



**CALFED
BAY-DELTA
PROGRAM**

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March 10, 1999

Honorable Virginia Strom-Martin, Chair
Assembly Subcommittee on Resources
State Capitol, Room 3146
Sacramento, CA 95814

Dear Ms. Strom-Martin:

This letter is to provide information requested in the Legislative Analyst's analysis of the Governor's Fiscal Year 1999-2000 budget and to advise you of the status of two reports requested in the *Supplemental Report of the 1998 Budget Act*.

The Legislative Analyst recommends that the Department of Water Resources provide information on expenditures, broken down by fund source, for the CALFED Bay-Delta Program for 1997-98, 1998-99 (estimated), and 1999-00 (proposed). The Legislative Analyst also recommends that information be provided on staffing for the CALFED Bay-Delta Program in 1997-98, along with an estimate for 1998-99 and projection for 1999-00. The Department of Water Resources, the State's administrative agent for the CALFED Bay-Delta Program, has developed the enclosed table to provide this information.

Some observations may help in interpreting the data presented in this table. First, the CALFED Bay-Delta Program is a partnership between the State and federal governments, but each government has its own fiscal year -- July to June for State government; October to September for the federal government. This program has used the federal fiscal year for budgeting purposes. Either option makes a fiscal-year display of budget and expenditure data more complex than if we were dealing with one consistent fiscal year. Second, the enclosed table indicates -- through the "unidentified sources" category -- that budgeting for the CALFED Bay-Delta Program has been complicated by budget processes that rely on mid-year adjustments rather than full funding at the beginning of fiscal years. Finally, this table clearly indicates that the CALFED Bay-Delta Program is proposing to maintain a constant level of effort and is

CALFED Agencies

California
The Resources Agency
Department of Fish and Game
Department of Water Resources
California Environmental Protection Agency
State Water Resources Control Board

Federal
Environmental Protection Agency
Department of the Interior
Fish and Wildlife Service
Bureau of Reclamation
U.S. Army Corps of Engineers

Department of Agriculture
Natural Resources Conservation Service
Department of Commerce
National Marine Fisheries Service

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proposing to maintain an agreed-upon 50%-50% funding arrangement between State and federal governments, even though funding sources may change over time. Federal expenditures from the inception of the Program in 1995 through September 1998 have been \$21.0 million; while State expenditures over that same period have been \$18.5 million.

The *Supplemental Report of the 1998 Budget Act* requests two reports. Under Budget Item 3860-001-0001, Department of Water Resources, the *Supplemental Report* indicates:

As part of the analysis prior to selection of a draft preferred alternative, the CALFED Bay-Delta Program shall prepare:

- a. A draft economic comparison of a full range of potential strategies to increase water supply reliability for urban and agricultural water users. This analysis shall separately present and compare the potential costs and water supply reliability benefits of conjunctive use and groundwater programs, agricultural and urban water conservation programs, water recycling and reclamation, voluntary water transfers, the retirement of marginal or drainage-impaired agricultural lands, new surface storage facilities, and other potential programs as appropriate; and
- b. A draft CALFED financing strategy for the components of the preferred alternatives. The strategy shall include estimated operations and maintenance and capital costs, and shall include alternatives for paying costs identifying which groups benefit, which are public goods for taxpayer contributions, and which benefit a particular community or class of users and should be paid by them, and would specifically require benefitting water users to bear the full cost of strategies to provide increased water supply, including, but not limited to, capital, interest, mitigation, and operations and maintenance costs.

This text was adopted in mid-1998, when expectations were that the CALFED Bay-Delta Program would adopt a draft programmatic environmental impact statement/environmental impact report (EIS/EIR) in late 1998. General expectations in mid-1998, based on statements from then-Governor Wilson and Secretary of the Interior Babbitt, were that the draft PEIS/EIR would include a draft preferred alternative. Accordingly, we continued work already begun on a draft economic comparison of water management strategies and a draft financing strategy.

However, as federal and State agency and stakeholder representatives met many times in the autumn of 1998 to discuss possible resolution of major policy topics, it became clear that a draft programmatic EIS/EIR that included a draft preferred alternative would not be released in

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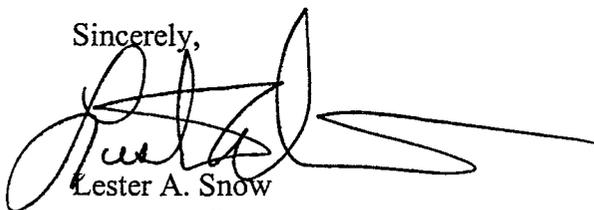
1998. Although the goals set in mid-1998 would not be reached, these meetings resulted in significant progress in the development of the Bay-Delta Program, and this progress is documented in the CALFED Bay-Delta Program *Revised Phase II Report*, released on December 18, 1998. In many ways, this document is a progress report on preparation of a draft preferred alternative. Several portions of the Report describe additional work to be completed before release of a draft programmatic EIS/EIR identifying a preferred alternative.

A draft economic comparison of water reliability measures and a draft financing strategy are important pieces of information for decisionmakers to consider when selecting a draft preferred alternative. We have made progress in developing both these documents. Section 2.2 of the Report discusses fundamental program concepts, including a water management strategy to address water supply reliability issues. This section of the report presents a rudimentary comparison of the costs of various water management tools, and it notes that an evaluation of water management tools should consider flexibility and environmental impacts, in addition to cost impacts. Additionally, Section 5.4 of the *Revised Phase II Report* contains a brief discussion of approaches to financing the Bay-Delta Program.

Since release of the Report in December, we have continued our efforts on these topics, and we expect to be able to present the Legislature's budget committees with more complete draft versions of an economic comparison of water reliability measures and of a financing strategy prior to release of the draft programmatic EIS/EIR later this year.

I hope this information is helpful. Please call me at 657-2666 if you have additional questions on this topic.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lester A. Snow', with a long horizontal flourish extending to the right.

Lester A. Snow
Executive Director

Enclosure

cc: Thomas Hannigan
Department of Water Resources

Chet Winn, Chief
Division of Fiscal Services
Department of Water Resources