California's Stormwater: A Fiscal Orphan

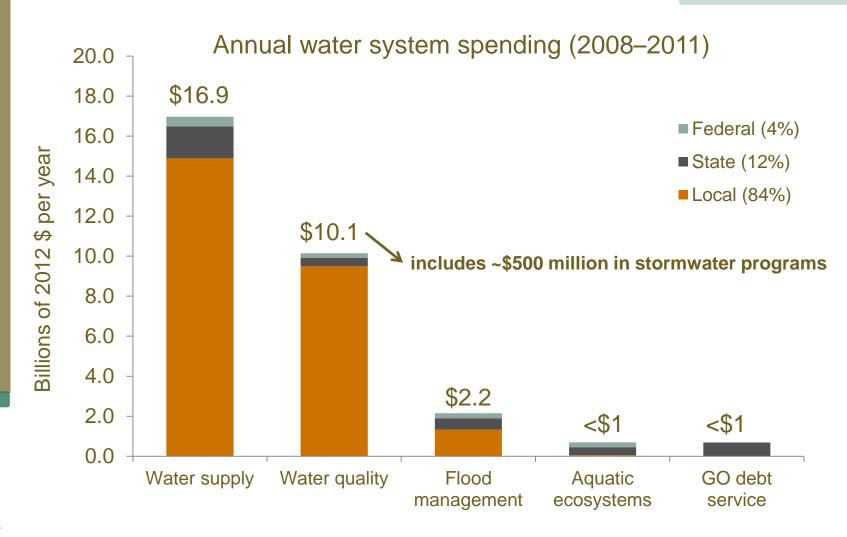
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Stormwater is a fraction of the \$30+ billion spent annually on California water



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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)

Three constitutional reforms have made it harder to pay for local water services

1978	1996	2010	
Prop 13	Prop 218	Prop 26	
 Property taxes reduced 	 General taxes no longer available to special districts 	 Stricter requirements on local non-property related fees and state 	
 Local special taxes require 2/3 voter 	 Local property-related fees/assessments: 	regulatory fees (more likely to be taxes)	
 State taxes require 2/3 legislative approval* 	 Property-owner protest hearings 	 Stricter cost-of-service requirements for wholesale agency fees 	
	2. Strict cost-of-service requirements		
* Ballot measures can still pass with simple majority (50%) of state voters	3. Floods and stormwater: new charges require 50% vote by property owners or 2/3 popular vote		



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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



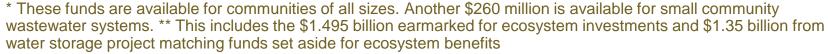
Green Streets in Burlingame

- 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*	 Statewide surcharges on water, chemical use
Flood protection	\$800-\$1,000	\$395	Developer feesProperty assessmentsSpecial state, local taxes
Stormwater management	\$500-\$800	\$200	 Developer fees Property assessments Special state, local taxes Surcharges on water, chemical, or road use
Aquatic ecosystem management	\$400-\$700	\$2,845**	Special state, local taxesSurcharges on water use, hydropower production
Integrated management	\$200-\$300	\$510	Special state, local taxesSurcharges on water use





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)



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:

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Thank you for your interest in this work.