

PRESS RELEASE:

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California Waterloo – Tide of Debt May Shift from General Fund to Water Users

On October 1, State Treasurer Bill Lockyer released the 2009 Debt Affordability Report. The report finds that, "further increasing the General Fund's debt burden, especially in the next three difficult budgets, would require cutting even deeper into crucial services already reeling from billions of dollars in reductions." The Treasurer therefore found that water infrastructure should be paid for by users, not the General Fund.

Have "we the people" been laboring under a misapprehension or can it be that someone in political office has finally come to his senses. For almost a decade Porgans & Associates (P&A) have voiced concerns about the rising General Fund debt being incurred by Californians to bailout State Water Project (SWP) and other water users. P&A diligently reminded Californians and the "leadership" of the fact that the SWP was sold on the premise that it would pay-for-itself; the beneficiaries, water and power users would pay. Furthermore, the SWP was also promoted on the premise it would unify the State. The record shows it has done neither. Conversely, the SWP is at the core of the Delta Collapse and the State's never-ending water wars.

Treasurer Bill Lockyer's recent epiphany that water infrastructure should be paid by users is a far-flung cry from his support and position on General Fund/General Obligation Bond funding for water users when he was Senate Pro Tem, back in the 1990s. It was at that time, Proposition 204, the first of a series of General Obligation Bonds, ultimately totaling more than \$18 billion were launched. Repayment of GO Bonds comes out of the General Fund.

In fact, it was in the anti-chamber of the then Senate Pro Tem Lockyer's office, back in the 1996, P&A openly tape-recorded former State Senator Costa (D), representing agricultural water use in the San Joaquin Valley, and the who's who in California's water contingent, caucusing an "impromptu" so-called "conference committee" discussion, pertaining to the General Obligation Bond poster-child bailout-funding scheme -- Proposition 204. During that discussion, Senator Costa was the only one seated in the room, in which there was standing room only. Patrick Porgans was the only uninvited participant who witnessed the anti-chamber "legislative" process first hand.

Proposition 204, started out at about \$250 million; however, before the discussion in the Senate Pro Tem's anti-chamber was over, and the ink was dry on the proposed proposition, and all of the water users gave their input as to how many millions it would take for them to come on board the financially sinking SWP flotilla, the final number for Proposition 204 totaled \$995 million, plus \$776 million in interest. Total cost to the taxpayer is about \$1.8 billion, which was more than what the entire SWP was sold to the voters back in 1960; which was \$1.75 billion.

Essentially, the GO bond-funding scheme was designed to keep the unsustainable agricultural sectors in the San Joaquin Valley from going bankrupt. Although, Treasurer Lockyer was a player in that get-the-public-to pay script, he is to be commended as the first major elected officials to take up the Legislative Analyst Office and the Little Hoover Commission's recommendations that water users/beneficiaries should pay.

One wonders if his ephinany is a dollar short and a day late, after all, Proposition 204 was only the first of series of water and water-related General Obligation bond acts, commencing in 1996 through 2006; totaling \$18.5 billion, with interest it is more than \$30 billion. In reality, the "waterloo" that bought this ingenious-funding scheme to its end was the astronomical amount of debt that State incurred. The State is so far in debt that the only way it can get out from under its self-induced financial crisis is to cut jobs, essential services and contemplate selling off public assets.

As P&A has stated, in its 79-page Sixty Day Notice to sue the government, about \$6.5 billion in GO bonds were expended through CalFed, which, essentially turned out as a qualified failure to "fix" the Bay-Delta Estuary. Albeit, when you add in the interest for the CalFed debacle, the costs almost double. It has always been P&A's objective to follow and expose the source and flow of money. In the process we have been very effective in shedding light on the underlying issues fueling California's water crisis. Profiteering water users have been getting rich at the expense of unsuspecting taxpayers, who incur insurmountable debt to keep unsustainable agricultural "operations" in the "green" and out-of-the red. Perhaps, as the Treasurer suggest, it is time for change.©