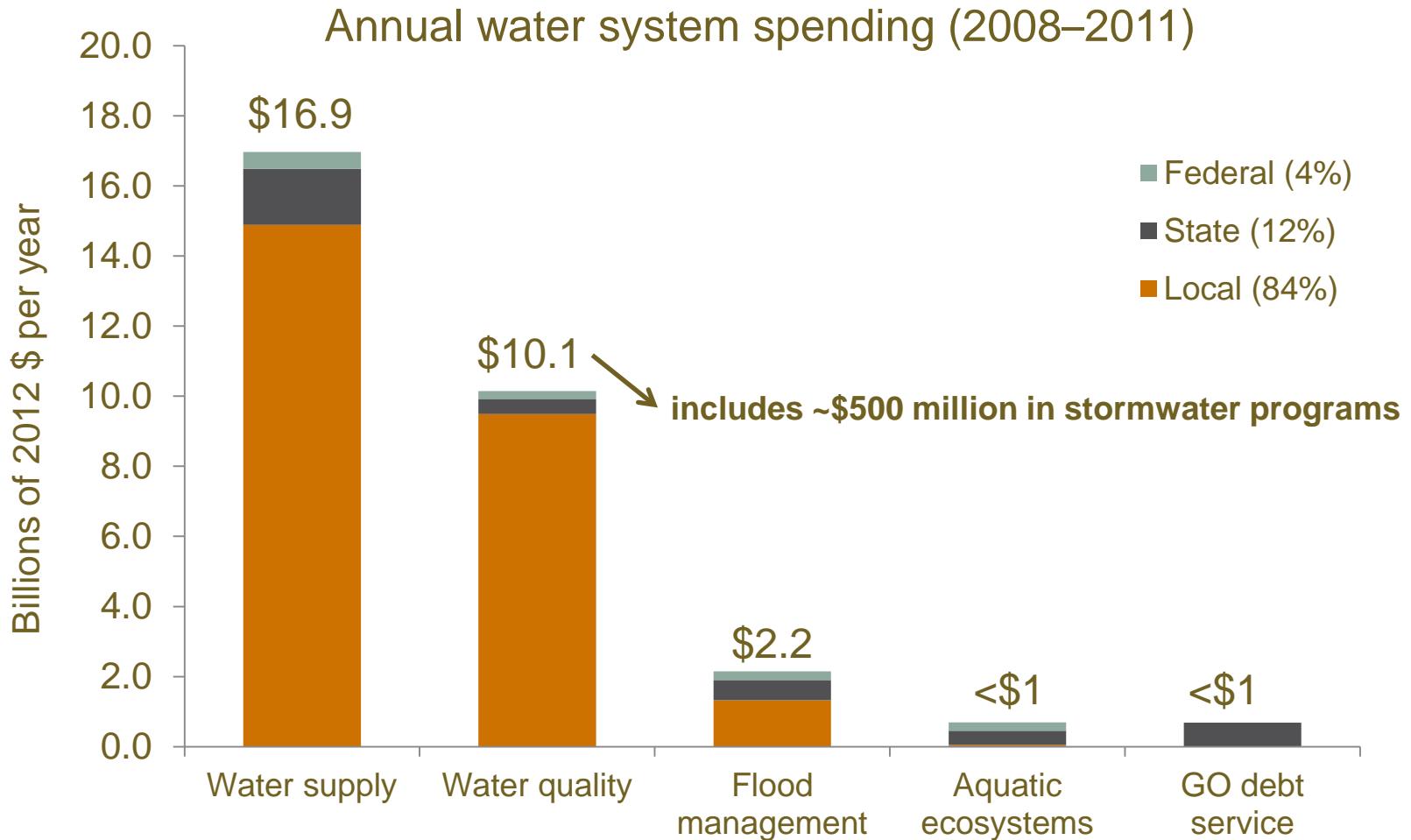
Ellen Hanak

Public Policy Institute of California

Senate Joint Informational Hearing, Feb. 25, 2015



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)	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).



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



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"> 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



Some local stormwater funding successes, mainly in coastal areas

- 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

- 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!

- More information is available at 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

- 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.

