

Reasons for Finance Plan

- Significant drop in available funding after 2006-7
- Can't continue status quo reliance on public funding and bonds
- ROD required benefits-based plan
- Need comprehensive finance plan

Finance Plan Process

- Extensive public, stakeholder & agency participation; “bottom-up” approach
- Develop funding targets based on program objectives/needs, identify available funding & unmet funding needs
- Develop Issue Papers and Funding Proposals for each Program Element

Finance Plan Schedule

December 2004

- BDPAC comment; BDA approve @ meeting
- As needed, proposals included in Governor's Proposed FY 2005-06 Budget
- Finalize Finance Plan based on comments & changes ID at BDA/BDPAC meeting

January –June 2005

- Continued discussions with agencies, stakeholders, and Legislature

Finance Plan Updates

Annually

- Identify annual funding priorities as needed
- Program Plan Process
 - Adjust priorities and actions to reflect available funding
 - Update funding targets/needs

Periodic

- Element updates/evaluations
- Finance Plan revised 2-5 yrs

Ongoing

- Research & analysis of benefits & beneficiaries

Finance Plan Principles

1. CALFED Solution Principles
2. Benefits-Based Approach
3. Public and User Benefits
4. Reasonable Funding Targets (total)
5. Public Funds
6. State & Federal Cost Share

Finance Plan Principles

7. Benefit-Based Grant Programs
8. Use of Available Bond Funds
9. Allocation within CVP and SWP
10. Periodic Evaluations
11. Accounting System

ROD vs. Finance Plan Funding Targets

(average annual dollars)

- ROD \$1.26 bill.
- Finance Plan \$807 mill.
- Difference -\$451 mill. (-36%)

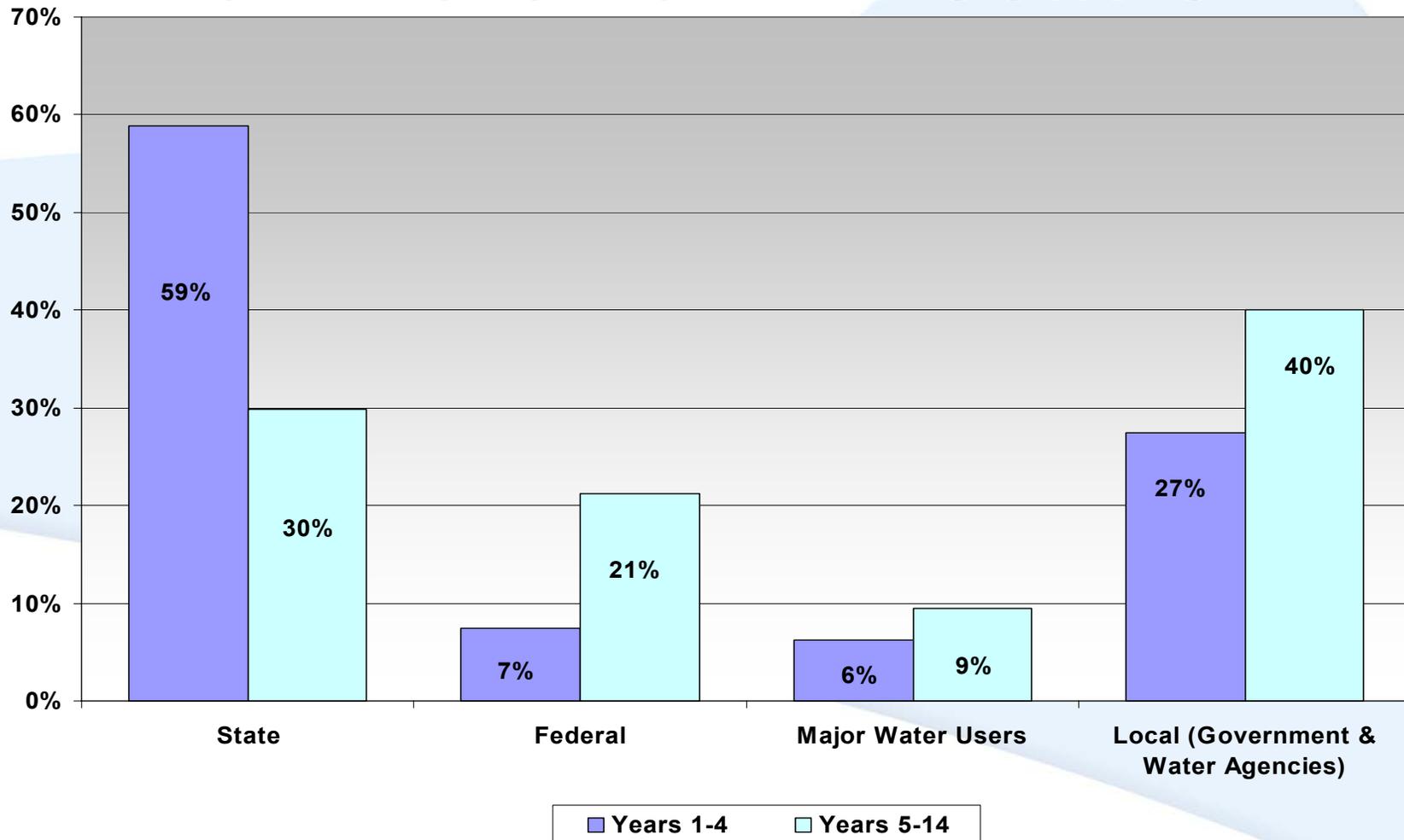
**Available and Additional Funding Needed to Meet
Targets**
(\$ in millions)

Program Element	Funding Target	Total Available Funding	Unmet Needs	Total Additional Funding
Ecosystem Restoration	\$ 1,500	\$ 372	\$ 1,128	\$ 1,128
Environmental Water Account	\$ 438	\$ 98	\$ 340	\$ 340
Water Use Efficiency	\$ 3,153	\$ 778	\$ 2,375	\$ 2,375
Water Transfers	\$ 6	\$ 6	\$ 0	\$ 0
Watershed	\$ 423	\$ 55	\$ 368	\$ 368
Water Quality	\$ 276	\$ 26	\$ 250	\$ 250
Levees	\$ 446	\$ 48	\$ 399	\$ 399
Storage	\$ 1,087	\$ 159	\$ 928	\$ 928
Conveyance	\$ 185	\$ 85	\$ 100	\$ 100
Science	\$ 437	\$ 48	\$ 390	\$ 390
Oversight & Coordination	\$ 121	\$ 74	\$ 47	\$ 47
TOTAL	\$ 8,073	\$ 1,748	\$ 6,325	\$ 6,325

10-Year Funding Allocations by Beneficiary (\$ in millions)

Program Element	Funding Target	State	Federal	Water Users	Local Match	Total Funding
Ecosystem Restoration	\$1,500	\$542	\$408	\$400	\$150	\$1,500
Environmental Water Account	\$438	\$180	\$135	\$123		\$438
Water Use Efficiency	\$3,153	\$575	\$530		\$2,048	\$3,153
Water Transfers	\$6	\$6				\$6
Watershed	\$423	\$196	\$161		\$66	\$423
Water Quality	\$276	\$81	\$72	\$17	\$105	\$276
Levees	\$446	\$186	\$175	\$32	\$53	\$446
Storage	\$1,087	\$292	\$36	\$9	\$750	\$1,087
Conveyance	\$185	\$109	\$6	\$71	\$0	\$185
Science	\$437	\$167	\$151	\$108	\$11	\$437
Oversight & Coordination	\$121	\$75	\$46	\$0	\$0	\$121
TOTAL Dollars	\$8,073	\$2,408	\$1,722	\$760	\$3,183	\$8,073
TOTAL Percentage	100%	30%	21%	9%	40%	100%

Finance Plan Proposed vs. Historical Allocation



Schedule for New Funding

Year 6 (2005-06)

- Increased Federal funding based on new authorization
- CVP Water user contributions begin for IEP

Year 7 (2006-07)

- Water user contributions begin for ERP
- New State funding begins

Year 8 (2007-08)

- Water user contribution begins for EWA & Levees

Highlights of Comments Addressed

- 10-year plan; not 30 years
- Transparent bottom up process with strong public participation
- Reasonable funding targets
- Don't let feds off the hook
- Accept allocations within CVP and SWP
- Periodic evaluations to assess targets, benefits and beneficiaries
- ID Process to address changes to Finance Plan

Major Remaining Issues

- Water User Contributions
 - ERP, EWA, Levees, Science (IEP)
- Likelihood of Increased Federal Share
- Reliance on New State Funds by 2006-07

Environmental Water Account Issues

- Water user share – 50% level questioned, delay in timing questioned
- Competing demands for the use of the Restoration Fund.
- Funding target questioned
- Competing demands for Prop 50 Chp 7(d)
- The federal share for EWA is higher than recent years

Environmental Water Account

- Funding Target
 - \$35m/yr – \$72 m/yr (\$438m total)
 - Long-term purchases: \$50m (Yrs 6 &7)
 - Reserve Fund: \$16m (Yrs 8 & 9)
 - Science: \$4.5m/yr (\$8.5m Yrs 8 &12)
- Allocation
 - State and Federal-- Reserve Fund and Long Term Purchases shared equally Yrs 6-9
 - CVP, SWP, State, Fed--Annual expenses shared equally Yrs 8-14

Environmental Water Account

- 50%--Public (state & fed) receive ecosystem restoration benefits
- 50%--Delta export water users benefit from avoided water supply impacts due to curtailments in Delta pumping
- 50-50 cost share based on review and modeling of first few years of EWA

Storage Issues

Surface Storage Planning

- Program funding needs being assessed
- If all investigations continue – additional funding will be needed
- Delay in surface storage planning possible if state funding not provided in near-term

Surface Storage construction

- Project funding will be based on benefits analysis. Expect primary beneficiaries to be water users

Storage

- Surface Storage Planning
 - Target \$82m
 - Available funding \$31m, Unmet need \$51m
 - Public funds proposed for completing studies
 - Federal funding available by Year 6
 - State funding delayed until Year 7; will likely cause delay in state–lead projects

Storage

- Groundwater Storage
 - \$1 billion total; approximately \$100m/yr
 - 25% state, 75% local match
 - Target based on ROD objective 500 TAF storage
 - Allocation based on expected distribution of public and local benefits on average
 - Cost share by project will vary depending on local cost effectiveness and public benefits

Conveyance Issues

- None remaining
- Project financing primarily CVP and SWP, and existing bond funds

Conveyance

- 10 separate projects
 - 3 construction projects, 7 planning studies
- Funding target: \$185 mill over 10 yrs
- Overall cost allocation
 - 59% state, 3% fed, 23% SWP, 15% CVP

Conveyance Construction Projects

1. Permanent Barrier/ 8500 cfs
 - Planning (\$13m) – continue SWP funding
 - Construction (\$87m) – rely on available State bond funds if Federal funding is not available
2. Interim S. Delta / Temp. Barriers (\$25m)
 - Allocated to SWP; status quo funding continued
3. DMC/ SWP Aqueduct Intertie (\$27m)
 - Allocated to South of Delta CVP water users

Conveyance

- Planning Studies (pg 93)
 - 7 Studies
 - Mixture of public & water user funding, considering existing authorized funding and expected benefits
 - Listed in Executive Summary
- Potential Capital Projects (pg 95)
 - Includes 5 of the studies moving to construction
 - Allocations developed based on benefits after planning completed

Major Themes & Issues

The Finance Plan:

- Proposes new funding targets reduced by 35%
- Pushes the benefits-based approach; sharpens the criteria for public funds and increases contributions from other sources
- Provides a Framework to seek funding from all beneficiaries
- Lays a foundation for annual review of priorities as the Plan is put into action

10 Year Finance Plan

Next Steps

- Final Plan available January 2005
- State Legislative discussion/action in 2005
- Federal appropriations requests for FY 2006 and 2007
- Ongoing discussion with stakeholders and agencies to refine aspects of the Finance Plan