



Types of State and Local Water Management Revenue Sources

Revenue Source	Appropriate Uses	Feasibility	Key Tradeoffs	Application in California
General Fund	Activities that benefit the general public	Available each year, but subject to competing uses	Funds are limited	A common source of funding
General Obligation Bonds	Projects that benefit the general public	Commonly used	Subject to a vote	Commonly used, but some concern about getting future bonds approved
Revenue Bonds	Projects where a dependable revenue stream is available	A standard method of financing	None	A typical method of financing for local and state projects
User Fees	Projects where direct beneficiaries are easily identified.	Potentially works well with clearly defined beneficiaries, less likely to work for projects with significant public benefits.	Will focus projects to those with local scope which may undermine IWM efforts. May limit state's ability to increase fees and taxes to support other projects.	State Water Project is an excellent example as over 90% of project cost will be repaid by direct beneficiaries (contractors)
Assessment Districts	Can be formed by majority vote but must support local projects that do not provide a "general" public benefit. Water and storm water projects are generally allowed under assessment districts.	The state could coordinate with local agencies to establish assessment districts.	Assessment districts cannot be used to support general public benefits and, as such, will tend to focus on local projects.	1911 and 1913/1915 assessment districts are widely used by local agencies in California.



Funding Mechanisms for IRWM Projects

Revenue Source	Appropriate Uses	Feasibility	Key Tradeoffs	Application in California
Utility User Tax	Earmarked for a special purpose or used as a general tax	Used by many cities and a few counties	Has to be approved by a ballot measure.	Widely used by cities
Impact Fees	Used by local governments to charge new development for the additional cost imposed on existing public infrastructure.	Impact fees are generally used in over 90% of local governments in California, thus there is limited opportunities for further expansion.	Deters new development.	Widely used in California
Infrastructure State Revolving Funds – Low Interest Loans	Financing for construction of publicly owned wastewater collection and treatment systems	Used by many wastewater entities such as cities, counties or special districts	Can be more costly than grants	Widely used in California
Public Goods Charge	Could fund a variety of IWM activities	Was approved for electricity but sunset in 2011. Never has been tried with water.	Could impact local agencies ability to generate local revenues	Not yet tried in California, would need a two-thirds vote
Mello-Roos Special Taxes	Areas with new development. It is possible to establish Community Facility Districts (CFDs) in other areas, but this requires a majority vote by residents to tax themselves.	CFDs are most feasible during strong housing markets when there is significant new development.	When housing markets and development slows, forming additional CFDs is difficult and there may be concerns with revenues to pay back existing bonds.	Recently used to finance the Bear River Levee Setback project in Yuba County
Private Investors	Local water projects that generate revenue	Typically have been used as part of design-build process	Interest rates are higher than public debt, can't be used on state projects	Limited to local projects
Private-Philanthropic	Traditionally has been used for ecosystem and recreation projects	Commonly used	Not a predictable revenue source	Widely used in California