

Agenda Item: 11  
Meeting Date: June 8, 2005

## JOINT MEETING WITH BAY-DELTA PUBLIC ADVISORY COMMITTEE

### PROGRAM PRIORITIES AND FINANCING

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**Summary:** Staff from the California Bay-Delta Authority, Department of Water Resources, and Department of Fish and Game will provide an update on 2006 Federal and State budget status, and on next steps related to CALFED Program priorities and financing.

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#### **Background**

The California Bay-Delta Authority (Authority) at its December joint meeting with the Bay-Delta Public Advisory Committee (BDPAC) approved the CALFED Finance Plan as a framework for guiding the financing of the CALFED Program for the next ten years. The Resolution adopted by the Authority stated that the “Director shall continue working with the State and Federal Administrations, implementing agencies, stakeholders, the Legislature and Congress on refining the details of the Plan and shall bring relevant issues back to the Authority and BDPAC for further consideration”.

Significant discussions have occurred over the past several months between the State Administration, Legislature and stakeholders regarding accountability, priorities and funding for the CALFED Program. In response to these concerns the Governor and the Legislature have taken the following actions.

#### **Governor’s May Revision.**

On May 13, 2005, the Governor released his May Revision of the 2005-06 State Budget. In the May Revision, the Governor laid out a 3-point plan to “allow the CALFED Program to move forward and focus on addressing the highest priority issues associated the conflicts in the Delta” (Attachment 1) The 3 points include:

1. **Independent Review.** Conduct an independent program and fiscal review.
2. **Program Priorities.** Re-focus efforts on solving Delta conflicts.
3. **Financing.**
  - Develop a 10-year action plan to finance the Program priorities consistent with the beneficiaries-pays principle.
  - Include \$30 million in water user funding for fisheries restoration in FY 2005-06.
  - Request a \$40 million increase in the Federal FY 2006 budget for the CALFED Program.

### Legislative Budget Subcommittees.

On May 18, 2005 the Senate and Assembly budget subcommittees reduced State and water user funding for the CALFED Program by approximately 45 percent. The justification for this reduction is reflected in a letter dated May 12, 2005 to the Governor from Assemblywoman Wolk (Attachment 2) which states "this Fundamentals Budget will reflect a balance of CALFED's four objectives so State financial resources will concentrate on the most critical, time sensitive projects pending a complete finance plan with stable funding in your 2006-07 Budget". The Senate and Assembly Budget Subcommittees have completed their work. In early June the Joint Budget Conference Committee will address any open items before sending its revised budget to the Governor for approval. Technically there are no open items in the CALFED Program budget, although the Legislative leadership and the Administration may choose to reopen items. Attachment 3 summarizes the Program reductions pending in the State Legislature.

### Federal Funding.

The President's FY 2006 proposed budget includes approximately \$70 million for CALFED Program actions that are directly related to CALFED objectives (commonly called Category A actions). In addition, the President's Budget contains approximately an additional \$150 million for activities that are in California but not meeting CALFED objectives (commonly called Category B actions). At the February meeting, Federal agencies provided a summary of the Federal budget. The House Appropriations Committee has approved \$35 million for the U.S. Bureau of Reclamation budget in FY 2006 which shifts funding between projects but does not increase funding over the President's Budget proposal. The State Administration is developing a funding request to increase the Federal budget for FY 2006 by approximately \$35 million for a total of approximately \$105 million.

### **Summary**

Authority staff and CALFED implementing agencies will provide an update at the June meeting regarding the status and next steps for:

- State and Federal Budgets for FY 2006
- State request for increased Federal funding
- Independent CALFED Program Review
- Program Priorities for CALFED Program
- 10-Year Action Plan—including near-term and 10-year funding plan

### **List of Attachments**

Attachment 1 – Governor's FY 2005-06 May Revision for CALFED Program

Attachment 2 – Letter from Assemblywoman Wolk, dated May 12, 2005

Attachment 3 – Summary Tables for State funding reductions

Attachment 4 – Letter from multiple water agencies; dated May 10, 2005

Attachment 5 – ACWA News Release Applauding Federal CALFED Budget

Attachment 6 – Letter from Douglas Welch, Chowchilla Water District, May 9, 2005

### **Contact**

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Assistant Director Policy and Finance

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# Resources and Energy

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## **CALFED Bay-Delta Program**

Effective management of our water resources is essential to the future of California's economy and environment. The recently released public review draft of the California Water Plan outlines a new vision for California's water resources. The Water Plan recognizes our progress and provides a framework to build upon past accomplishments. It identifies many important water management strategies throughout the state that must be developed, maintained, and financed to meet the needs of Californians into the 21<sup>st</sup> century. The Secretary for Resources has been directed to work with the Secretaries for Food and Agriculture, Environmental Protection, and the Chair of the California Bay-Delta Authority to develop a long-term strategy for stable water resource investment funding. This long-term funding strategy will ensure that we continue to improve water supply reliability, protect water quality, and restore our ecosystems to support California's needs.

The CALFED Bay-Delta Program continues to play an important role in meeting California's future water needs. CALFED must be a part of the long-term water resource investment strategy for the state. Consistent with the commitment in the Governor's Budget, a three-point plan has been developed that will allow the CALFED Program to move forward and focus on addressing the highest priority issues associated with the conflicts in the Delta:

**Independent Review**—Consistent with the recommendations of the California Performance Review (CPR), the May Revision calls for an independent program and fiscal review of the CALFED Program to ensure accountability, highlight accomplishments, determine program status, and guide adjustments to the Program. The May Revision proposes to increase the Resources Agency budget by \$300,000 for purposes of contracting to support this review.

**Program Priorities**—Re-focus the efforts of the California Bay-Delta Authority and the other CALFED state agencies on solving conflicts associated with Delta water supply, water quality, levee stability, and the environment. Program priorities will be reinforced in a ten-year action plan as described below.

**Financing**—The CALFED Program needs a credible budget for the coming year and it needs a clear plan for the next ten years. The Governor is calling for the development of a ten-year action plan, to be developed in coordination with stakeholders and our federal partners. This action plan must focus on solving the highest priority Delta issues, link future water user payments to specific program actions

## Expenditures: **Resources and Energy**

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that improve water supply reliability, balance statewide actions with regional water management, and include funding from the state, federal, and local levels consistent with the beneficiaries-pay principle. This plan will include payments from water users to the Ecosystem Restoration Program and other programs in proportion to the direct benefits derived.

While the ten-year action plan is being developed, it is essential to have a credible budget for the coming year. This budget must reflect contributions from water users. The May Revision requests an increase of up to \$30 million in reimbursement authority in the budget of the Department of Fish and Game to accommodate user contributions which may be necessary to further the recovery of at-risk native fish.

The federal government is California's partner in the implementation of the CALFED Program. Working with the California Bay-Delta Authority, the Governor plans to request an additional \$40 million in the federal fiscal year 2006 federal budget for the CALFED Program, for a total request of \$100 million.

A major benefit of the CALFED Program has been a reduction in conflict and an increase in certainty regarding program implementation and balance. Over the next two years, water user and federal contributions to support the Program will be focused on actions that support the existing Conservation Agreement as described in the CALFED Record of Decision.

**Related Activities**—CALFED programs must be further integrated into our resource management efforts. To further this integration, the Governor is directing the CALFED implementing agencies to work diligently on related efforts such as:

- Implementation of the Lower Yuba River Accord to improve environmental conditions for native fish species and provide the first long-term Environmental Water Account asset as directed in Proposition 50.
- Negotiation of partnerships south of the Delta, including development of long-term EWA assets, in order to produce integrated improvements for water supply reliability, water quality, and ecosystem health.
- Legacy investment of bond funds to ensure continuing measurable benefits for, and recovery of, at-risk native fish species, and creative assistance for regions as they implement integrated regional water management.

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### **Frontier Transmission Line Project**

The May Revision proposes an increase of \$2.5 million Energy Resources Programs Account for California's participation in the Frontier Transmission Line Project.

In April 2005, the governors of California, Nevada, Utah, and Wyoming signed an agreement to create a four-state partnership to develop a transmission line originating in Wyoming with terminal connections in the other three states. The agreement specified that each state would contribute initial funding to support the Coordinating Committee and hire the necessary technical and legal consultants

## Expenditures: **Resources and Energy**

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to begin work on the project and bring it to a point where developer(s) will take over and fund the remaining feasibility work. In the long-run, the new line will provide Northern and Southern California with additional power to meet its future energy needs.

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### **Tidelands Oil Revenues**

California receives a share of the revenues that result from the sale of oil recovered from state tidelands. The major site of recovery is Long Beach, where the state, the City of Long Beach, and a private oil company have partnered to recover oil in an environmentally safe manner. One issue that has arisen in relation to this activity is the question of how to pay for the future costs of abandoning the oil field. These costs, which will likely include the removal of several man-made islands off the coast of Long Beach, are expected to be several hundred million dollars. In order to prepare for this cost, the City of Long Beach, which manages the field, began to set aside about \$2 million per month in an Abandonment Fund. Although the state challenged this practice, and requested that the \$83 million already set aside be returned to it, the California Court of Appeal ruled that the City's action is permissible under state law. As a result, the state's Tideland Oil revenues will be \$47.3 million lower in the current year than anticipated in the 2004 Budget Act. In 2005-06, the City will set aside \$4 million per month, which will cause the state's Tideland Oil revenues to fall by \$48 million. Since these revenues would otherwise have gone to the General Fund, the City's action will result in a two-year loss of General Fund revenue totalling \$95.3 million.

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### **Paterno Settlement**

A 1986 levee break in Yuba County flooded 7,000 acres of land in the communities of Linda and Olivehurst. Residents and businesses filed suit against the Department of Water Resources, which was found responsible for the break by the California Court of Appeal even though it did not build the levee and was not responsible for its maintenance. Settlement negotiations led to an agreement that the state would pay \$464 million in three segments: \$11 million for damages to the Peach Tree Mall; \$25 million for damages to the tenants of the Peach Tree Mall; and \$428 million for damages to approximately 3,000 individuals. The plaintiffs have agreed to sell their claim for the latter amount for a lump sum to Merrill-Lynch. The first year's payment, of \$67 million, will be made during 2005-06.

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### **Enhancing Fire Fighting Capability**

After the extensive wildfires in Southern California during 2003, the Blue Ribbon Fire Commission evaluated California's ability to respond to wildfires, and recommended options for improvement. One of the highest priority actions recommended by the Commission is the replacement of 155 obsolete fire engines. The Governor's Budget included \$10.8 million to enable the Department of Forestry and Fire Protection to begin this effort by funding up to 40 fire engines. This funding will continue in future years, with a goal of eventually replacing all outmoded fire engines and ancillary fire fighting

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vehicles. In order to accelerate this process, the May Revision proposes to spend \$5 million more to replace an additional 19 engines, thereby enhancing the Department's ability to respond quickly to wildfire threats. In a related action to improve California's fire protection, the May Revision restores a \$6.7 million unallocated reduction in the Department's budget, thereby assuring the maximum number of fire fighters will be available during the 2005-06 fire season.

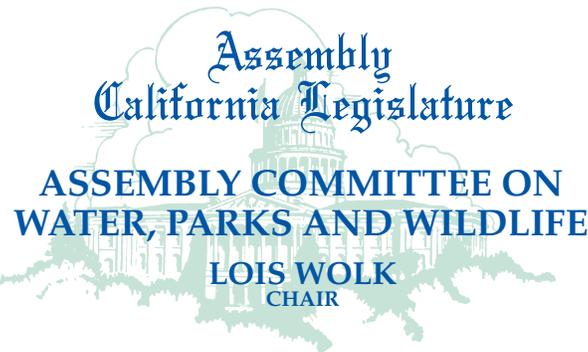
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### **Carl Moyer Program**

The May Revision proposes an augmentation of \$12.5 million Air Pollution Control Fund for the Carl Moyer Program, which provides incentive grants to reduce emissions from heavy-duty diesel-powered vehicles and equipment. The Carl Moyer Program assists projects that produce emission reductions from diesel sources such as on-road vehicles, agricultural pumps, forklifts, marine vessels, off-road equipment, and locomotives. Including the \$86 million proposed in the Governor's Budget, a total of \$98.5 million of state funding will be available for Carl Moyer grants in 2005-06. This funding demonstrates the Administration's commitment to reducing air pollution and ensuring the state meets air quality standards.



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May 12, 2005

Honorable Arnold Schwarzenegger  
Governor of California  
State Capitol  
Sacramento, California 95814

Subject: Stable Funding for Protecting the Sacramento-San Joaquin Delta

Dear Governor Schwarzenegger:

A decade ago, Governor Pete Wilson joined Secretary of the Interior Bruce Babbitt in creating the CALFED Bay-Delta Program to resolve the challenges confronting our State in the Sacramento-San Joaquin Delta. The numerous federal, state and local agencies with responsibilities for the Delta had a long history of conflict, which had led to deterioration of this most valuable estuary ecosystem, litigation, export pumping shutdowns, and an unreliable water supply for farms and cities with 22 million Californians. CALFED provided a process and a program for resolving those conflicts. Nothing has changed that lessens our State's need for CALFED. California needs you to reaffirm your commitment to CALFED resolving those inevitable conflicts, by providing leadership to re-establish the Delta's priorities and achieve long-term financial stability for the Delta's needs.

In order to encourage agencies and stakeholders to work with you in crafting a long-term CALFED finance plan, the Legislature will adopt a "Fundamentals Budget" for CALFED in 2005-06. This Fundamentals Budget will reflect a balance of CALFED's four objectives – ecosystem restoration, water supply reliability, water quality and levee system integrity – so State financial resources will concentrate on the most critical, time-sensitive projects, pending a complete finance plan with stable CALFED funding in your 2006-07 Budget. The bond funds remaining for CALFED are running out, and we need to make sure that the State's Bay-Delta spending reflects California's current top priorities for protecting the Delta. Our fiscal responsibility demands no less.

The Delta is once again at a crossroads. Resolving the current challenges will require leadership from you, the Legislature, and Senator Feinstein to achieve a 10-year finance plan with stable funding. The difficult decisions can no longer be avoided. The policy guidelines attached to this letter provide our perspective on the current priorities for CALFED and the Delta. Your

administration reflects a diversity of interests and perspectives, and some agencies may differ – with us and with each other – as to the important priorities for the Delta. The leadership that you and your office may provide therefore remains a critical element in California making progress on addressing the Delta’s priorities and stable funding for addressing those priorities.

As the attached summary shows, we have reduced funding across the spectrum of CALFED elements. These reductions include programs that we continue to support strongly and would like to see funded in future years. This year, however, is a critical time of transition for CALFED and the Delta. We urgently need to take the next step for CALFED, to define our priorities and establish stable funding well into the Delta’s future.

We look forward to your engagement on this important environmental and water supply issue. We cannot afford to continue spending at full speed and wait another year while the remaining, limited bond funding dwindles to zero. The time for your leadership is now.

Sincerely,

**Lois Wolk, Chair**  
**Assembly Water, Parks**  
**and Wildlife Committee**

**Fran Pavley, Chair**  
**Assembly Budget Subcommittee #3**  
**on Resources**

Attachment

## *Policy Objectives for the 2005-06 CALFED Bay-Delta Program Budget*

The Assembly and Senate budget committees have structured certain budget reductions and deferrals for the CALFED Bay-Delta Program to reflect the necessary policies and priorities for the coming fiscal year. These reductions are intended to:

- 1) Represent a balance of CALFED's four objectives – ecosystem restoration, water supply reliability, water quality and levee system integrity – so State financial resources will concentrate on the most critical, time-sensitive projects.
- 2) Sustain CALFED projects without losing the value of investments we already made, while we determine the most important priorities and how to ensure long-term, stable funding.
- 3) Maintain funding for existing financial commitments.

Legislative staff developed specific funding proposals for all 11 program elements, based on both the baseline budget and budget change proposals, but consistent with the following policies.

### **Storage**

We support State funding for the storage investigations where the State can best address the most critical storage issues. We therefore support full State funding of the storage investigations for the Upper San Joaquin River and North of Delta Off-Stream Storage (i.e. Sites Reservoir).

- < We also support funding of one more year for the Los Vaqueros Reservoir investigation, on the condition that regional partners execute an agreement to work together to continue investigation and planning for Los Vaqueros by July 1, 2006.
- < The Federal Government owns Shasta Reservoir and leads the investigation to expand its capacity. State law limits the ability of state agencies to support any development of additional storage capacity at Shasta. We therefore call on the Federal Government to fully fund the Shasta storage investigation.
- < We support the continued investigation of groundwater storage options, but implementation funding should be deferred for one year.
- < At this point, the Delta Wetlands storage investigation is closest to completion, but no beneficiary has agreed to participate in the funding of its construction or operation. The State therefore should discontinue any further funding of Delta Wetlands.

### **Conveyance**

California relies on the Delta as a primary conveyance facility for water from north to south. In the last year, however, populations of the Delta's native fish have plummeted. These population drops may possibly relate in some way to the State's reliance on the Delta as a conveyance facility, but State biologists are uncertain. Before we continue investing substantially in the Delta as a conveyance facility, we need to concentrate State funding on determining the causes of the Delta fish population crash. We therefore support full funding of investigation of the Delta native fishery conditions.

- < In addition to the Delta fishery investigation, we support continued funding of the design and construction of operable barriers for the Delta.
- < We also support limited funding of conveyance projects aimed at protecting the Delta's fishery, such as the Delta Cross-Channel investigation.

### **Watersheds**

While upstream watershed improvements may contribute to the health of the Delta, we support

greater reliance on local leadership and funding of such efforts. Therefore, for this coming year, we support funding of state agency staff to provide limited technical assistance and oversight for existing watershed grants.

- < Existing grant commitments for local watershed coordinators should be fulfilled.
- < We encourage local watershed coalitions to support their own watershed efforts, without any additional funding for new local watershed grants.

### **Ecosystem Restoration**

Considering the urgency of stopping the decline of the Delta's native fish populations, we support concentration of Ecosystem Restoration Program funding on projects that directly improve conditions for the Delta's native fish. We ask that the Department of Fish and Game advise the Legislature as to the top priorities for such in-Delta ecosystem projects.

- < Because of its broad support and current status, we support further funding of the Battle Creek project, as necessary to maintain the current arrangement with PG&E.
- < We also support the continued funding of the Interagency Ecological Program.

### **Delta Levees**

The 2004 failure of the Jones Tract levee highlighted the importance of levee stability to all four CALFED objectives. We therefore support continued funding of the Delta levee program, including subventions for local levee projects. In the years ahead, the Delta's levee system needs further study to determine how best to address the challenge of dropping land elevations and aging levees.

### **Water Quality**

The State Water Resources Control Board is currently completing its periodic review of the Delta's water quality standards. Until that process is completed and high-priority water quality projects can be identified, we support limited funding for key water quality projects and fulfillment of existing water quality project commitments.

- < The key water quality projects include: San Joaquin River quality, the Delta's operable barriers (to extent related to water quality), and water quality modeling.
- < For the next year, as the State assesses the Delta's water quality needs, local assistance, including the Sacramento Valley Water Management Plan, should be deferred.
- < As a contribution to the assessment of water quality project options, the Franks Tract Restoration Project should continue to receive some funding for study.

### **Environmental Water Account**

The Environmental Water Account (EWA) was designed to provide both environmental and water supply reliability benefits. Up to this point, however, State and Federal appropriations, have paid the entire cost of the EWA program. We support continued State support of half the State's share of EWA costs, and encourage water users with an interest in the continued operation of the EWA to contribute the remaining funding.

### **Science**

The top priority for the CALFED Science Program is the investigation of Delta fish population declines. We support full funding for an intensive, scientific investigation into the Delta's native fishery.

- < We also support continued funding of the CALFED and Interagency Ecological Program monitoring efforts

- < While peer review is an important ingredient in the Science Program, we support reduced funding for independent studies by outside academic institutions and non-profit organizations.

### **Water Use Efficiency**

In the last decade, local water agencies have provided impressive leadership in the water use efficiency arena. We support that continued local leadership with some CALFED technical assistance and coordination in the development of best management practices.

- < In light of CALFED's finance challenges, we also support deferral of new, additional local assistance for water-use efficiency programs.
- < Local assistance for desalination programs is progressing and was funded in the 2004-05 budget. We therefore support deferral of additional desalination funding to allow the existing round of grants to be funded and implemented in the next year.
- < Statewide development of the California Irrigation Management Information System also deserves our continued support.

### **Water Transfers**

The water transfer element has substantially addressed the challenge of streamlining the water transfer process. Moreover, in recent years, local agencies have succeeded in implementing creative, new water transfers. We therefore support deferral of further funding of this element.

### **Oversight and Coordination**

While continued operation of the California Bay-Delta Authority is necessary to achieve a comprehensive finance plan, funding of other agencies coordination with the Authority appears unnecessary. We therefore support continued "oversight and coordination" funding for the Authority and not for other State agencies, which should incorporate any coordination efforts into their existing budgets or budgets for CALFED projects they implement.

Legislative Actions by Fund Source (\$ in Thousands)				
Fund Source	Governor's Budget	Senate/Assembly Funding	Senate/Assembly Cut	Percentage Cut
Prop 204	\$6,649	\$6,649	\$0	0%
Prop 13	\$56,584	\$16,585	\$39,999	71%
Prop 50	\$138,670	\$83,370	\$55,300	40%
GF	\$11,890	\$11,430	\$460	4%
SWP	\$25,681	\$25,681	\$0	0%
Other	\$2,260	\$2,116	\$144	6%
Reimbursements <sup>1</sup>	\$30,000	\$0	\$30,000	100%
<b>Total</b>	<b>\$271,734</b>	<b>\$145,831</b>	<b>\$125,903</b>	<b>46%</b>

Legislative Actions by Agency (\$ in Thousands)				
Agency	Governor's Budget Amount	Senate & Assembly Actions		
		Approve	Deny	Percentage Cut
California Bay-Delta Authority	\$ 19,673	\$ 19,673	\$ -	0%
Department of Water Resources	\$ 206,295	\$ 116,949	\$ 89,346	43%
Department of Fish & Game <sup>1</sup>	\$ 33,610	\$ 3,610	\$ 30,000	89%
State Water Resources Control Board	\$ 8,459	\$ 1,902	\$ 6,557	78%
Department of Forestry & Fire Protection	\$ 154	\$ 154	\$ -	0%
Department of Conservation	\$ 3,330	\$ 3,330	\$ -	0%
SF Bay Conservation and Development Commission	\$ 88	\$ 88	\$ -	0%
Department of Health Services	\$ 125	\$ 125	\$ -	0%
<b>TOTAL</b>	<b>\$ 271,734</b>	<b>\$ 145,831</b>	<b>\$ 125,903</b>	<b>46%</b>

Legislative Actions by Program Element (\$ in thousands)				
Program Element	Governor's Budget Amount	Senate & Assembly Actions		
		Approve	Deny	Percentage Cut
Ecosystem Restoration <sup>1</sup>	\$ 58,338	\$ 18,322	\$ 40,016	69%
Environmental Water Account	\$ 18,125	\$ 9,052	\$ 9,073	50%
Water Use Efficiency	\$ 75,793	\$ 28,774	\$ 47,019	62%
Water Transfers	\$ 604	\$ -	\$ 604	100%
Watershed	\$ 5,791	\$ 4,934	\$ 857	15%
Levees	\$ 19,164	\$ 19,164	\$ -	0%
Water Quality	\$ 5,761	\$ 1,039	\$ 4,722	82%
Storage	\$ 17,271	\$ 8,771	\$ 8,500	49%
Conveyance	\$ 44,849	\$ 31,737	\$ 13,112	29%
Science	\$ 9,677	\$ 9,677	\$ -	0%
Water Supply Reliability	\$ 8,868	\$ 6,868	\$ 2,000	23%
Oversight & Coordination	\$ 7,493	\$ 7,493	\$ -	0%
<b>TOTAL</b>	<b>\$ 271,734</b>	<b>\$ 145,831</b>	<b>\$ 125,903</b>	<b>46%</b>

<sup>1</sup> The Legislative Budget Committees did not approve a Governor's May Revise proposal to include \$30 million in water user contributions at the Department of Fish and Game for the Ecosystem Restoration Program.

**Contra Costa Water District  
Kern County Water Agency  
Metropolitan Water District of Southern California  
Mojave Water Agency  
San Luis & Delta-Mendota Water Authority  
Santa Clara Valley Water District  
State Water Contractors  
Westlands Water District**

May 10, 2005

The Honorable Fran Pavley  
Chair, Assembly Budget Subcommittee #3  
Room 312  
State Capitol  
Sacramento, California 95814

Dear Assemblywoman Pavley:

Our agencies have reviewed the 2005-06 budget approved by Senate Budget Subcommittee #2. This budget will prevent the balanced implementation required for the CalFED Program. Once the balanced implementation is destroyed, the CalFED Program will be unable to implement any of its programs regardless of funding availability. We respectfully urge you to reject the Senate's proposed budget for CalFED and instead develop a budget that maintains the balanced implementation of the CalFED Program.

As stated in the CalFED Record of Decision (RoD), "The overarching mandate of the [Authority is] to assure effective, *balanced* and coordinated implementation in *all* program areas."*(emphasis added)* The California Bay-Delta Authority Act defines balance as: 1.) achieving the implementation schedule described in the RoD; and 2.) achieving concurrent improvement in all program areas in a manner that ensures improvements in some areas are not made without corresponding improvements in other program areas.

The budget proposed by the Senate eliminates funding for important water quality and water supply programs that are already years behind the schedule established by the RoD. In particular, many of the water quality programs have not even begun implementation. By creating this funding imbalance in the 2005-06 budget the Legislature will effectively require the Authority to find its program out of balance. Once the program is out of balance the Authority will be severely restricted in its ability to implement any of its programs. As a result, even programs that the Legislature chooses to fund will remain unimplemented for the 2005-06 budget year.

The Senate's proposed budget also places federal funding at significant risk. Congress is currently deciding on appropriations for the CalFED Program based on passage of the

CalFED Bay-Delta Authorization Act co-authored by Senator Feinstein and Representatives Pombo, Calvert and Napolitano. That act requires the Secretary of the Interior to annually review the Authority's progress in implementing the CalFED Program based on: 1.) consistency with the RoD; and 2.) balance in achieving the Program's goals. If the program is found to be out of balance, the Secretary of the Interior and the Governor are required to revise the implementation schedule of all programs to regain a balanced implementation.

The Senate's proposed budget would result in an unbalanced Program. As required by the federal act, the Secretary and the Governor would be required by federal law to prepare a revised implementation schedule. Because some program areas are not funded in the Senate's proposed budget, implementation of all other program areas would have to be stopped as the only way to achieve parity between program areas and restore the balance required under the federal act.

The Senate's proposed budget abrogates specific commitments that ensure fairness in implementing the CalFED Program. For example, the Environmental Water Account was created by the RoD as a way to allow the state and federal agencies to protect and recover the Delta fishery without further reducing water supplies or increasing costs to water users. The EWA was designed to have no cost to water users in recognition of the significant amounts of water that water users agreed to provide to the environment as part of the Bay-Delta Accord.

The commitment to implement the EWA with no water supply or fiscal impact on water users was explicit in the RoD. That commitment was reaffirmed last September when the Administration renewed the EWA for another three years. The Memorandum of Understanding between the State and federal governments that renewed the EWA requires it to be implemented consistent with the EWA Operating Principles Agreement.

The Operating Principles Agreement controls the way in which the EWA will be implemented and specifically states that the "EWA shall impose no net, increased incremental costs upon the projects. The Management Agencies and Project Agencies shall develop a financing plan to cover all costs of the EWA from non-contractor funding sources." The Senate's proposed budget cuts the funding for the EWA in half with the unstated expectation that water users will be required to fund the other half of the EWA's costs. As a result, the Administration would be required to violate its own environmental documents if it chooses to implement the EWA with funding from water users in the 2005-06 budget year.

The Senate's proposal to selectively fund programs severely damages the underpinnings of the CalFED Program. The CalFED Program was intentionally designed by the state and federal administrations, the Legislature and Congress to stop the "water wars" between Bay-Delta stakeholders that annually occurred in the courts, Congress, the Legislature and within both administrations. The Senate's proposed budget is a return to the days when stakeholders could count on a winning political hand to trump compromise and good public policy. We respectfully urge you to reject the Senate's proposed budget

for CalFED and instead develop a budget that maintains the balanced implementation of the CalFED Program.

xc: Members of Assembly Budget Subcommittee # 3  
Members of Senate Budget Subcommittee #2  
The Honorable Dianne Feinstein  
The Honorable Richard Pombo  
The Honorable Ken Calvert  
The Honorable Grace Napolitano

## News Release

May 18, 2005

### **Water Agencies Applaud Federal CALFED Budget *House Appropriators Back President's Request***

Contacts: David L. Reynolds, ACWA Director of Federal Relations, 202.434.4760; Jennifer Persike, ACWA Director of Strategic Coordination and Public Affairs, 916.441.4545, or 916.296.3981 (c)

WASHINGTON – The House Appropriations Committee today approved \$35 million in direct spending for the CALFED Bay-Delta Program in fiscal year 2006, nearly four times the amount spent last year. California water agencies are applauding the funding as key to keeping important projects for environmental, water supply, flood control and water quality moving forward.

The funding is divided into the following programs:

\$12.7 million for storage program feasibility studies; to include:

- \$4 million for the San Joaquin River Basin,
- \$3.2 million for Los Vaqueros,
- \$4 million for Shasta enlargement, and
- \$1.5 million for Sites Reservoir.

\$5 million for the Environmental Water Account;

\$6.3 million for conveyance; to include:

- \$3 million to the San Luis Reservoir Low Point Project,
- \$1 million to Frank's Tract, and
- \$2.3 million for Administration requests.

\$500,000 for planning and management;

\$6.5 million for water use efficiency, to include:

- \$2.3 million for the Westside Regional Drainage Program,
- \$200,000 to the Butte County Groundwater Model,
- \$1 million to the Inland Empire Utilities Agency Regional Water Recycling Project, and
- \$3 million for Administration requests.

\$1 million for ecosystem restoration in the Sacramento River Small Diversion Fish Screen Program; and

\$3 million for water quality; to include:

- \$2 million goes to the Contra Costa Water District Alternative Intake Project, and
- \$1 million to the South Delta Temporary Barriers Project.

"We're very pleased that the administration and the Congress are committing to the CALFED Program – we believe it is money well spent," said Steve Hall, executive director of the Association of California Water Agencies (ACWA). "The direction provided in this appropriations bill will enable important real-world projects to continue."

State and federal agencies are poised to complete studies of new water storage, and implement a suite of specific actions that will improve the effectiveness of ecosystem restoration work, and stabilize water supplies from the Delta. More reliable water deliveries, healthier fish populations, safer levees in the Delta and other improvements will result from the actions.

"We congratulate Chairman Lewis and Vice-Chairman Doolittle for helping move CALFED's actions forward," said Hall.

This important appropriation was made possible by bipartisan legislation passed last year to renew federal participation and to advance program implementation. Sponsored by Senator Dianne Feinstein, Representatives Richard Pombo, Ken Calvert and Grace Napolitano, HR 2828 was signed by President Bush in October 2004.

*ACWA is a statewide association whose 440 public agency members are responsible for about 90% of the water delivered in California. For more information, contact ACWA at 916.441.4545 or visit [www.acwa.com](http://www.acwa.com).*

BDPAC CORRISP.

# Chowchilla Water District

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May 9, 2005

Gary Hunt, Chair  
California Bay Delta Authority  
California Bay-Delta Public Advisory Committee  
650 Capitol Mall, 5<sup>th</sup> Floor  
Sacramento, CA 95814

Dear Mr. Hunt:

CalFed was formed in 1994 by State and Federal water management interests to change California's Delta ecosystem in order to greatly increase pumping more Northern California water to Southern California homes and farms. One of the major principals for CalFed was that beneficiaries of the CalFed program pay the costs for Delta changes that alter the Delta ecosystem. The recent proposal by the California Bay Delta Authority that about one-half of the costs be collected from local water and power users across the state to help pay for CalFed projects regardless of whether they are beneficiaries is unacceptable. Chowchilla Water District urges the California Bay Delta Authority to reconsider the disastrous road it is now heading down.

Sincerely,



Douglas Welch  
General Manager

cc: Senator Sheila Kuehl  
Senator Michael Machado  
Senator Wes Chesbro  
Assemblymember Lois Wolk  
Assemblymember Fran Pavley  
Assemblymember John Laird  
Michael Chrisman, Secretary, Resources Agency  
Alan Lloyd, Secretary, Cal-EPA  
Patrick Wright, Executive Director, CALFED Bay-Delta Program  
Dennis Albani, Deputy Legislative Secretary, Governor's Office