

Financial Policy Issue Worksheet

Storage and Conveyance Funding

Description

Any storage and/or conveyance facilities that are included in the Preferred Alternative will not begin actual construction for approximately a decade. This is due to the extended planning and permitting processes that must be adhered to for these Program components. Due to this extended time frame, it will be some time before accurate cost estimates are known.

Discussion

- Storage and conveyance facilities are expected to be joint-use, meaning that a portion of the facility would be dedicated to ecosystem purposes, and a portion to user purposes.
- Due to lack of specific cost data, agreement on the cost allocation of any new facilities will probably have to be in principle rather than specifying exact dollar amounts.
- Generally, costs of joint-use facilities can be allocated using one of a number of techniques. However, stakeholders have argued that until agreement on a "ecosystem financial baseline" is reached, agreement in principle on cost allocations for any new facilities cannot be reached.
- Ecosystem financial baseline refers to a status of the Bay-Delta ecosystem up to which any improvement would be considered mitigation, while any further improvement would be considered enhancement. The significance is based on the assumption that mitigation is a user cost, while enhancement is a public cost.
- There is no single correct answer on the appropriate "ecosystem financial baseline." Agreement on this issue will be reached through negotiation.
- User portions of new facilities can be funded by the State and/or federal government with reimbursement by users, or financed by users with revenue bonds for which the users are responsible for repayment.
- The federal portion of the public cost of new facilities would need to be appropriated by Congress. The State portion could be appropriated by the legislature, or financed using State G.O. bonds.

BDAC Report

Agreement in principle on cost sharing for any new facilities will need to be part of the final implementation package for the Preferred Alternative. This agreement would probably be contingent on agreement with respect to the ecosystem financial baseline issue. Assuming agreement is reached on the baseline issue, the public and user portions of any new facilities could potentially be allocated in a number of ways reflecting the joint use of the facilities. It should be anticipated that there will be some public portion of these facilities that will entail additional federal appropriations and State G.O. bonds beyond those needed for the Common Programs. This public portion would relate to ecosystem usage of the facilities. These additional expenditures would be expected to occur in the second ten-year implementation period.

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