Search PE.com Search WEB SEARCH by YAHOO!

PE.com THE PRESS-ENTERPRISE

# Debt delusions

0 STORY
Download story podcast

**10:00 PM PDT on Monday, August 31, 2009**

A flood of red ink is the wrong solution to California's water woes, particularly in the middle of a financial crisis. The state should not pursue borrowing more money for water needs when it faces huge budget shortfalls and has yet to settle basic water policy questions.

Make no mistake: The state's water system badly needs official attention. The environmental decline of the Sacramento-San Joaquin Delta has endangered a water supply that reaches two-thirds of the state's population and irrigates millions of acres of agriculture. And long-term climate forecasts say California will need to collect more winter rains instead of relying on mountain snowpacks to store the water until the hot summer months.

But rushing to borrow more money now is the wrong approach to those issues. Assemblywoman Anna Caballero, D-Salinas, last week announced plans for an $11.7 billion water bond for the 2010 ballot. The details are still vague, but the bond would apparently provide money for a variety of projects, including water storage, cleanup, recycling and conservation.

The timing is simply wrong, however. The Legislature wrestled with a $40 billion budget shortfall in February, and a $25 billion gap in July. Even then, legislators left the state with a deficit for the next fiscal year of at least $7 billion to $8 billion, and probably exceeding $10 billion. And the state's legislative analyst projects that large shortfalls will persist for years.

Adding another $11.7 billion in debt would add hundreds of millions of dollars in yearly interest payments, which the state would repay out of its deficit-ridden general fund. The state paid about $4.4 billion from the general fund in 2007-08 for debt service on infrastructure bonds. But the legislative analyst says that once the state markets all the bonds that remain unsold, annual debt payments would hit $9.2 billion in 2017-18 -- a figure representing about 10 percent of current-year general fund spending.

Additional borrowing is also premature when the state has not even spent all the money from previous water bonds. Including what the state proposes to spend this year, California has nearly $4 billion in existing water-related bond money available. So why the haste to borrow more?

Nor is there any reason to hurry when the Legislature has not even resolved the stickiest issues of state water policy. The state needs to find ways to protect the delta ecology without stopping water exports to the rest of the state. But there is precious little consensus on what the state should do. Any water discussions have been hamstrung for years by a legislative standoff over proposals for new dams.

Ensuring a reliable, sufficient water supply for the state's future will take public investment, certainly. But success in public investment requires a sound strategy, not a rush to fund some unspecified projects with borrowing the state cannot afford.