

Date of Hearing: May 10, 2023

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

AB 305 (Villapudua) – As Amended April 25, 2023

Policy Committee: Water, Parks and Wildlife

Vote: 13 - 1

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill enacts the \$4.5 billion California Flood Protection Bond Act of 2024.

Specifically, this bill, upon approval by the voters in the November 5, 2024, statewide general election, enacts the bond to authorize the issuance of \$4.5 billion in general obligation (GO) bonds to finance projects in the following categories: (1) \$1 billion to the Department of Water Resources (DWR) for multibenefit flood protection projects, (2) \$1 billion to DWR for urban flood risk reduction, (3) \$1 billion to DWR for the improvement of dam safety and resilience, (4) \$1 billion to DWR for Sacramento-San Joaquin Valley flood management, and (5) \$500 million to DWR for levee rehabilitation and upgrades.

For a detailed summary of the investments in each of these categories, please see the Water, Parks, and Wildlife Committee analysis of this bill.

**FISCAL EFFECT:**

- 1) Total principal and interest costs of approximately \$8.76 billion to pay off the bonds, with average annual debt service payments of \$219 million (General Fund). The State Treasurer's Office notes that the actual debt service could vary significantly from these preliminary estimates based on a variety of factors, including the actual amount of bonds issued per fiscal year, the debt service structure of the bonds sold, the actual breakdown between tax-exempt and taxable bonds, the actual interest rates at the time of issuance, the actual amount of premium available to offset debt service (if any), and any future refunding of bonds.
- 2) The Secretary of State's office estimates one-time costs of approximately \$1.6 million for printing and mailing to place this measure on the November 2024 ballot (General Fund). It costs approximately \$123,000 per page for printing costs related to the Voter Information Guide and the text of proposed laws for each new ballot measure.

**COMMENTS:**

- 1) **Purpose.** According to the author:

The storms we experienced in early 2023 showcased decades of underinvestment in our flood management infrastructure across California. This failure resulted in lives lost and billions of dollars of property damage. For these reasons, we need to make long-term investments today to prevent similar future tragedies across our state.

As warmer water and rising temperatures increase, it will be even more important that we prepare for future flooding events. [This bill] will ensure the state can adequately protect Californians from future catastrophic flooding by enacting the California Flood Protection Bond Act of 2024.

- 2) **Background.** Flood infrastructure across California includes more than 20,000 miles of levees and channels and more than 1,500 dams and reservoirs. Most of these facilities are owned and managed by local governments. Over 1,600 miles of levees, four dams, five major weirs, and seven bypasses are overseen by the state and are considered part of the State Plan of Flood Control system (SPFC), a system of flood protection infrastructure along the Sacramento and San Joaquin Rivers and their main tributaries. The Central Valley Flood Protection Board (CVFPB) oversees SPFC facilities and levees on behalf of the state. For most segments of SPFC levees, the state has developed formal agreements with local governments to handle regular operations and maintenance responsibilities. DWR maintains approximately 300 miles of SPFC levee segments not covered by such agreements.

The level of flood risk in California's Central Valley is among the highest in the nation. According to the Central Valley Flood Protection Plan 2022 Update (2022 CV Flood Plan), 1.23 million people and more than \$223 billion in structures and property are at risk from flooding. Climate change has exacerbated this flood risk. To address this risk, the 2022 CV Flood Plan identifies an investment need of \$25 billion to \$30 billion over the next 30 years.

The state often makes bond payments over a 30-year period. According to the Legislative Analyst's Office (LAO), the state's estimated debt service payments on GO bonds in fiscal year (FY) 2022-23 total about \$6.8 billion – or about 3.25% of estimated General Fund revenues. Proposition 1E, the Disaster Preparedness and Flood Prevention Bond Act of 2006, was the last purely flood-related bond approved by voters and it authorized approximately \$4.1 billion in bond spending for various flood management programs. In 2014, voters approved Proposition 1, a \$7.5 billion water bond that included \$395 million for flood management. According to the California Natural Resources Agency's Bond Accountability website, about \$29 million in funding from Proposition 1E and \$20 million in funding from Proposition 1 flood management funds remain uncommitted to projects.

Recent budget surpluses have helped facilitate significant General Fund support to supplement expiring bond funds. Specifically, recent budgets committed approximately \$600 million (General Fund) from fiscal year (FY) 2021-22 through FY 2024-25 to support numerous flood capital outlay projects, flood management activities, and dam safety projects. The Governor's January budget for FY 2023-24 proposes an additional \$119 million (General Fund) to support numerous Central Valley flood projects and studies, most of which would be conducted in collaboration with the federal government, and another \$41 million for Delta levee projects and \$16 million for flood management activities. The Governor also proposes to eliminate \$40 million that was approved in last year's budget for flood plain restoration in the San Joaquin Valley to prevent flooding and recharge aquifers. A group of lawmakers recently submitted a letter to the Governor calling for a restoration of this funding. Earlier this month, the Biden administration announced the Department of Commerce has recommended \$60 million for 13 projects across northern California to, among other things, advance flood plain and wetland habitat restoration and protection.

- 3) **Related Legislation.** AB 408 (Wilson) enacts the Climate-Resilient Farms, Sustainable Healthy Food Access, and Farmworker Protection Bond Act of 2024, to authorize the issuance, subject to voter approval, of \$3.365 billion in GO bonds for specified projects. AB 408 is pending in this committee.

AB 1567 (Garcia) enacts the Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, and Workforce Development Bond Act of 2024, to authorize the issuance, subject to voter approval, of \$15.105 billion in GO bonds for specified projects. AB 1567 is pending in this committee.

SB 638 (Eggman) enacts the Climate Resiliency and Flood Protection Bond Act of 2024, to authorize the issuance, subject to voter approval, of \$6 billion in GO bonds for specified projects. SB 638 is pending in the Senate Appropriations Committee.

SB 867 (Allen) enacts the Drought, Flood, and Water Resilience, Wildfire and Forest Resilience, Coastal Resilience, Extreme Heat Mitigation, Biodiversity and Nature-Based Climate Solutions, Climate Smart Agriculture, Park Creation and Outdoor Access, and Clean Energy Bond Act of 2024, to authorize the issuance, subject to voter approval, of \$15.5 billion in GO bonds for specified projects. SB 867 is pending in the Senate Appropriations Committee.

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