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Westlands Water District

3130 N. Fresno Street, P.O. Box 6056, Fresno, California 93703-6056, (209) 224-1523, FAX: (209) 241-6277

March 10, 1998

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Bay-Delta Advisory Council
c/o CALFED BayDelta Program
1416 Ninth Street, Suite 1155
Sacramento, CA 95814

Subject: Land Retirement

Members of BDAC:

The January 29, 1998 BDAC meeting included a discussion of the supposed benefits and impacts of a permanent land retirement program. This letter has been prepared in response to that discussion and the memorandum dated January 14, 1998 from Lester Snow to the BDAC on this topic.

We were encouraged by Lester's comments during the presentation that the CALFED analysis shows land retirement doesn't solve the problems in the Delta and thus will not be included in any CALFED alternative. Unfortunately, this is not stated in the memorandum. As a result, some remain clearly attracted to land retirement as an alternative to address CALFED objectives. Those who embrace this approach must acquire an understanding of the real impacts of a large scale land retirement program. Further analysis is clearly necessary to provide for this understanding, although we maintain that CALFED and BDAC are the improper forums for such a review.

As the comments below demonstrate, the current CALFED analysis contains numerous deficiencies. First of all, the stated requirement for analysis of land retirement is inaccurate. Furthermore, the potential benefits of land retirement are overstated and the impacts are seriously understated. In summary:

- ◆ **EPA Section 404 Guidelines Do Not Require Land Retirement Analysis**
- ◆ **Permanent Land Retirement Would Not Reduce the Need for Delta Exports or Create Environmental Benefits**
- ◆ **Reduction in Income is Seriously Understated**

- ◆ **Impact on Employment is Understated**
- ◆ **Social Consequences are Ignored**
- ◆ **Permanent Land Retirement is Inconsistent with CALFED Mission**
- ◆ **Permanent Land Retirement is Inconsistent with CALFED Solution Principles**

Further discussion on each of these points is presented below.

EPA Section 404 Guidelines Act Do Not Require Land Retirement Analysis

CALFED staff has reported that a permanent land retirement program must be evaluated because an analysis of alternatives is a requirement guidelines promulgated by EPA under authority granted it by Section 404(b)(1) of the Clean Water Act. However, these guidelines require only that "practicable" alternatives be considered, and "practicable" is defined to mean "available and capable of being done after taking into consideration cost, existing technology, and logistics in light of overall project purposes." In other words, if an alternative will not achieve the basic purpose of the proposed activity, it is not "practicable" and it does not have to be analyzed. For reasons further detailed below, permanent land retirement does not achieve the basic purpose of the CALFED program and, therefore, the EPA guidelines do not require that it be analyzed. We urge CALFED staff to further evaluate the Section 404 requirements and find that land retirement is not a "practicable" alternative requiring further analysis.

Permanent Land Retirement Would Not Reduce the Need for Delta Exports or Create Environmental Benefits

The CALFED analysis concludes that retirement of 500,000 acres of agricultural land in export service areas of the San Joaquin Valley could reduce Delta exports by 1.4 million acre-feet per year, or 2.8 acre-feet per acre. The analysis identified four geographic areas of land retirement; the Delta Mendota Service area, Westlands Water District, Tulare Lake Bed, and Kern County.

Even if all of the water that would be allocated to retired lands were left in the Delta, retirement of ag land in these areas would not result in 1.4 million acre-feet of reduced Delta exports. CVP and State Water Project contractors in these areas do not have contracts that amount to 2.8 acre-feet per acre of reliable supply. For example, Westlands Water District has a CVP contract entitlement for 1,150,000 acre-feet per year, or approximately 2.0 acre-feet per acre. As a result of CVPIA and the 1994 Accord, the long-term reliability of this entitlement is estimated to be only 1.4 acre-feet

per acre. Furthermore, retirement of land in Westlands would not affect the need for full delivery of its contractual entitlement. In fact, even with a reduction in acreage at the level identified in the CALFED analysis, surface water requirements on the remaining acreage would still exceed the long-term availability of our CVP contract supply. Westlands, whose water users are among the most efficient irrigators in the world, would utilize this full entitlement and continue to pursue additional supplies to meet its water needs, particularly in consideration of CVPIA impacts on CVP water supply reliability.

In addition, permanent land retirement does not provide the environmental benefits sought by the CALFED process. Even if the water supply actually available on these lands was made available for environmental uses, it would not be available during periods of greatest environmental need. Export reductions do not provide water for the environment in critical periods. It is becoming increasingly apparent by CALFED's own analysis that additional storage capacity is required to accommodate this need. Those who view land retirement as a suitable alternative that can meet environmental restoration objectives overlook this critical point.

The CALFED analysis clearly fails to consider the source and reliability of water supply currently being provided to the lands targeted for permanent retirement. The analysis also fails to consider the lack of environmental benefit derived from this supply. These shortcomings must be addressed if CALFED chooses to continue an analysis of land retirement despite the Section 404 conclusion detailed above.

Reduction in Income is Seriously Understated

The CALFED analysis concludes that personal income would be reduced by about \$160 million a year. In fact, the real economic impact is far greater, in excess of \$2.0 billion per year.

A November, 1992, University of California, Division of Agriculture and Natural Resource study¹ on the impact of California agriculture on the State economy reports that each dollar earned within agriculture stimulates additional economic activity in the form of jobs, income and output. This additional activity, or multiplier effect, is substantial statewide, and even more significant within the Central Valley. In 1990 dollars, total sales from agriculture in the Central Valley and value added to the economy from farm products was nearly three times the gross farm product. Every one

¹ The Measure of California Agriculture: Its Impact on the State Economy, by Harold O. Carter, Director, Ag Issues Center, UC, Davis, and George Goldman, Economist, Dept of Ag and Resource Economics, UC Berkeley, November, 1992

of these dollars is reinvested in the State economy for farm equipment, seed, fertilizer, labor, professional services, and other business and personal needs.

Gross Farm output varies by region, depending on crop, yield, and market prices. Retirement of 500,000 acres of land would likely affect a broad variety of row, fresh vegetable, and permanent crops. Based on conservative gross farm output per acre, a permanent land retirement program of 500,000 acres would reduce gross farm income by approximately \$700 million per year. Application of the multiplier increases this economic impact to over \$2.0 billion per year.

While these numbers appear staggering, they are clearly supportable. Agriculture is second only behind tourism in California in its contribution to the State's economy. Retirement of 500,000 acres in the Central Valley represents a significant portion of farm production from an area that is unsurpassed in efficiency, output, and product quality. Ag production in the Central Valley provides the United States and parts of the world with fresh fruits and vegetables 365 days a year. These economic impacts can not be ignored. Understatement of these impacts as presented in the CALFED analysis is misleading and results in improper conclusions as to the effectiveness of a land retirement program.

Impact on Employment is Understated

The CALFED analysis states that nearly 22,000 jobs would be displaced, but then offsets this by stating over 15,000 jobs would be created, resulting in a net loss of about 6,400. It is not clear how these numbers were determined. Again, substantial economic analysis exists that suggests otherwise.

In 1994, Northwest Economic Associates² estimated 9,300 on-farm and support industry jobs would be lost from the retirement of 110,000 acres in the CVP. This analysis also estimated 2,600 on-farm and support industry jobs would be lost from the retirement of 40,000 acres in the SWP. The CALFED analysis shows that only 6,400 jobs would be affected from the retirement of 500,000 acres, over three times the acreage included in the Northwest study. A California Institute of Rural Studies report on the impacts of water supply reduction on the City of Mendota³ summarizes equally alarming results on local employment at levels above the CALFED analysis.

² Economic Impacts of the December 15, 1993 Proposed Federal Action on San Joaquin Valley Agriculture; Prepared by Northwest Economic Associates, March 11, 1994

³ 93640 at Risk: Farmers, Workers and Townspeople in an Era of Water Uncertainty, by Don Villarejo, published by California Institute for Rural Studies, Inc. March, 1996

A significant amount of financial analysis has been prepared that shows far more significant impacts than the analysis prepared by CALFED staff. If CALFED chooses to proceed with further review of land retirement, despite the inapplicability of Section 404, these studies should be analyzed and referenced in the final CALFED report.

Social Consequences are Ignored

Perhaps the most stunning omission of the CALFED analysis is its failure to recognize or consider the social consequences of a large-scale land retirement program. As the California Institute of Rural Studies report demonstrates, disruptions of water supplies and implementation of policies which adversely impact the economic health of agriculture have direct and significant impacts on the lives of people dependent upon this enterprise. The health of small farm communities, already fragile, is damaged, low-income families are harmed, and hopes for the future are dashed.

Permanent Land Retirement is Inconsistent with CALFED Mission

The stated CALFED Mission "is to develop a long-term comprehensive plan that will restore the ecological health and improve water management for beneficial uses of the Bay-Delta system". The origins of CALFED lie in Governor Wilson's and the Clinton Administration's actions aimed at addressing the environmental and water management problems associated with the Bay-Delta system. "Balanced solutions" and "getting better together" form the fundamental basis that has drawn us all to the CALFED solutions process. Any action aimed at reducing conflicts by eliminating a significant piece of a stakeholders' interests does not fit this mission.

If CALFED does not exist to fulfill this mission in a balanced and equitable way, then perhaps we need to revisit the CALFED mission. If we are to selectively exclude beneficial users from the long-term comprehensive plan and alternatives, then we must review the entire range of alternatives. If land retirement is viewed as a practicable alternative, then so must elimination of the recreational and commercial fishing industry to the extent it conflicts with ecosystem recovery objectives. If alternatives must be evaluated that transcend reasonableness, then we must also evaluate permanently "retiring" the winter-run salmon or Delta smelt. Limitation and control of urban growth and business expansion must also be evaluated. It is not appropriate to single out the devastation of Central Valley agriculture within the context of the CALFED process and consider it as an alternative.

Permanent Land Retirement is Inconsistent with CALFED Solution Principles

The CALFED solution principles provide the structure within which we have all engaged in the process. These were intended to provide the framework of a "fair deal". Permanent land retirement does not "reduce conflicts" because demands will continue at a level greater than that which is currently available in the system; it does not meet

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the test of "equitability" when the devastation of Central Valley ag production and rural economies is compared to the uncertain and minimal benefits to the environment; it is not "affordable" when viewed in the context of impact on the State's gross economic product; and it clearly violates the principle of "no significant redirected impacts".

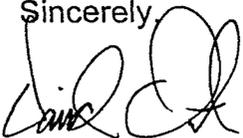
Some stakeholders appear to feel it is appropriate to abandon these solution principles or selectively apply them to the detriment of agriculture. Abandonment of these principles will doom CALFED. Westlands' ongoing commitment to actively participate in and support the CALFED process is based on the continued pursuit of the CALFED solution principles.

Conclusion

The CVPIA authorized voluntary land retirement as one solution to addressing drainage and water supply problems within the CVP. This program is not viewed as a major source of water supply by any of the parties involved, nor was it intended by Congress to solely resolve the conflicts established by CVPIA. The Bureau of Reclamation has initiated a public process of soliciting bids from willing sellers and is expected to complete purchase of up to 12,000 acres in 1998. Federal funding exists within the Restoration Fund to accomplish this level of acquisition each year for several years to come. NEPA analysis has yet to be completed; therefore, it remains to be seen whether the environmental impacts of this program are acceptable.

CALFED is not about permanent land retirement. CALFED is about finding balanced solutions that provide opportunities to restore the Bay-Delta ecosystem, improvements in water quality and supply reliability to all Californians, and reduction in the vulnerability to levee failure in the Delta. We challenge BDAC and the CALFED staff to resume active and focused pursuit of these goals.

Sincerely,



David Orth

cc: Lester Snow
Governor Pete Wilson
Interior Secretary Bruce Babbitt