July 2018

Proposition 3: A Fiscally Irresponsible Approach to California's Water Problems

Sierra Club California has taken an oppose position on Proposition 3, a water bond on the November 2018 statewide ballot. This decision follows internal discussion, consultation with allies, and votes by various entities, including the Sierra Club California executive committee and the California Nevada Regional Conservation Committee.

Proposition 3, previously known as the Water Supply and Water Quality Bond Act of 2018, would provide $8.877 billion for various water projects and programs.

Key Concerns About Prop 3

Here is a brief list of key concerns about the proposed bond measure, leading us to oppose it.

1. **It flies in the face of good governance by being written behind the scenes by those who would gain funds from it, rather than through a legislative process.** This bond presents an example of the "pay-to-play" approach to policy making. Many interests participated in writing the bond, but those special interests who are funding the measure's campaign reap a disproportionate amount of the bond's benefits. The proponents of the bond have added many wasteful items to attract rich investors to help support the campaign who will ultimately profit from the bond at the taxpayers' expense. Critical bond measure proposals for drinking water and ecosystems are best created through a legislative process that is transparent and open to the public. Tax funds should be used for projects that will benefit taxpayers, not billionaires.

2. **It would bypass legislative oversight of the spending or programs it would create.** This is unlike almost every other environmental bond passed by voters. All of the bond funds are continuously appropriated, meaning that there is no legislative appropriation, removing the public from overseeing how funds are spent or if the programs are effective. The bond programs are also exempt from the Administrative Procedure Act, providing no avenue for public input into the allocation of its funds, and no review by the Office of Administrative Law of whether the spending complies with the bond's stated priorities.

3. **It opens up the state general fund to pay for repairs of water supply projects funded by local water agencies, and undercuts the principle of beneficiary pays.** Specifically, Chapter 10 in the measure provides $750 million to the Friant Water Authority for repairs

to the Friant-Kern canal. This $750 million in subsidies could—and likely will—help the Friant Water Authority fund dam projects that are harmful to the environment and strongly opposed by the environmental community. The Friant-Kern Canals are units of the Federal Central Valley Project, which is funded almost entirely by 20 agricultural water agencies which collectively irrigate 879,000 acres of farmland. Purported needs for additional funding cite increased groundwater pumping that has led to subsidence, which has damaged the canals. Those who pumped the water and caused the damage should pay to repair the canals. Chapter 11 of the bond measure provides $200 million for Oroville dam repairs. This dam is a unit of the State Water Project, which has been funded by the Metropolitan Water District of Southern California and other State Water Project Contractors under a beneficiary pays principle. The Friant Water Authority and State Water Project contractors can afford to pay for repairs and should.

4. **The bond appropriates cap-and-trade revenues from the Greenhouse Gas Reduction Fund to State Water Project and Central Valley Project water agencies.** Section 6 of the measure would provide a continuous appropriation from the AB 32 Greenhouse Gas Reduction Fund (GGRF) to the Department of Water Resources, Metropolitan Water District of Southern California, San Luis and Delta-Mendota Water Authority, and Contra Costa Water District for direct and indirect power costs resulting from compliance with AB 32. The appropriated GGRF funds could be spent on water conservation or other programs that the water agencies are currently funding from water sales revenues, providing little to no net reduction in greenhouse gas emissions. The impact on the GGRF is unknown, but could be substantial and siphon funds from other important projects that will cut climate pollution and air pollution.

5. **Californians just passed a bond measure to support water cleanup and restoration, and adding this new bond will substantially add to the natural resource debt dependent on the general fund for payback.** This bond would add $400 million of debt service annually to the general fund, and bring the Natural Resources Agency's debt to over 50% of its budget. Since much of the general fund is dedicated to K-12 schools because of Proposition 98, this could mean that other social and environmental programs could be cut to pay for this debt. An economic downturn could worsen these impacts.

6. **Some of the projects funded by this bond could worsen environmental quality.** The bond lacks proper language in place to prevent all activities that could harm the environment, such as prohibitions on new dams for all funds, and potential impacts to wildlife habitat and forest ecosystems. Taking funds away from the GGRF can weaken programs to lower emissions and improve air quality and public health for millions of Californians.