

SPILLWAY



California Water, Land, and People

Fall 2004

California Performance Review:

Don't Privatize the State Water Project

By Tim Strohane

A massive media blitz in early August accompanied release of Governor Arnold Schwarzenegger's California Performance Review (CPR) report, which proposes to centralize California's regionally-oriented government—especially when it comes to natural resource management, development regulation, and conservation—and to privatize public facilities, transferring their operation (if not divesting the state of their ownership) to private corporations to profit off the public weal.

Governor Schwarzenegger writes poetically in the report's preface. "Never in history have such big dreams come together in one place, never in history has such an array of talent and technology converged at one time, never in history has such a free and diverse community of people lived and worked under one political system. This is a wonderful place, California, this empire of aspirations."¹

It is poetry to fatten lambs by. The state needs resuscitation, as polls repeatedly show.² "The governor is prepared to make government efficient for the taxpayer and will be undeterred by forces who would be opposed to that," the governor's spokesman Rob Stutzman said on the eve of the report's release.

The 2,500-page CPR report recommends, among much else, eliminating a variety of regional regulatory board structures with power over timber, air, and water quality, and privatizing operation of the State Water Project (SWP), the state-owned system moving water from the Feather River region across the Delta to the California Aqueduct for delivery to San Joaquin Valley farmers and urban residents of southern California. The State Water Contractors Authority (SWCA), a joint powers authority, was formed to contract with the state for that purpose.³

Tim Strohane is the editor of SPILLWAY.

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"None of this will be accomplished through stopgap measures and half-hearted attempts at coordination," the report reads, striking a note of bravado.⁴

"If they eliminate the [state water quality control] boards," asks Bob Caustin of Defend the Bay, a non-profit environmental organization striving to protect coastal bay waters in Orange County, "where are we going to go—the state Supreme Court each and every time there's an issue?"⁵

"The regional water boards offer the public an invaluable opportunity to participate in democracy and to have a voice in water issues throughout the state," commented Alisha Deen of the Environmental Justice Coalition for Water representing 50 water advocate groups statewide, at the CPR public hearing in Davis in late September.

Litigation can be avoided through more open and democratic access to state boards, Deen added, "The cost savings to the state in reduced litigation, due to proactive measures taken at the local level, should be incorporated into the financial analysis of the CPR. A distant mega-agency with no face to face communication... is not acceptable" to low-income and minority communities, "especially on such a critical issue as water is to human life."⁶

Combined with CPR recommendations to eliminate the State Water Resources Control Board and reposition the power to regulate water rights and quality with the Governor, the CPR report's authors come into focus as less interested in promoting efficiency and accountability than in improving the business climate for corruption of public assets.

A veneer of sympathy in the CPR report for California's public services and facilities is employed to prepare the way for turning over many of these services to the private sector, combined with largely simple assertions that what Californians read in the CPR report *must* be true.

"Once the envy of the nation, today our state government fails the people of California, and it fails the men and women who have given their careers to its service," the report reads.⁷

The Public and the SWP

T'ain't necessarily so.

Since the 1970s, the SWP delivered an average of nearly 2.5 million acre-feet of water to its customers, annually contributing value and wealth to the state's farm and industrial economies. California voters narrowly approved general obligation bonds for the SWP's construction in November 1960 after a controversial and divisive campaign, pitting water rights of northern Californians against water demands of southern Californians.⁸ After it began full service in the early 1970s, the SWP played a central, if controversial,

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Arresting Developments
• **New Deal Legacy**

New Deal Legacy Project

With the sponsorship of the California Historical Society and the Columbia Foundation, writer Gray Brechin, photographer Robert Dawson, and filmmaker Christopher Beaver are launching an ambitious two-year project to document the forgotten legacy and lasting impact of Franklin Roosevelt's New Deal on the State of California. The project will serve as a model for what other states could do to preserve the history of New Deal government activism, including establishing a national inventory.

In less than a decade, a multitude of federally sponsored "alphabet soup" agencies transformed the Golden State. The Civilian Works Administration, Works Progress Administration, Public Works Administration, and others constructed hospitals, schools, auditoriums, firehouses and police stations, post offices, amphitheatres, university buildings, rose gardens, and recreational centers.

While the Civilian Conservation Corps planted and managed forests, built theaters and trails, and improved national, state, county, and municipal parks, the Farm Security Administration created migrant farm labor camps. New Deal programs and projects gained international recognition as they amassed a magnificent photographic record of a nation in crisis.

Public investment built a vast infrastructure of roads, bridges, airports, sewers, military bases, dams, power lines, and canals which greatly aided the nation in the Second World War and laid the foundations for the post-war economic boom.

Inspired by William James' essay "The Moral Equivalent of War," New Deal programs put millions of destitute men



Aquatic Park, San Francisco, a New Deal legacy.

and women to work providing useful services and vastly expanding the concept of the public realm. Moreover, an exceptionally high level of craftsmanship identifies much work of the period; New Deal structures are often richly embellished with publicly financed paintings and sculpture.

The legacy is like a vast buried city which the project team intends to reveal like an archaeological dig. Roosevelt's opponents sought to erase New Deal programs and reforms as well as their place in our collective memory. Records of those accomplishments have been left scattered and spotty. In addition to combing through archival data, the team and research assistant Harvey Smith will rely upon newspaper and magazine accounts, memories of New Deal participants, local historians, and preservation organizations. They plan to involve knowledgeable citizens and students to become engaged in and contribute to the inventory.

The project will produce a book and photographic exhibition by Brechin and Dawson and a PBS-quality documentary by Christopher Beaver (who recently produced and narrated "Tales of the San Joaquin"). Project team members will compile a website and database through which citizens can identify how New Deal workers aided specific communities. The web site will also serve as a statewide guide to New Deal projects of interest. As federal agencies once revolutionized California, the New Deal Legacy Project intends to revolutionize the way Californians see their own state, as well as to honor the labor of forgotten legions upon whose shoulders we unwittingly stand today.

Meanwhile, those who know of New Deal projects, participants, or records should contact: Dr. Gray Brechin, Research Fellow, U.C. Berkeley Department of Geography, 501 McCone Hall, Berkeley, California 94720, email: gbrechin@berkeley.edu.

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What is Neo-Liberalism?

By Elizabeth Martinez and Arnoldo Garcia

Editor's Note: Californians need a language to help us make sense of our predicaments. This essay was first posted to the Internet in the 1990s, and I hope it will help.

Originally drafted in response to the political crisis in Mexico provoked by the rebellion of Zapatistas in the province of Chiapas, it is presented here in an abridged form to provide SPILLWAY readers an opportunity to reflect on California examples of privatization, deregulation, provoked fiscal crisis, and other such similarities as may come to mind.

“Neo-Liberalism” is a set of economic policies that have become widespread during the last 25 years or so. Although the word is rarely heard in the United States, you can clearly see the effects of neo-liberalism here as the rich grow richer and the poor grow poorer.

“Liberalism” can refer to political, economic, or even religious ideas. In the U.S. political liberalism has been a strategy to prevent social conflict. It is presented to poor and working people as progressive compared to conservative or “right wing” policies. Economic liberalism is different. Conservative politicians who say they hate “liberals” mean “political liberalism.” However, they have no real problem with economic liberalism, including neoliberalism.

“Neo” means we are talking about a new kind of liberalism. So what was the old kind? The liberal school of economics became famous in Europe when Adam Smith, an

English economist, published a book in 1776 called *The Wealth of Nations*. He and others advocated the abolition of government intervention in economic matters. No restrictions on manufacturing, no barriers to commerce, no tariffs, he said; free trade was the best way for a nation's economy to develop. Such ideas were “liberal” in the sense of “no controls.” This application of individualism encouraged “free” enterprise, “free” competition—which came to mean “free for the capitalists to make huge profits as they wished.”

Economic liberalism prevailed in the United States through the 1800s and the early 1900s. Then the Great Depression of the 1930s led an economist named John Maynard Keynes to a theory that challenged liberalism as the best policy for capitalists. He said, in essence, that full employment is necessary for capitalism to grow and it can be achieved only if governments and central banks intervene to increase employment. These ideas had much influence on President Roosevelt's New Deal, which did improve life for many people of our parents' generation. The belief that government should advance the common good became widely accepted.

But the capitalist crisis over the last 25 years [since the 1970s], with its shrinking profit rates, inspired the corporate elite to revive economic liberalism. That's what makes it “neo” or “new.” Now with the rapid globalization of the capitalist economy, we see neo-liberalism on a global scale.

The main points of neo-liberalism include:

1) The Rule of the Market. Liberating “free” enterprise or private enterprise from any bonds imposed by the government (the state) no matter how much social damage this causes. Greater openness to international trade and investment, as in the North American Free Trade Agreement (NAFTA). Reduce wages by de-unionizing workers and eliminating workers' rights that had been won over many years of struggle. No more price controls. All in all, total freedom of movement for capital, goods, and services. To convince us this is good for us, they say “an unregulated market is the best way to increase economic growth,” which will ultimately benefit everyone. It's like Reagan's “supply-side” and “trickle-down” economics—but somehow the wealth didn't trickle down very much.

2) Cutting Public Expenditure for Social Services, and Reducing the Safety-Net for the Poor. Reduction of spending for education and health care, and, in some places, maintenance of roads, bridges, and water supply are all recommended in the name of reducing government's role in the economy. Of course, they don't oppose government subsidies and tax benefits for business.

3) Deregulation. Reduce government regulation of everything that could diminish profits, including protecting the environment, or of safety on the job.

4) Privatization. Sell state-owned enterprises, goods and services to private investors. This includes banks, key industries, railroads, toll highways, electricity, schools, hospitals, and even fresh water. Although usually done in the

VLF: Wilson, not Davis

Dear Editor,

I very much appreciate the effort you put into Spillway's “California populism: scenes from the ongoing tax revolt” issue [Summer 2004]. I don't know whether you're “overthinking,” as you worry in your article, but you're clearly thinking.

You did get one little thing wrong, however, and I thought I should bring it to your attention. On page 6 (near the top of the second column) you attribute the reduction in the vehicle license fee (VLF) to Gray Davis — and you take a swipe at him as you do. The reduction in the VLF was created when Gray was nowhere around. The reduction was enacted in in 1998 and pushed by Governor Pete Wilson. It had everything to do with the Republican campaign to get their guy, Dan Lungren, elected Governor that year.

The 2003 VLF *restoration*, by the way, was dictated, in an inarticulate way (I staffed the State Senate for 17 years and would never have written such sloppy language) by the terms of the 1998 legislation. Gray, as I'm sure you appreciate, really didn't have a choice in the restoration of the VLF.

You'll find more than you'll ever want on the VLF at http://www.lao.ca.gov/analysis_2002/2002_pandi/pi_part_5d_vlf_anl02.html

Thanks, again,
Bill Kier

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Principles for a Sustainable Water Future in California

By Dorothy Green and the California Water Impact Network Board of Directors¹

California's water, both ground and surface, is a public resource subject to private rights to its use. State government still must protect the public trust in California's water for the access and enjoyment of all the people. Unfortunately, the public nature of water is frequently ignored in public decision-making. Major river systems such as the San Joaquin River have been degraded for private benefit tragically ruining public trust resources such as fish.

Major water projects have been built with public money to deliver water from where it is deemed to be surplus to areas of exuberant growth. However, some critical water systems cannot deliver water as promised because of increasing concern over water quality, habitat and endangered species protection. Yet the state continues to grow, putting more pressure on our limited water supplies to serve this population. The solution promoted by the water industry is to pump more groundwater or build more reservoirs and canals, strategies which only exacerbate environmental and water quality problems while ignoring reasonable solutions based on greater efficiency of use and lower per unit water cost.

We can meet the needs of the state, including population growth, habitat and wildlife restoration, by using water much more efficiently than we do at present. To accomplish this goal, the California Water Impact Network proposes a set of Principles for a Sustainable Water Future in California. These principles outline what is needed to achieve a comprehensive, holistic, integrated, and sustainable water policy for the State.

The California Water Impact Network (C-WIN) is devoted solely to meeting all of California's water needs while restoring the damage water transfers have done to our natural environment. These Principles were developed to build the statewide consensus necessary to protect the public's water. We welcome endorsements, and any comments or help you can offer.

1. **The Public Trust Doctrine.** The public trust doctrine is

insufficiently recognized in decisions on how best to allocate water to serve all of the public's needs for access and enjoyment. Very high priority must be given to the public trust doctrine in future water allocation decisions.

2. **Right to Water.** Every person in California must be assured the minimum amount of high quality water necessary for life at an affordable price. Additional water consumed should cost more.

3. **Open Public Process.** The public, as owners of California's water resources, must have the determining role in the development and adoption of any statewide water policy. The process must be open, transparent and accountable, and include the active involvement of all sectors of California's diverse population.

4. **Water Management.** Comprehensive management of state and regional water supplies is best achieved through agency cooperation and coordination. To that end, we support restructuring water administration by eliminating or combining, to the extent feasible, agencies whose jurisdictions lie within the same watershed.

5. **Area of Origin.** The areas that are water rich, the areas of origin in northern California, must be protected so that these areas can grow and maintain their instream flows as required by state law.

6. **Ecosystem Restoration.** Our rivers, streams and estuaries have become so degraded by water projects and other pollution sources that restoration of instream flows and the ecosystems dependent on these flows must occur. Whenever the place or the purpose of use of diverted water changes, the public trust requires that some portion of the water in question be devoted to the restoration of degraded eco-systems. At least one third of all the water saved by conservation and reuse must be dedicated to fish and stream restorations, and to restoring overdrafted groundwater basins.

7. **Local Supplies.** Local water supplies, which usually are the most dependable, least costly, and most drought

A public water fountain in San Ramon, California.



Photo by Tim Strohshane

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Rice paddy south of Durham in Butte County, 1999.

resistant resources available to a local community, must be carefully managed and protected for sustainable use by the community.

8. **Conservation.** Conservation is constitutionally mandated and often is the least environmentally damaging way of achieving efficiency in water use. The constitutional prohibition against waste must be fully implemented.

9. **Reuse.** Reuse of highly treated wastewater must be encouraged for a wide variety of uses including potable reuse. Wastewater is now cleaned to near potable standards, and then most of it is thrown away.

10. **Watershed Management.** Watershed management plans shall be developed to maximize coordination of all government agencies and the public to achieve multiple benefits, including but not limited to capturing stormwater where it falls, recharging the groundwater, improving water quality, and restoring wildlife habitat. The beneficiaries of exported water shall be required to invest in watershed restoration.

11. **Groundwater Management.** The groundwater and surface water within a basin or watershed are typically physically connected, and must be managed using whole system management approaches. In order to protect instream flows and terrestrial habitat, controls on overdraft should be instituted immediately. Ultimately, means should be found to reduce or eliminate groundwater overdraft.

12. **Water Quality.** All water quality standards must be clear, publicized, and enforced. Enforcing water quality standards includes maintaining sufficient flows through rivers, streams and estuaries to ensure ecosystem health.

13. **Sustainable Agriculture.** Sustainable agricultural land must be preserved. As ag land goes out of production because of globalization, global warming and other factors,

water should be returned to the environment.

14. **Innovation.** All water users should be encouraged to be more creative and to find ways to benefit themselves and the environment. Federal or other subsidies should be redirected to save minimally 10% of farm land for riparian habitat.

15. **Good Science.** Computer models used to project water supplies, both surface and groundwater must be publicly available, be predictable, accurate, transparent and accessible on the Internet. They must be subjected to peer review and truly reflect the resources of the state.

16. **Land Use.** Land use and water are inextricably linked. Land use planning and development must be based on secure and reliable water supplies. Development should be encouraged in urban forms that are compact, contiguous with existing development, and in places where supporting infrastructure (including water supply) already exists. Development should be discouraged on floodplains, wetlands, prime agricultural land, and environmentally sensitive habitats.

You may contact Dorothy Green at (310) 270-4151, or via email at dorgreen@adelphia.net.

¹C-WIN's board includes: Carolee Krieger, President; Dorothy Green, Secretary; Joan Wells, Treasurer; and Huey Johnson, Hap Dunning, Yvon Chouinard, Michael Jackson, Melinda Chouinard, and Imaging Spence.

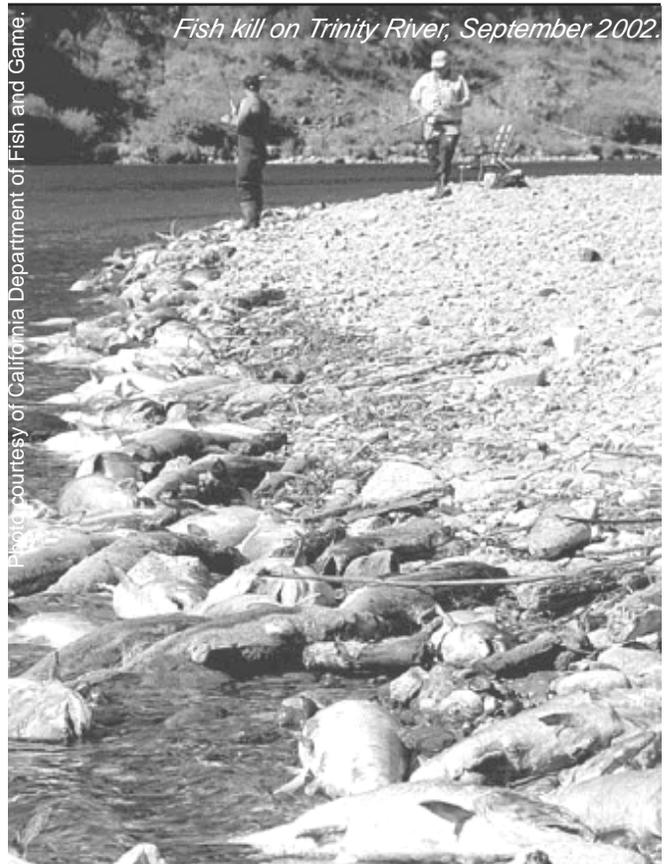


Photo courtesy of California Department of Fish and Game.

Fish kill on Trinity River, September 2002.

Poll Avoids Urban Dread **Inflating Air Concerns**

By **Tim Strohane**

The San Joaquin Valley has seen a sharp increase in smog alerts in recent years. In 2003, the San Joaquin Valley Air Pollution Control District declared 41 Spare the Air days, and has called another 27 more through the end of September 2004.¹

Childhood asthma is at epidemic levels in that region, while dairy expansions are under fire for creating massive emissions of smog (methane) precursors.

Agricultural dust has long been a problem as well. The entire Central Valley basin, rimmed by the Cascade, Sierra Nevada, Tehachapi, and Coast Ranges traps large amounts of Los Angeles and Bay Area air pollutants blowing east with the state's prevailing onshore breezes.

Californians notice.

A July 2004 poll by the San Francisco-based Public Policy Institute of California (PPIC) found that air pollution—particularly in the Central Valley and the Los Angeles Basin—topped the list of concerns Californians express about the quality of the state's environment.²

Other poll results indicate Californians' vehement frustration about the lack of affordable housing and good jobs, and getting the hell out of traffic, where much of the state's air pollution comes from, strongly implying that PPIC and the media slanted coverage of its poll results to inflate Californians' pro-environment sentiments at the expense of their feelings about key urban issues involving jobs, affordable housing, and traffic congestion.

The poll's questions focus mostly on air pollution, automotive technology preferences, greenhouse gas emissions, and renewable energy issues, leaving aside the interaction of jobs, housing and traffic as prior social and land use causes of the air pollution poll respondents decried.

The answers you get, after all, depend upon the questions you ask.

Coming Up For Air

PPIC's survey sampled Californians from large cities, small cities and towns, and suburbs. Renters amounted to 42 percent of the sample, and 48 percent had lived at their current address fewer than 5 years. They were about evenly split on whether California is on the right or wrong track, and a small majority feel that the next 12 months would be "good times," perhaps evincing a Schwarzeneggerian optimism.

PPIC's questionnaire then asked "what do you think is the most important environmental issue facing California today?" to which 33 percent identified air pollution from an open ended list, far exceeding "pollution in general" and water pollution in particular.³

Californians revealed their urban exasperations through later questions:

- 86 percent identified traffic congestion on freeways and major roads as either a big problem (64 percent) or somewhat of a problem (22 percent).
- 78 percent stated that lack of well-paying job opportunities in their region is either a big problem (41 percent) or somewhat of a problem (37 percent).
- 77 percent indicated that air pollution in their region was either a big problem (35 percent) or somewhat of a problem (42 percent).
- 85 percent felt the availability of housing they could afford in their region was a big problem (63 percent) or somewhat of a problem (22 percent).⁴

In probing further about air pollution, however, PPIC found Californians didn't seem to feel its seriousness was quite *that* urgent. As a health threat, just 20 percent felt it was "very serious" while 79 percent felt it was either "somewhat serious" (39 percent) or "not too serious" (40 percent). PPIC notes differences in responses across racial/ethnic groups with Latinos (28 percent) and Blacks (30 percent) more likely to see it as a very serious threat than are Asians (13 percent) and Whites (17 percent). Latinos in California are more likely to hold jobs that expose them to agricultural particulate dust and airborne pesticide drift, while lower income Blacks in urban and suburban areas are more likely to reside near industrial facilities, power plants, and landfills than members of other race and ethnic groups.

Still, "the perception that air pollution is a serious health threat is also greater among women, younger residents, those with lower household incomes, and families with children at home," notes Baldassare. Few of these demographic characteristics apply to most politicians, regulators, and corporate executives (who are mostly white, male, and middle-aged, and don't live near major sources of pollution).

Frustration Rising

The PPIC survey instrument switches from these unpleasanties to automotive purchasing preferences, perceptions of rising gasoline prices, global warming and reducing greenhouse gas emissions.⁵

But survey results demonstrate that Californians know acutely that their physical and economic world consists mainly of traffic congestion, unaffordable housing, and good-paying jobs, costing way too much money for far too little good living.

Earlier PPIC poll results show rising frustration particularly over jobs and housing. Well-paying jobs was a "big problem" to just 29 percent of PPIC's sample in May 2001 (before the World Trade Center atrocities); now it's 41 percent. Affordable housing was a big problem to 47 percent of their sample three years back; now it's nearly two-thirds (63 percent). Traffic congestion was a big problem to 60 percent of respondents in 2001; three years later, that gauge of frustration rose to 64 percent.

Over the same period, air pollution as a "big problem" rose slightly from just 30 percent to 35 percent.⁶

Clearly, presentation of facts depends on who gets to present them.

Tim Strohane is the editor of SPILLWAY.

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The rest of the survey is silent about the interaction of jobs, housing, and traffic. PPIC and survey funders appear far less interested in addressing Californians' ideas about what ought to be done about these problems directly than in the prospective demand for hybrid vehicles, which could readily be driven in ever longer commutes without generating near as much air pollution.⁷ The main imbalances of where Californians work and live go unstudied by PPIC in this survey.

The silence of the PPIC survey mirrors state and local governments' paralysis with addressing these three policy areas, except to continue growth of freeways, conversion of agricultural land on urban and suburban margins, and allow—in the guise of fostering a “good business climate”—good-paying jobs to get exported overseas or south of the border to areas of lower-cost labor.

In response to this paralysis, Californians lower their expectations that the state will meaningfully address its air quality problems.⁸

Asked how much optimism do they have that California will have better air quality 20 years from now, less than a quarter of Californians are optimistic that the state's air quality will improve over the next 20 years. 47 percent report having “only some” optimism, while another 24 percent or less (depending on the region) have no optimism. Only 3 percent had no opinion. This assessment was consistently reported across regions and race/ethnic groups of the state.

ENDNOTES

¹ Janelle Schneider, Air Quality Education Representative, San Joaquin Valley Air Pollution Control District, Fresno,

personal communication, 21 September 2004.

² Mark Baldassare, Research Director and Survey Director, Public Policy Institute of California, *PPIC Statewide Survey: Special Survey on Californians and the Environment* in collaboration with the William and Flora Hewlett Foundation, the James Irvine Foundation, and the David and Lucile Packard Foundation, July 2004, 27 pages. This and other PPIC polls may be viewed and downloaded at <http://www.ppic.org/>.

³ Baldassare, *ibid.*, p. 21. The survey's margin of error is plus or minus 2 percent at the 95 percent confidence level for the total sample. In other words, “This means,” writes Baldassare, “that 95 times out of 100, the results will be within 2 percentage points of what they would be if all adults in California were interviewed.”

⁴ *Ibid.*, p. 22.

⁵ *Ibid.* Californians overwhelmingly believe greenhouse gases cause global warming, which in turn drives climate change,

⁶ *Ibid.*, p. 3.

⁷ Major funders of Baldassare's July poll for PPIC include the William and Flora Hewlett Foundation, the James Irvine Foundation, and the David and Lucille Packard Foundation. They have reputations as liberal foundations, and together they are major funders of environmental activism and public affairs research, including long-term polling of Californians' attitudes conducted by PPIC.

⁸ See Mark Baldassare, *A California State of Mind: The Conflicted Voter in a Changing World*, Berkeley, CA: University of California Press, 2002; and Tim Strohane, “Scenes from the ongoing tax revolt,” **SPILLWAY** v3n3, Summer 2004.



Schwarzenegger's Environmental Record

By Tim Strohane

Governor Arnold Schwarzenegger pledged during last year's recall campaign to improve California's business climate. Politicians concerned with “business climate” often mean they want to relax laws distributing social risk through insurance obligations, enact limitations on “frivolous lawsuits,” and reduce protections for public health.

Concerns remain for workers and businesses in the wake of recently-enacted workers compensation reforms, which shifted a greater share of risks from on-the-job injuries onto workers and away from businesses.

By May of this year one press account reported that Schwarzenegger rated high marks among environmentalists for his actions to date.

“Arnold is green,” claims John White, a veteran Sierra Club lobbyist. “He's a throwback to the old days when Republicans were good on these issues.”¹

“He's gone to areas that have bad air quality, and he's seen kids come off soccer fields wheezing,” says Terry Tamminen, the Governor's director of the California Environmental Protection Agency and himself a former Santa Monica-area environmental activist. “He has a Rolodex that none of us can match. On the oceans, he has

spent a lot of time talking to Julie Packard and Leon Panetta,” he adds.² “He's got a very curious mind about other people's experiences.”

“An awful lot of action is still in front of him,” says Fred Keeley, a recently termed-out state legislator from Santa Cruz, and now director of the Planning and Conservation League, an environmental lobbying organization based in Sacramento. “So far, we've been pleasantly surprised.”³

For example, reports Paul Rogers of the *San Jose Mercury News*, his revised May budget supported a “beneficiary pays” principle in which farmers wanting new dams or more water from the Delta must pay most or all of the costs of doing so.⁴ The Governor specifically supports a Delta water fee that has angered water contractors from the San Joaquin Valley who prefer their water subsidized. Environmentalists have long advocated such a fee, their support even predating the hiccupping California Bay-Delta Authority and its predecessor, the CalFED Bay-Delta Program.

According to Rogers, Schwarzenegger earned praise from environmentalists for appointments of nature-supporting

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individuals to the California Coastal Commission, recommending early 20th century preservationist John Muir for the state's U.S. quarter coin icon, and for leaving many, though not all, of Gray Davis's agency and board appointees in place.

No Tree Left Behind

Californians told the Public Policy Institute of California in a July 2004 poll (see related story, this issue) that while they support Governor Schwarzenegger overall, they feel he's not doing so well on environmental issues.⁵ More recent actions by the Governor and his administration demonstrate that the political colors he flies will be more brown than green.

Grassroots environmentalists see his pro-business agenda for nature emerging, and it's more brown than green. And these actions help account for the Governor's relatively weak approval rating among those surveyed by PPIC.

In early June, alerts went out to timber and water quality activists to write the Governor and their legislators to object to a bill that the Governor added to his proposed budget to create a new "certified forest timber harvest plan" (CFTHP). Such plans would allow logging companies who are "certified" by a third party (like a registered forester) to receive permission from the state to log their holdings for infinite duration and unlimited sizes of harvest. In the Governor's proposal, these plans would not be reviewed in advance under the California Environmental Quality Act (CEQA). In effect, logging companies could have their way with their timber properties.

Activists dubbed the proposal the "No Tree Left Behind Initiative." The proposal, argued coalition members signing the alert, amounts to a "massive rollback of environmental protections for 3 years of fees" to the state that would not meaningfully increase staffing at the California Department of Forestry and Fire Protection to handle processing of the timber harvest plans.⁶

The CFTHP proposal appeared to have been offered by the Governor to the powerful timber lobby to accept a temporary reduction of California's general fund subsidy to the industry by about \$10 million.

The coalition also charged that the Governor circumvented normal legislative policy review by attempting to use the budget process to rewrite timber harvest regulations. "The public has a right to have more information and input about policy changes of this magnitude," said the coalition alert.

Alan Levine of Coast Action Group in Point Arena (Mendocino County) reports that the "No Tree Left Behind" proposal was beaten back this spring. "Timber harvest plans have not, at this time, been reduced to three page documents," Levine tells *SPILLWAY*. "However, proposals



Photo courtesy of Governor's web site.

Governor Schwarzenegger campaigns at a Chevy's restaurant for his budget in Solano County last spring.

are still out there that are equivalent to No Tree Left Behind."⁷

Levine cites the California Performance Review (CPR) report, which recommends eliminating the Forest Practice Review section of the California Department of Forestry (CDF) and moving its function to a new Department of Environmental Quality (where other environmental regulatory functions would be centralized).

CPR also proposes eliminating regional water quality boards and centralizing water quality and pollution issues under either the existing State Water Board or a new Department of Environmental Quality.

Finally, the CPR recommends streamlining the Timber Harvest Planning process by employing permanent project filings for timber harvests on land holdings under 10,000 acres (about 15.6 square miles), according to Levine.

CPR: Chevron's Performance Review?

In August, the Governor's California Performance Review task force released its 2,500-page report addressing proposals to restructure California government. As expected, this newest government tome emphasizes that democracy as currently practiced in the Golden State costs too much and that the system of patronage encouraged by the state's regional system of governance needs to be reined in, especially given the prospect of massive state general fund deficits continuing into the foreseeable future.⁸

Regional government has been a hallmark of California government since at least the 1960s in the areas of air and water quality, coastal development, and conservation and land use regulation in the San Francisco, Delta, and Suisun Bays. These regional boards provide avenues for public input into state decisions, and for consistent application of statewide regulations with flexibility for regional differences. This regional system of government has brought state administration closer to the public.

Still, appointees to these boards and commissions receive

Tim Strohane is the editor of SPILLWAY.

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costly state salaries, many exceeding \$100,000 a year. Some politicians term-limited out of the Legislature land in such positions. The CPR hopes to eliminate most of these boards, saving millions of dollars to the state.

The Associated Press (AP) reports that CPR's recommendations on oil refineries, among other issues, were influenced by ChevronTexaco Corporation, which operates two of the state's largest refineries in Richmond and El Segundo.⁹ AP learned that Chevron representatives gave frequent interviews and testimony to CPR staff as part of research for the draft report released in August.

ChevronTexaco is a major campaign contributor to Governor Schwarzenegger, having contributed more than \$200,000 to his committees and \$500,000 to the California Republican Party, according to AP. The oil company also helped pay for the Governor's trip to the Republican National Convention in August (which he probably could have afforded with his own personal assets). And, according to AP, ChevronTexaco gave \$100,000 to a Schwarzenegger-controlled political fund three weeks after release of the CPR report in early August.

AP reports that CPR recommendations that would benefit ChevronTexaco include:

- Streamlining permit processes for construction of new oil refineries and expansion of existing ones, including requiring local officials to make land use decisions on new refineries more quickly.
- Streamlining activities of the San Francisco Bay Conservation and Development Commissions (BCDC), which regulates land use and development around the edge of the Bay and Suisun Marsh areas where ChevronTexaco has pipeline and refinery interests.

In addition, other portions of the CPR report recommend elimination of regional air quality management boards in favor of centralizing air quality regulation in Sacramento under a new Department of Environmental Quality.

A ChevronTexaco manager, Jack Coffey, told AP that his employer worked through trade associations to get its ideas into the CPR, though he acknowledged company lobbyists directly contacted CPR staff as well. "We made an effort to feed those trade associations who were more active," Coffey explained. Chevron's donations to the Governor, he added, are because of Schwarzenegger's "pro-business agenda" and have nothing to do with the CPR report.

ENDNOTES

¹ Quoted in Paul Rogers, "Governor's plans on environment start to take root: Schwarzenegger 'is green,' many state activists say," *San Jose Mercury News* 29 May 2004.

² Packard is an heiress to transistor co-inventor David Packard's fortune, the director of the Monterey Bay Aquarium, and a key trustee of the Packard Foundation (a major funder of environmental causes, and which funds PPIC opinion research). Panetta is former President Bill Clinton's chief of staff, and represented the toney Monterey Peninsula region to Congress in the 1980s and early 1990s.

³ Tamminen and Keeley quoted in Rogers, *op. cit.*

⁴ Vic Pollard, "Officials battling 'water tax,'" *Bakersfield*

Californian 14 June 2004. The fees to be collected from users of Delta water would be used directly to pay for Bay-Delta improvements and projects that heretofore have been paid for by state and nationwide taxpayers.

⁵ See Mark Baldassare, Research Director and Survey Director, Public Policy Institute of California, *PPIC Statewide Survey: Special Survey on Californians and the Environment* in collaboration with the William and Flora Hewlett Foundation, the James Irvine Foundation, and the David and Lucile Packard Foundation, July 2004, 27 pages. This and other PPIC polls may be viewed and downloaded at <http://www.ppic.org/>.

⁶ Email alert from Alan Levine, Coast Action Group, "Schwarzenegger's Logging Plans – 'No Tree Left Behind,'" 8 June 2004. Coalition signatories to the alert included representatives of the Sierra Club, Planning and Conservation League, Natural Resources Defense Council, the California Native Plant Society, Defenders of Wildlife, the California League of Conservation Voters, the Environmental Protection Information Center, Public Employees for Environmental Responsibility, and the Forestry Monitoring Project.

⁷ Alan Levine, Coast Action Group, personal communication, 21 September 2004.

⁸ For earlier coverage of the state's fiscal predicaments, see Tim Strohane, "Scenes from an ongoing tax revolt," *SPILLWAY* v3n2, Summer 2004.

⁹ Tom Chorneau, "California causes a row over refineries: Report shows large role by ChevronTexaco," Associated Press, 3 September 2004. Posted to MSNBC.com at <http://www.msnbc.com/id/5906313>.



What is Neo-Liberalism?

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name of greater efficiency, which is often needed, privatization has mainly had the effect of concentrating wealth even more in a few hands and making the public pay even more for its needs.

5) Eliminating the Concept of the "Public Good" or "Community" and replacing it with "individual responsibility." This strategy pressures the poorest people in society to find solutions to their lack of health care, education and social security all by themselves - and then blames them, if they fail, as lazy.

At the time this essay was written, Elizabeth Martinez was a long-time civil rights activist and author of several books, including 500 Years of Chicano History in Photographs. Arnaldo Garcia was a member of the Oakland-based Comite Emiliano Zapata, affiliated to the National Commission for Democracy in Mexico.



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debate.¹³

Don't Privatize the SWP

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role in helping farmers and cities to weather droughts. By rationing deliveries, the SWP made water available through transfers to water-short regions during the severe drought years of 1991 and 1992 and in most cases reduced losses that might otherwise have occurred.⁹

The drought water bank purchased water typically for \$125 an acre-foot¹⁰ from water agencies and other sellers north of the Sacramento-San Joaquin Delta, acquiring a total of 821,000 acre-feet during 1991 drought water bank operations. The bank subsequently allocated 389,770 acre-feet that year, with over half of these allocations being delivered to the Metropolitan Water District of Southern California (MWD) by October. Transferred water subsequently exported from the Delta had transportation charges added to it, enabling the state to recover its costs from operating the drought water bank.¹¹

San Joaquin Valley agribusiness tumbled into its direst economic crisis as water deliveries plummeted to near zero. Yet the Valley's irrigation and water districts still had their eight- and nine-figure mortgage payments due to the State Water Project.¹²

The California Department of Water Resources' (DWR) performance in those years demonstrated that state government could successfully operate a drought water bank on behalf of California's public *as a whole*. This success, however, was anathema to Governor Pete Wilson, in power at the time, and who would subsequently embark on a major but largely unsuccessful campaign in state government to privatize many of California's government services.

In late 1994, major SWP contractors and David Kennedy, then-director of DWR (himself a former general manager of MWD) under Governor Pete Wilson (whose advisors play prominent roles in both Governor Schwarzenegger's campaign and administration), secretly negotiated an agreement in Monterey that established rudiments of California's water market. This agreement turned control of one southern California reservoir to MWD and a groundwater bank to a Kern County mutual water company owned by Paramount Farms. It also eliminated the prospect of shrinking SWP "entitlements" due to the possibility of the state declaring a permanent drought in California, without subjecting such an important policy decision to public

This less-known financial crisis of the SWP, the Monterey Agreement, the endangered species crises in the Bay-Delta region, and stricter regulatory Delta water quality requirements, forced the state and federal government to create the CalFED Bay-Delta Program and implement its "framework for action."

Frustration with the pace of CalFED projects since adoption of its Record of Decision and reforms has tried the water industry's patience, and the recall election last October 2003 of Arnold Schwarzenegger gave the industry an opening to further advance its privatization agenda for the State Water Project.

Sollicitous CPR

It is one thing to be certain, but you can be certain and be wrong at the same time, to paraphrase a recent presidential candidate.

Nowhere is this nostrum more in evident than in CPR's proposal to privatize operation of the SWP.

It seems to CPR that the State Water Project is just *too difficult* for the California Department of Water Resources to administer. State budget-related hiring freezes caused chronic staff shortages [particularly in the San Joaquin Division of DWR, resulting in "40,000 hours of overtime to keep the system operating at a high level."]

Electric utility deregulation¹⁴ taxes the beleaguered SWP's staff, says the CPR report: "Special skills associated with purchasing power and scheduling power and water deliveries are in demand in the private sector, and state civil service classifications do not pay

high enough salaries to attract individuals with highly specialized skills. Limitations and freezes on contracting impede the timely use of consultants to provide the needed skills for energy purchasing and scheduling to mitigate for SWP's inability to hire state employees."¹⁵

In other words, privatizing the SWP will enable the system to hire more expensive employees *and* consultants (whose billing rates, lest it be forgotten, include 20 to 50 percent mark-ups with profit margins for administration of their businesses, costs unrelated to direct provision of state services). The CPR does not explain how more expensive staff will provide the state of California with savings from SWP privatization.

Besides, most Californians know how well privatization of public electric utilities went during 2000 and 2001, right?



Photo courtesy of California Department of Water Resources.
California Aqueduct, between the Delta-Mendota Canal and Interstate 5 in San Joaquin Valley.

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The state's electricity deregulation system was signed into law by Governor Wilson in 1996. That mass mugging by private energy companies cost California its state surplus within a few months in 2001 when extortionate prices for electricity here caused widespread recurring blackouts, panic buying by the state, and one of the greatest and most rapid transfers of economic wealth in modern memory.

CPR shows its solicitous but patronizing concern for the SWP by recommending the project's removal from DWR, "a department which has other major missions including public safety, local assistance, statewide planning for water resources, and public education. Such a large mission and variety of funding sources often creates conflicts for both management and support organizations inside the department."¹⁶

SWP, the Public's Asset

The trouble with CPR's patronizing tone is that DWR exists to operate the SWP, *by law*.

Never mind that a reasonable case could be made that privatization of the SWP is illegal. In the mid-1950s under Governor Goodwin Knight, the state Legislature created DWR specifically to plan, construct, operate and maintain the SWP. Under Governor Pat Brown, the state legislature approved the Burns-Porter Act¹⁷, which was passed as a referendum in November 1960, and assigned DWR the responsibility for carrying out design, construction, and operation of the SWP. In the general obligation bonds and revenue bonds that provide the project with its ongoing sources of debt capital, DWR is responsible for operating and maintaining the SWP. In return bondholders receive secure streams of interest payments from the SWP as administered by DWR.

The Legislature and the People are given no role in CPR's recommendations, however.

The CPR informs its readers that a white knight awaits the careworn SWP, the State Water Contractors Joint Powers Authority (SWCA) which "could provide a mechanism to maximize the reliability of SWP by contracting with DWR to undertake specified projects and services. The purpose of [SWCA] is to help resolve significant challenges in the near future, such as hiring freezes, budget constraints, and more complex power operations."¹⁸

Major water contractors that make up the SWCA include the Kern County Water Agency (KCWA) and the Metropolitan Water District (MWD); combined they contract for more than 80 percent of SWP deliveries year-in and year-out. MWD and KCWA also were among the principal signatories to the 1994 Monterey Agreement. Many other SWP contractors are water districts formed to provide a public district cover for private landowners and agribusinesses in the southern San Joaquin Valley.¹⁹

SWCA takeover of the SWP relies on a ridiculous pretense, considering that maintenance of the state's water supply in the public interest hangs in the balance. Resolving the state budget's structural deficit²⁰ could enable the state to address budget constraints and hiring freezes directly; power

operations could be simplified by re-regulating utilities and their power plants.

In California water law, the people—the *People*—retain sovereign ownership of water within the state's borders. The CPR's recommendation to turn over operation of the SWP to the SWCA would effectively cede this sovereign authority from the state *without a debate or a fight*, as it urges the Governor to issue an Executive Order separating the SWP from DWR, to make the system its own administrative authority. The state of California is supposed to regulate water in trust for the public (for example, the public trust doctrine protecting resources).

"If any infrastructure project in California has proven to be successful," commented Mark Sheahan, president of Professional Engineers in California Government, a union of professional and technical state employees, "it is the State Water Project. The safe, cost effective, and efficient delivery of water and energy via the State Water Project—a state-owned engineering marvel—is and must remain a fundamental role of state government.

"For that reason," adds Sheahan, "the CPR recommendations to contract with the State Water Contractors Joint Power Authority to provide specialized services and skills and to turn over portions of the aqueduct system to State Water Contractors to operate and maintain is a blueprint for disaster. Apparently, if it ain't broke, the folks who wrote this [recommendation] want to break it."²¹

ENDNOTES

¹ *A Report of the California Performance Review*, August 2004, epigram quote preceding page i. Hereafter cited, *CPR*.

² Mark Baldassare, *California Millenium: The Changing Social and Political Landscape*, Berkeley, CA: University of California Press and the Public Policy Institute of California, 2000; and Mark Baldassare, *A California State of Mind: The Conflicted Voter in a Changing World*, Berkeley, CA: University of California Press and the Public Policy Institute of California, 2002.

³ Caustin quoted in Alicia Robinson, "Watchdogs resist sea change: State's money-saving move to get rid of regional boards dedicated to keeping water clean doesn't thrill environmental groups," *Daily Pilot* (Orange County) 19 August 2004.

⁴ Alisha Deen, Environmental Justice Coalition for Water, Written Testimony to the California Performance Review Panel, 30 September 2004, author's files.

⁵ Peter Nicholas and Robert Salladay, "Radical Revamp of State Bureaucracy: Schwarzenegger's panel says a restructured government would save \$32 billion in five years," *Los Angeles Times* 30 July 2004.

⁶ Quoted in Nicholas and Salladay, *ibid.*

⁷ See INF 07, "The State Needs to Restructure the Administration Over the State Water Project," *ibid.*, pp. 731-735.

⁸ For a review of attempts to privatize the State Water Project in the 1990s, see Tim Strohane, "Monterey Agreement: A Bloodless Coup," *SPILLWAY* v1n2, Winter 2000. Available at <http://www.spillwaynews.net/BackIssues/>

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Don't Privatize the SWP

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⁹ California Department of Water Resources, *California's Continuing Drought, 1987-91: A Summary of impacts and conditions as of December 1, 1991*, December 1991; Richard Howitt, Nancy Moore, and Rodney T. Smith, *A Retrospective on California's 1991 Emergency Drought Water Bank*, March 1992; California Department of Water Resources, *The 1992 Drought Water Bank*, n.d. Also see Tim Strohane, "Water Transfers and the Imperfect Water Industry in California," *Berkeley Planning Journal* 8(1993): 66-84. DWR announced August 13th that it would operate a dry-year purchase program to assist all areas of the state should 2005 turn out to be a dry year. California Department of Water Resources, "DWR Announces 2005 Dry Year Water Purchase Program," News Release, 13 August 2004.

¹⁰ An acre-foot is approximately 326,000 gallons, roughly the amount consumed by 1.5 to 2 California households annually.

¹¹ Howitt, et al, *op. cit.*, p. 14.

¹² See Strohane, *op. cit.*; and Tim Strohane, "A History of the Monterey Agreement: Glimpsing California's Future," **SPILLWAY** v1n2, Winter 2000, p. 4.

¹³ John Gibler, *Water Heist: How Corporations are Cashing in on California's Water*, Oakland, CA: Public Citizen, December 2003, Executive Summary. Privatization of the groundwater bank was featured prominently last December in a report published by Public Citizen's Water for All campaign. The report found that the gift of the Kern water bank quickly became an asset belonging to Roll International Corporation, a Los Angeles-based diversified holding company owning a number of agribusinesses, all of

which operate in three California counties. Roll is owned by Stewart Resnick, a Beverly Hills billionaire and major campaign contributor. Public Citizen also found interlocking corporate connections between Roll and Newhall Land and Farming, a suburban developer in northern Los Angeles County. See also Lynne Plambeck, "Watering Newhall Ranch on a wish and a prayer," **SPILLWAY** v1n3&4 Spring and Summer 2001.

¹⁴ See Tim Strohane, "Power Crises," **SPILLWAY** v1n3&4, Spring and Summer 2001, p. 10. Available at <http://www.spillwaynews.net/BackIssues/index.html>.

¹⁵ *CPR*, p., 732.

¹⁶ *Ibid.*

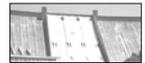
¹⁷ The Burns Porter Act (also known as the California Water Resources Development Bond Act) is found at California Water Code as Chapter 8, Sections 12930 to 12942. Reproduced as Appendix B in California Department of Water Resources, *Bulletin 200: California State Water Project, Volume I: History, Planning and Early Progress*, November 1974.

¹⁸ *CPR*, *op. cit.*, p. 733.

¹⁹ Many of these water districts are anti-democratic, using property-weighted systems of one-acre, one-vote suffrage, rather than one-person, one-vote systems. See Robert Gottlieb and Margaret FitzSimmons, *Thirst for Growth: Water Agencies as Hidden Government in California*, Tucson, AZ: University of Arizona Press, 1991, especially chapters 1 through 5.

²⁰ See Tim Strohane, "Scenes From an Ongoing Tax Revolt," **SPILLWAY** v3n2, Summer 2004.

²¹ Comment letter of Mark Sheahan, President of Professional Engineers in California Government to Governor Arnold Schwarzenegger, 30 September 2004, posted at <http://www.pecg.org/CPR-2.html>.



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