## Proposition 1E

# Disaster Preparedness and Flood Prevention Bond Act of 2006

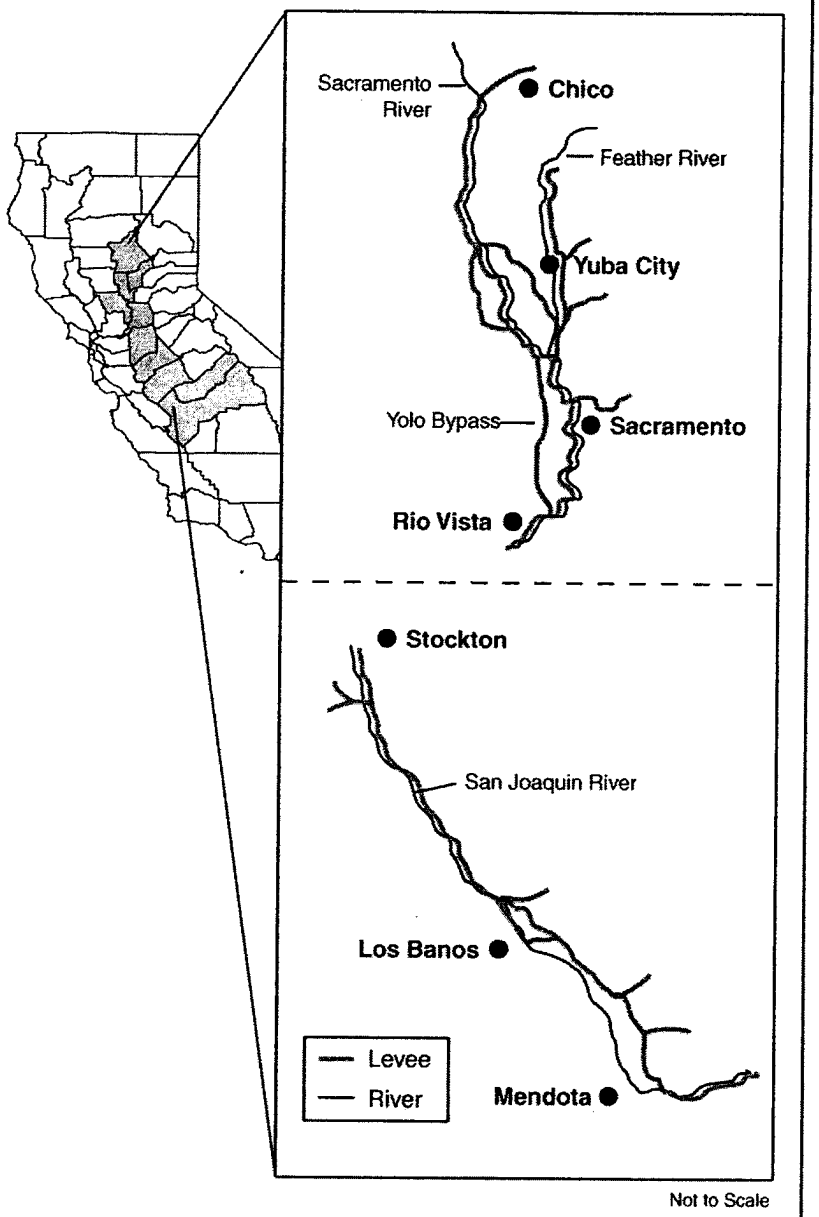
### Background

*State Role.* Multiple agencies at each level of government (state, federal, and local) have some responsibilities for flood management. In addition, private entities own and operate some flood control facilities. The state carries out a number of programs designed to provide flood management. Some of these programs are operated directly by the state, while others provide grants to local agencies for similar purposes.

The state is primarily responsible for flood control in the Central Valley. As shown in Figure 1, the state Central Valley flood control system includes about 1,600 miles of levees, as well as other flood control infrastructure such as overflow weirs and channels. The state directly funds the construction and repair of flood management structures such as levees, typically with a federal and local cost share. For approximately 80 percent of the levees in the Central Valley flood control system, the state has turned over the operations and maintenance to local governments (primarily local flood control districts), although the state retains ultimate responsibility for these levees and the system as a whole.

**Figure 1**

**Central Valley Flood Control System**




Outside the Central Valley system, the state's role in flood management generally consists of providing financial assistance to local governments for flood control projects located throughout the state. For example, the state has provided funding for the Santa Ana River Mainstem flood control project that spans Orange, Riverside, and San

Bernardino Counties. In the Sacramento-San Joaquin River Delta region (Delta), as another example, the state has no oversight role with respect to local levee construction or maintenance (a majority of Delta levees—about 700 miles—are located outside the state system). Because a significant portion of the state's population depends on water supplies that come through the Delta, there is a state interest in the continued operation of the Delta levee system. Given this, the state has provided financial assistance over many years to local flood control districts in the Delta region to rehabilitate and maintain levees.

***Funding.*** In general, state flood management programs have been funded from the General Fund, with some use of bond funds. Since 1996, the voters have authorized a number of state general obligation bonds, of which about $400 million has been allocated specifically for flood management purposes. Most of these bond funds for flood management have already been spent.

State funding levels for flood management have varied substantially on a year-to-year basis, largely depending on the availability of General Fund and bond monies for this purpose. For example, since 2000-01, annual state funding for flood management has varied from a low of about $60 million (2002-03) to a high of about $270 million (2000-01). In addition to state flood management programs, local governments, including flood control districts and other public water agencies, operate their own flood management programs and projects. Funding for these local programs comes from various sources, including property assessments and, in some cases, financial assistance from the state.

A law passed earlier this year provides $500 million from the General Fund for emergency levee repairs and other flood management-related costs.

The Department of Water Resources (DWR) has made rough estimates of the cost to repair and upgrade the Central Valley flood control system and levees in the Delta of between $7 billion and $12 billion.

## Proposal

This measure authorizes the state to sell about $4.1 billion in general obligation bonds for various flood management programs. (See "An Overview of State Bond Debt" on page ____ for basic information on state general obligation bonds.) Figure 2 summarizes the purposes for which the bond money would be available to be spent by DWR and for grants to local agencies. In order to spend these bond funds, the measure requires the Legislature to appropriate them in the annual budget act or another law.

**Figure 2**
**Proposition 1E**
**Uses of Bond Funds**

| | Amounts (In Millions) |
|---|---|
| State Central Valley flood control system repairs and improvements; Delta levee repairs and maintenance. | $3,000 |
| Flood control subventions (local projects outside the Central Valley). | 500 |
| Stormwater flood management (grants for projects outside the Central Valley). | 300 |
| Flood protection corridors and bypasses; floodplain mapping. | 290 |
| **Total** | **$4,090** |

Specifically, the bond includes about $4.1 billion for various flood management activities, allocated as follows:

- ***State Central Valley Flood Control System and Delta Levees—$3 Billion.*** To evaluate, repair, and restore existing levees in the state's Central Valley flood control system; to improve or add facilities in order to increase flood protection for urban areas in the state's Central Valley flood control system; and to reduce the risk of levee failure in the Delta region through grants to local agencies and direct spending by the state.
- ***Flood Control Subventions—$500 Million.*** To provide funds to local governments for the state's share of costs for locally sponsored, federally authorized flood control projects outside the Central Valley system.
- ***Stormwater Flood Management—$300 Million.*** For grants to local agencies outside of the Central Valley system for projects to manage stormwater.
- ***Statewide Flood Protection Corridors and Bypasses—$290 Million.*** To protect, create, and enhance flood protection corridors, including flood control bypasses and setback levees; as well as for floodplain mapping.

## Fiscal Effects

***Bond Costs.*** The costs of these bonds would depend on interest rates in effect at the time they are sold and the time period over which they are repaid. The state would likely make principal and interest payments from the state's General Fund over a period of about 30 years. If the bonds were sold at an average interest rate of 5 percent, the cost would be about $8 billion to pay off both the principal ($4.1 billion) and interest ($3.9 billion). The average payment would be about $266 million per year.

***Property Tax-Related Impacts.*** The measure provides funds for land acquisition by the state for flood management, including the development of bypasses and setback levees. Under state law, property owned by government entities is exempt from property taxation. To the extent that this measure results in property being exempted from taxation due to acquisitions by governments, local governments would receive reduced property tax revenues. Because the measure does not specify what portion of the bond funds will be used for acquisitions, the impact on local property tax revenues statewide is unknown, but is potentially up to several million dollars annually.

***Operational Costs.*** To the extent that bond funds are used by state and local governments to purchase property or develop a new flood control project, these governments would incur unknown additional costs to operate or maintain the properties or projects.