Meeting Purpose:
Develop data and characterizations of historical and recent local, State and federal spending as a basis for crafting future recommendations. Meeting materials can be found here:
http://www.waterplan.water.ca.gov/materials/index.cfm

Welcome and Introductions
Paul Massera led the welcome and introductions.

General Description of Resource Management Funding
Paul Massera provided a general description of resource management funding and solicited comments from Plenary participants.

Defining Events, Trends and Drivers of Historical Resource Management Funding In California Handout

- Stakeholder noted that it is important to consider that significant portions of infrastructure were built prior to many of the environmental regulations that are in place today. After infrastructure was built, operations and maintenance responsibilities were delegated to local agencies. Local agencies must now conduct their operations and maintenance responsibilities within a new regulatory framework and new projects must address the challenge of complying with environmental regulations going forward.
- Stakeholder noted that the “Integration” Period did not come after the “Bond” period, but at the same time. The “Environmental/Public Trust” Period, “Bond” Period, and “Integration” Period are all continuing to occur in the present. One suggestion is to show these arrows as parallel and stacked on top of each other.
- Stakeholder noted that using the term “current” to designate a time (e.g., “2000-Current”) is ambiguous. The stakeholder recommended stating the most recent year to avoid confusion.
- Stakeholder noted that the bottom arrow on the handout only focuses on water supply and flood management.
  - Paul Massera noted that water supply and flood management are the only areas that they have data compiled so far. The text may be revised or deleted.
- Stakeholder noted that it is unclear whether the bottom arrow is intended to have a starting and stopping point or whether it is intended to stretch across the entire historical timeline.
- Stakeholder noted that none of the water supply projects described in the table are funded from local sources. Instead, they are all larger projects funded by State and federal sources, which seems to contradict the main message of the bottom arrow (i.e., majority of water supply funding from local sources).

Local, State and Federal Spending Data
Paul Massera presented data on local, State and federal spending and solicited comments from Plenary participants.

Annual State Agency and Federal Historical Estimated IWM Expenditures
- For G.O. bonds, stakeholder noted that the title should be changed to “Estimated IWM Authorization” instead of “Estimated IWM Expenditure”. The proposition funding was authorized on the years shown on the figure, but the funds were not spent yet.

Estimated Annual Federal, State Agency, and Local IWM Spending in California
- Paul Massera acknowledged significant value of generating more very specific spending information across all topics presented in this session. He noted that a cursory look at the availability, level of detail and complexity of existing data do not readily support a more detailed breakdown within the resources and timeframe of Update 2013. This “constraint” could warrant and inform a recommendation in Update 2013 for a new and consistent financial tracking construct.
- Stakeholder noted that the State Revolving Fund is a mix of State and federal funding. A portion of the State Revolving Fund includes some federal funding. But the large majority includes repayments which are State funding.
- Stakeholder noted that it is critical to define what IWM is and is not. The “lens” that we use to characterize IWM may not be that clear on the draft graphics.
  - Another stakeholder noted that the way IWM spending was compiled may not accurately reflect the way agencies currently operate. It assumes that we’ve already made a transition from looking at individual components of water management (i.e., “water” and “flood”) to IWM. However, we are just beginning this transition and many agencies (e.g., USACE) aren’t really currently doing IWM right now.
  - Another stakeholder noted that a broad definition of IWM activities is a double-edged sword when trying to manage data and communicate key messages. Trying to “capture the universe” and calling it IWM may be detrimental.
  - Another stakeholder noted that including a footnote on what types of activities and data sources were used would be useful. A separate stakeholder noted that this information will become public and we need to be clear on what it says.
- Stakeholder asked what level of detail the IWM spending data would be broken down into. The current data shows broad “1,000 foot level” trends. But it would be interesting to show IWM spending in different subsectors of IWM (i.e., infrastructure maintenance, investments in new technology development, water conveyance, energy) so that we could assess which sectors are underfunded and why they are underfunded. Voters who vote on a new proposition would like to know where the money is specifically going to be spent.
- Stakeholder noted that breaking out funding for capital projects/expenditures versus annual operations and maintenance would be useful. For instance, this would explain why some federal agencies have static spending and the spending of others changes from year to year. Several stakeholders agreed that distinguishing funding for new projects from annual operations and maintenance was important.
- Stakeholder noted that double-counting may occur if federal funding is provided to the State, which is then provided to local agencies.
- Stakeholder noted that private funding should also be included. Another stakeholder noted that private funding is an important source of funding for water supply.
- Stakeholder noted that there may be projects that occur outside of California that are critical to IWM in California but are not reflected in these totals. For example, if Hoover Dam was built today, the spending would not be included in these figures.
- Stakeholder noted that quantifying local matching funds for proposition funds would be a useful indicator of how much the proposition funds are being leveraged. Another stakeholder noted that State IRWM funding is currently leveraging local and some federal funds.
- A stakeholder noted that showing gross GDP on figures would help show the impact of broader economic trends on IWM spending.
- A stakeholder noted that proposition funding is assigned to the years that the propositions were authorized, not when funds were spent. This is misleading because there is a huge lag time between when funds are authorized and when they are finally spent. May need a footnote to explain this or remove the labels. Another stakeholder recommended discussing proposition funding in a separate narrative section instead of displaying it on the figure.
- A stakeholder noted that it would be helpful to contrast how much is spent versus how much funding is actually needed. There is likely a big gap between what is needed and what is spent. Several other stakeholders agreed and reiterated this point and emphasized that context is important.
- Including recommendations and case studies/vignettes from across the state would be helpful in telling the story behind the data.

Estimated Annual Federal IWM Spending in California, by Agency figure
- Stakeholder noted to change the legend from “USBR” to “USBR excluding CVP”.

Estimated Annual State Agency IWM Spending in California by Source Category
- Stakeholder recommended including a list or appendix showing which types of funds were included in each category.

FY 2010 Local Expenditures
- Stakeholder recommended expanding the list of agencies on the powerpoint slide to include water districts.
- Stakeholder noted that there can be a disconnect between where IWM funding is being spent and who is benefitting from that spending. For example, Imperial County has a high amount of IWM spending because it provides water to San Diego and Orange County, but Imperial County isn’t directly benefiting from that spending.
- Stakeholder noted that the data shows the average spending per county, but there can be large disparities within a county. For example, some areas in Imperial County are disadvantaged communities, but some cities are paying $1,700 per acre-foot. It may be important to highlight who receives the value from the spending.
- Stakeholder noted that the current data does not differentiate between (1) locally generated revenues; and (2) State and federal funding that shows up in county budgets.
- Stakeholder noted that out of the five counties that he is most familiar with, the funding levels shown for three of them don’t appear to be accurate.
- Another stakeholder noted that showing IWM expenditures by county may not be helpful. It may be more helpful to show funding by agency and specify who is benefiting from the funding.

IWM State General Obligation Bond History (1970-2012)
- Stakeholder again noted that it is misleading to show large amounts of funding on the year of the bond issues because these costs are spread out over several years.
- Stakeholder noted that adding the deadline for when specific bond funds must be expended may be useful.
Framing the Conversation
- Megan Fidell noted that the team is not trying to send a message to the taxpayer and find data that supports it. Instead, their job is to show factual data regardless of how it is ultimately messaged. Paul Massera noted that the data isn’t intended to imply what funding should be in the future. The intent is just to show the IWM spending that is occurring right now.
  - A stakeholder noted that there are conscious and subconscious choices that are made in how data is displayed. There is no such thing as an “innocent graphic”. We need to be sensitive to the fact that people will use this data and it will have a life of its own.
- Megan Fidell asked whether accounting for all of the group’s suggested refinements to the data really make much of a difference in the key findings, given the large scale of the total IWM spending (billions of dollars).
- Stakeholder mentioned that the key questions that water rate payers ask when talking about potential future water bonds are: What did you do with the proposition funding you received so far? How did I benefit form that? How were those decisions made? How much do you want now? What are we going to get for it? These questions need to be addressed in the California Water Plan.

Total Authorized State General Obligation Bonds
- A stakeholder noted that “education” in the pie chart should be changed to “higher education”.

Derived and Contextual Premises
- For Derived and Contextual Premise 5 and 6 (Water and flood bond annual debt service close to an all time high at $75 per household” and “Total State annual bond debt service is close to an all time high at $365 per household”), stakeholder noted that whenever stating dollar values, need to specify which year the dollars are normalized to.
- For Derived and Contextual Premise 8 (“Federal investment has historically been the primary source of funding for flood management”), stakeholder requested a definition of the term “historically”.
- For Derived and Contextual Premise 10 (“For any given year, there were essentially two funding strategies: 1) cash on hand and 2) borrowing”), stakeholder requested to be more specific about what is meant between “cash on hand” versus “borrowing.

Stakeholder Suggested Derived and Contextual Premises
Suggested key messages developed by Plenary participants based on the spending data are summarized below.
- The scale and significance of local IWM spending is much greater than State and federal spending on IWM. If we looked at data prior to FY 2001, that trend would likely be even more apparent.
- Local agencies are providing the lion’s share of IWM funding, federal funding is constant, and the State is still defining its role.
- The State of California is spending far more money than USACE over the last few years and is now one of the top three largest cost-sharing agencies with the USACE across the nation.
- Other than the downturn in IWM funding due to the recession in FY 2007, IWM funding is relatively flat over the years.
- General Fund represented a much bigger portion of IWM spending in the past than it does now. If General Fund is the only discretionary funding mechanism, then a lot of IWM funding is already allocated to specific purposes.
- Bonds that fund IWM are getting progressively bigger and bigger over time (Propositions 204 < Propositions 12 and 13 < Propositions 40 and 5 < Propositions1E and 84). Since this is all borrowed money, relying on this bond funding is not a sustainable situation.
- Trying to fix the problem through bonds won’t work over the long-term. Instead, long-term funding strategies are needed.
Beneficiary Pays
- A stakeholder noted that “beneficiary pays” principle sounds good in principle, but Proposition 218 stands in the way of implementing it.
- Another stakeholder also noted that “beneficiary pays” becomes more complex when you account for unintended impacts (e.g., downstream impacts on water usage efficiency).