

CALFED Financing

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Costs of the CALFED Program will range between about \$500 million and \$600 million annually. This amount includes capital repayment, energy costs, and costs of operations and maintenance. Program capital costs will range from about \$9 billion to \$10.5 billion, including the common programs elements, storage, and construction. Approximately \$4 billion of this cost will be for the common program elements. Up to \$5 billion would be for storage facilities, if a decision was made to implement all of the storage analyzed (6 million acre feet).

BDAC has established a finance work group to gather information and further analyze financial issues. The work group is comprised of members with diverse backgrounds and interests representing urban, agricultural, environmental and state and federal agencies.

Current thinking of the Finance Work Group and CALFED agencies is that financing of the CALFED Program will be borne by both the general public and by end users (such as water users), with those costs distributed on a benefits-based approach. That is, those who enjoy the benefits of Program actions will pay the costs associated with producing those benefits. For example, for purposes of storage and conveyance facilities, the benefits-based principle means that users of these facilities would pay the full cost of the facilities. In addition, while public financing may fund a portion of the Common Programs, there may be Common Program benefits to water users in the Bay-Delta System that would support the need for a user fee.

A cost-sharing agreement has already been executed for near-term ecosystem restoration activities. Additionally, federal and state agencies are working on a longer-term cost-sharing arrangement for that portion of Program costs that are eventually allocated to the general public. Initial arrangements would share these costs equally between the federal and state governments.

Program financing is already coming into place. For example, for the ecosystem restoration program, water users and the state and federal governments have dedicated funds to implement these ecosystem restoration projects. Water users have contributed about \$30 million to the Category III program, while state funding through Proposition 204 has contributed over \$450 million. \$85 million in federal funding has been appropriated in 1998 to implement PL 104-33 (the California Bay-Delta Environmental Enhancement and Water Security Act).