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Brown Administration Plan Would Force Homeowners to Pay for Unneeded Water Project

As the old adage has it, “You pays your money and you takes your choice.” Except when there is no choice – then you just pay. That’s the situation now facing California property owners, who recently learned that they may be burdened by unlimited new property taxes to finance a public works boondoggle that will provide no palpable benefits to rank-and-file citizens.

The Bay Delta Conservation Plan is an initiative by the Brown administration that has nothing to do with conservation. It calls for construction of two massive subterranean tunnels through the heart of the Sacramento/San Joaquin Delta to deliver water to San Joaquin Valley agribusiness and southern California urban water districts. Final cost with interest and anticipated overruns: \$67 billion or more.

These “Twin Tunnels” would be environmentally destructive as well as astronomically expensive. But they might be justified if they resulted in increased water supplies and stable deliveries for our cities and industry. They will accomplish neither. California’s water supply is dictated by snowpack in the Sierra Nevada and Shasta/Cascade/Trinity Mountains, not new water conveyance systems: If it doesn’t exist, it can’t be delivered. Further, corporate agriculture will exert disproportionate control over the water transported through the tunnels, but will pay much less for their deliveries than urban ratepayers.

But due to the stunning price tag, even agribusiness is beginning to blanch at the prohibitive cost of the Twin Tunnels – as are some urban water districts. It is clear that any bond aimed at financing the project would go down in defeat, causing great loss of face to administration officials. So they’ve decided on another tack: Jack up the taxes on the family home.

How can they do that? Didn’t proposition 13 require a two-thirds public vote to hike property taxes? Yes and no. Proposition 13 does indeed apply to most new property taxes. But California law allows local governments to unilaterally raise property taxes to pay their prorated shares of the State Water Project, provided the tax was authorized before Proposition 13 went into effect. (Proposition 13 was approved by voters in 1978.)

The Brown administration claims this proviso applies to the BDCP because it would be part of the voter-approved State Water Project (SWP), the system that shuttles water from the Delta to the San Joaquin Valley and southern California. The SWP

was approved by statewide vote in 1960. This position is legally tenuous; the Department of Water Resources has said it will ask a court to validate the issue before it will allow the BDCP bonds to proceed, and the [Howard Jarvis Taxpayers' Association](#) has threatened a lawsuit opposing the administration's strategy. In any event, such taxes could be opened-ended, ratcheting up as BDCP costs spiral higher. And higher costs are assured over time. It is axiomatic that no major state infrastructure project comes in at original estimates. The new span of the San Francisco Bay Bridge is a salient case in point. In 1997, state officials pegged estimated costs at \$1.1 billion. By the time the bridge was completed, the tab had exceeded \$6.4 billion.

Under the Brown plan for the Twin Tunnels, property owners would have no recourse. No matter how high ad valorem property taxes climbed, property owners would have to pay.

This strategy is now being actively promoted by BDCP supporters, including some financial institutions. Goldman Sachs, which is considering underwriting tax-free bonds for the project, stated they consider the ability to impose unlimited tax hikes without a vote as "*the security structure...of the construction debt.*" The Metropolitan Water District of Southern California (MWD) has [stated it has the ability to raise property taxes without a vote](#), even though it disavowed any immediate intent to do so. Fitch Ratings gave MWD an AAA bond rating "[...based on its ability to levy unlimited ad valorem taxes on its \\$2 trillion tax base...](#)"

And in July, the Santa Clara Valley Water District [stated their intent to hike property taxes](#) to raise the \$228 million it expects to disburse for BDCP participation through 2024.

This all points to a larger issue: The Brown administration's ad valorem tax strategy is designed to minimize citizen participation in the BDCP process. The administration is determined to build the Twin Tunnels; it has decided that an unlimited ability to raise property taxes without a vote is a requirement for the project; and it has rejected the idea of citizen participation in the process. In other words, California residents are facing water taxation without representation – or even the option of voting.

And while state officials have been less than forthcoming to consumers about their property tax strategy, they have been pushing it hard on Wall Street. In a recent pitch to secure the underwriting contract for BDCP construction bonds, Goldman Sachs confirmed that property tax increases were a primary funding mechanism that "[...would certainly need to be preserved.](#)"

The revelation of the ad valorem tax strategy has galvanized disparate groups in opposition to the Twin Tunnels. Californians of all political positions have demonstrated a willingness to pay for essential public infrastructure and social programs. But they want to know how much they are paying, and what they will get in return.

The BDCP fails on all counts. We don't know anything about the expense, except that it will be astronomically high. We don't know about the environmental and social impacts to the Sacramento/San Joaquin Delta, the largest estuary on the west coast of the continental United States and the home to hundreds of small family farms. We don't know about the benefits, except they will accrue to corporate farms in the San Joaquin Valley to the detriment of urban ratepayers.

But we do know one thing with certainty: The state expects to dump the fiscal responsibility for the Twin Tunnels on the backs of already beleaguered property owners and ratepayers. Such a move would be cynical -- and ultimately unconscionable. We deserve and expect better.

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Links to stories and documents:

SF Chronicle Editorial- "Legislature must not fund delta water tunnels through back door" <http://www.sfgate.com/opinion/editorials/article/Legislature-must-not-fund-delta-water-tunnels-5650518.php>

San Diego UT- "Twin-tunnel allies want an open tax spigot" <http://www.utsandiego.com/news/2014/jul/28/delta-tunnel-supporters-opening-tax-spigot/>

San Jose Mercury News- "Santa Clara Water District Tax Hike would be outrageous" http://www.mercurynews.com/opinion/ci_26293436/mercury-news-editorial-santa-clara-water-district-tax

San Jose Mercury News- "Property taxes could pay for \$25 billion Delta tunnels without public vote" http://www.mercurynews.com/science/ci_26198239/property-taxes-could-pay-25-billion-delta-tunnels?source=rss

Jon Coupal of Howard Jarvis Taxpayers' Association in Fox and Hounds- "Twin Tunnels Project Threatens Property Owners" <http://www.foxandhoundsdaily.com/2014/07/twin-tunnels-project-threatens->

[property-owners/](#) Also in Metropolitan News Enterprise at
<http://www.metnews.com/articles/2014/inmyopinion072914.htm>

CBS San Francisco- “Property Tax Hikes Without Voter Approval May Fund California Delta Water Tunnel Project”
<http://sanfrancisco.cbslocal.com/2014/07/24/property-tax-hikes- without-voter-approval-may-be-used-to-fund-california-delta-water- tunnel-project/>

Elk Grove News- “Department of Water Resources Faces \$60 Million Shortfall”
<http://www.elkgrovenews.net/2014/07/department-of-water- resources-faces-60.html>

C-WIN Media Release: “CA Department of Water Resources Running Out of Funds, Taxpayers & Ratepayers on the Hook” <http://www.c-win.org/content/c-win-media-release-ca-department-water-resources-running-out-funds-taxpayers-ratepayers-hoo>

Fitch Bond Rating of Metropolitan Water District of Southern California:
http://www.c-win.org/webfm_send/446

Goldman Sachs Proposal to Underwrite BDCP \$600 million pre-construction bond:
http://www.c-win.org/webfm_send/445

Santa Clara Valley Water District Board Memo on State Water Tax Discussion:
http://www.c-win.org/webfm_send/444
