

ANALYSIS BY THE LEGISLATIVE ANALYST

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Figure 1
Uses of Proposition 68 Bond Funds
(In Millions)

Natural Resource Conservation and Resiliency	\$1,547
State conservancies and wildlife conservation	767
Climate preparedness and habitat resiliency	443
Ocean and coastal protection	175
River and waterway improvements	162
Parks and Recreation	\$1,283
Parks in neighborhoods with few parks	725
Local and regional parks	285
State park restoration, preservation, and protection	218
Trails, greenways, and rural recreation	55
Water	\$1,270
Flood protection	550
Groundwater recharge and cleanup	370
Safe drinking water	250
Water recycling	100
Total	\$4,100

agencies. The proposition requires regular public reporting of how the bond funds have been spent, as well as authorizes financial audits by state oversight agencies. In addition, for several of the programs funded by this bond, recipients—mostly local governments—would only be eligible to receive the funding if they provide some funding to support the projects. This local cost-share requirement, where it applies, is at least 20 percent of the bond funding awarded. As an example, a city receiving a \$100,000

in Figure 1. This includes \$1.5 billion for a variety of programs generally intended to conserve natural habitats; improve coastal, river, and other ecosystems; and increase the resiliency of the environment to withstand the effects of climate change (such as sea level rise and more frequent droughts and forest fires). The bond also provides \$1.3 billion for parks and recreation projects, most of which would be used to build or improve local parks. Lastly, the bond provides \$1.3 billion for various water-related projects, including to increase flood protection, recharge and clean up groundwater, and provide safe drinking water.

Administrative Provisions. This proposition includes a number of provisions designed to control how the bond funds are administered and overseen by state

grant to build a new park trail would need to provide at least \$20,000 towards the project.

The proposition also includes several provisions designed to assist “disadvantaged communities” and very disadvantaged communities (generally, communities with lower average incomes). For example, the local cost-share requirement would not apply to most of the grants provided to these communities. In addition, the proposition requires that for each use specified in the bond, at least 15 percent of the funds benefit very disadvantaged communities.

FISCAL EFFECTS

State Bond Costs. This proposition would allow the state to borrow \$4 billion by selling additional GO bonds to investors,

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who would be repaid with interest using the state’s General Fund tax revenues. The cost to the state of repaying these new 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 taxpayers to repay this bond would total \$7.8 billion to pay off both principal (\$4.0 billion) and interest (\$3.8 billion). This would result in average repayment costs of **about \$200 million annually over the next 40 years**. This amount is about one-fifth of a 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 bond funds for local projects would affect how much local funding is spent on these projects. In many cases, the availability of state bonds could 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 bond funds could increase total spending on projects by local governments. For example, the availability of bond funds might encourage some local governments to build additional or substantially larger projects than they would otherwise. 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 several tens of millions of dollars annually over the next few decades. The exact amount would vary depending on the specific projects undertaken by local governments, how much local cost sharing is required by state agencies, and the amount of additional funding local governments provide to support the projects.

Other State and Local Fiscal Effects. There could be other state and local fiscal effects under this bond. For example, costs could increase to operate and maintain newly built parks. On the other hand, some projects could reduce future costs, such as by making levee repairs that reduce future flooding damage. The amount of these possible fiscal effects is unknown but could be significant.

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/jun-18-primary.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 68 ★

YES on 68—ENSURES SAFE DRINKING WATER & PROTECTS CALIFORNIA’S NATURAL RESOURCES IN UNCERTAIN TIMES

California faces more frequent and severe droughts, wildfires, unhealthy air, unpredictable weather, and reduced federal funding and support for our land, coast, and water.

YES on 68 protects California’s unique resources and helps ensure all Californians have access to clean, safe drinking water and parks.

PROTECTS DRINKING WATER QUALITY

YES on 68 protects and improves California’s water quality by keeping toxic pollutants out of our water sources and cleans contaminated waters.

SAFEGUARDS WATER SUPPLIES. PREPARES US FOR DROUGHTS

Prop. 68 is a smart, efficient approach to ensuring future drinking water supplies: • Restores groundwater supplies, which were severely drained in the last drought • Recycles more water locally and helps farms conserve water

• Captures more stormwater and prevents flooding
 “YES on 68 is a smart investment in California’s future by protecting our water supplies from pollution and helping local communities adapt in uncertain times. These investments are critical for today’s residents and future generations,” *Tim Quinn, Association of California Water Agencies.*

BRINGS CLEAN, SAFE DRINKING WATER AND PARKS TO COMMUNITIES IN NEED

Several California communities have water so contaminated that residents cannot turn on the tap and drink the water in their own homes. In many places, families lack access to safe local parks.

YES on 68 cleans up severely contaminated local water supplies and makes long-overdue investments in local parks where they are needed most.

“All children should have safe places to play and access to clean air and water. YES on 68.” *Dr. Richard Jackson, M.D., Professor Emeritus, UCLA Fielding School of Public Health.*

SAFEGUARDS OUR RIVERS, LAKES, AND STREAMS

YES on 68 protects rivers, lakes, streams, and natural areas that are critical sources of our clean drinking water and beautiful places where families hike, camp, swim, and play.

PROTECTS OUR COAST, NATURAL RESOURCES AND PARKS

YES on 68 helps protect air quality and preserve California’s most treasured resources for future generations: • Restores natural areas; implements critical wildfire prevention measures • Prevents toxic air pollution • Improves access to our coast; protects beaches, bays and coastal waters from pollution • Restores California’s fish and wildlife habitats • Provides neighborhood parks, especially in communities where children currently lack access

STRICT ACCOUNTABILITY & OVERSIGHT

YES on 68 ensures funds will be efficiently used for intended purposes by requiring annual independent audits and by establishing a citizen advisory committee to review expenditures.

BROAD, BIPARTISAN SUPPORT

Prop. 68 was placed on the ballot with bipartisan support, and is endorsed by groups that understand the importance of a YES vote to improve public health and protect California’s clean water for our health, economy, children and families.

Supporters include: • California Chamber of Commerce, California’s most prominent business group • Association of California Water Agencies, representing local agencies that provide California’s drinking water • League of California Cities, representing local governments • The Nature Conservancy, The Trust for Public Land, California State Parks Foundation, and several conservation groups

VOTE YES ON PROPOSITION 68

Learn more at www.yes68ca.com

SENATOR KEVIN DE LEÓN

California State Senate President Pro Tem

DR. MICHAEL ONG, M.D.

American Lung Association in California

DAN HOWELLS-SCHAFROTH, California State Director
 Clean Water Action

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 68 ★

Can we share a rather sad fact with you? California has the largest unrestricted net deficit of all the 50 states in the nation!

Here are the rankings of the eleven worst managed states and their unrestricted net deficits for the year ending 2016 (California’s June 30, 2017 audited financial statements were not completed before the preparation of this report in mid-February):

- | | |
|------------------|---------------|
| 1. California | \$169 billion |
| 2. Illinois | 150 billion |
| 3. New Jersey | 137 billion |
| 4. Massachusetts | 59 billion |
| 5. Connecticut | 51 billion |
| 6. New York | 41 billion |
| 7. Kentucky | 38 billion |
| 8. Maryland | 26 billion |

- | | |
|------------------|------------|
| 9. Texas | 20 billion |
| 10. Pennsylvania | 19 billion |
| 11. Louisiana | 12 billion |

Do you really want to add to the debt burden of this state? Do you know that the annual payments for principal and interest on this bond will squeeze out other services that Sacramento should be providing? Like helping the homeless and assisting the mentally ill?

When will Sacramento’s legislature realize that we have poor infrastructure because it has not been a good steward of its financial resources. Debt is an indication of improper spending habits and inappropriate financial decisions.

Stop this madness and vote “NO” on Proposition 68.

JOHN M.W. MOORLACH, State Senator
 37th District

★ ARGUMENT AGAINST PROPOSITION 68 ★

Don't be fooled by Proposition 68. The proposition promises to protect and improve California's parks. The truth is it doesn't.

First, of the \$4 billion dollar bond, only \$1.3 billion is actually dedicated to improving parks. A lot of the remaining money is given to politicians to spend on their pet projects.

Second, the money is not distributed fairly and equally across the state. Many of our residents in inland and rural California will not see any Prop. 68 park bond money spent to fix and improve their local state parks. This is wrong.

Every Californian should have their local park improved, not just the few who live near parks of powerful politicians.

Third, estimates are that state parks require \$1.2 billion dollars for deferred maintenance. Yet, Prop. 68 allocates only a small amount of money for this essential task.

Finally, the Department of Parks and Recreation can't be trusted with the money. In 2012, the department threatened to close 70 parks, saying it didn't have the money to keep them open. This was false. An audit discovered the department *did* have the money, but was hiding it from the public. Until the department is reformed, we can't trust it to spend the money wisely and fairly.

We need to protect and improve our state parks, but Prop. 68 is the wrong way to do that. Vote No and make the State Legislature really fix the parks for all Californians.

ANDREA SEASTRAND, President
Central Coast Taxpayers Association

JON COUPAL, President
Howard Jarvis Taxpayers Association

Isn't it wonderful how many great projects that California can build? I'm not here to tell you that addressing drought, water, parks, climate, coastal protection, and outdoor access is wrong.

What I want to tell you is that borrowing for them is wrong.

California has enough debt. In fact, it has the worst balance sheet of all 50 states. Its unrestricted net deficit is a quarter trillion dollars! The last thing the State of California needs is more debt!

Bond measures are deceptive. You think you're voting for something good. But, it will take approximately \$8 billion to pay off the \$4 billion of borrowed funds. That means you can expect a tax increase. And your children can expect a tax increase. And your grandchildren can expect a tax increase. Why? The \$225 million a year must be paid. With a tight annual budget, where else is this money supposed to come from?

The state's pension plan contributions are rising. The retiree medical unfunded liability has just gone up \$15 billion to \$91.5 billion. The state's borrowed debt for schools (\$500 million per year) and, possibly, veterans (\$225 million) and affordable housing (\$169 million) are squeezing out other programs. Minimum wage increases alone will add \$4 billion per year to the state's budget.

This will have to be paid for. And you will be asked to raise your taxes. California is not reducing its debt. Don't be a part of this problem. Vote "No" on Proposition 68.

Very truly yours,

SENATOR JOHN M.W. MOORLACH
37th Senate District

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 68 ★

YES on 68 makes critical investments in California's natural resources, water and economy by tackling problems at the source before they become more expensive to address:

- *Preparing for drought*—by increasing local water supplies.
- *Creating a healthy future for our children and grandchildren*—by locating parks where kids need safe places to play and by purifying polluted local drinking water supplies.
- *Safeguarding our water and coast*—by protecting water sources, restoring groundwater, and preventing toxic runoff.
- *Preventing natural disasters*—by investing in flood prevention and restoring forests prone to wildfire.
- *Strengthening our economy*—which relies on clean, reliable water supplies, secure natural resources, and robust tourism and recreation.

Opponents appear not to have read the measure carefully. Prop. 68 specifically funds parks in every California city and county. And 68 takes a comprehensive approach to California's resources—protecting water supplies, forests, and farmland.

Proposition 68 requires annual audits to make sure funds are spent efficiently for intended purposes, and it does NOT raise taxes.

Business leaders, conservation groups, public health experts, and local leaders agree—Yes on 68 is smart, cost effective, and accountable.

"Yes on 68 means safer drinking water for California families," Wade Crowfoot, Chief Executive Officer, Water Foundation

"Yes on 68 will benefit every region of California by helping local communities improve their parks," Carolyn Coleman, Executive Director, League of California Cities

"Yes on 68 is critical to the health of our food supply, land and water," Craig McNamara, Past President, California Board of Food and Agriculture

Yes68ca.com

HELEN HUTCHISON, President
League of Women Voters of California

MIKE SWEENEY, Executive Director of California
The Nature Conservancy

ANDREA TUTTLE, Director (Retired)
California Department of Forestry and Fire Protection