



June 23, 1999

Honorable Steve Peace, Chair
Joint Legislative Budget Committee
State Capitol, Room 3060
Sacramento, CA 95814

Dear Senator Peace:

CALFED Bay-Delta Program, DRAFT FINANCING STRATEGY

This letter is in response to direction in the *Supplemental Report of the 1998 Budget Act, Item 3860-001-0001—Department of Water Resources* for a draft financing strategy for the components of the preferred alternative in the CALFED Bay-Delta Program. This request originated during deliberations on FY 98-99 budget appropriations for support of the CALFED Bay-Delta Program, which is being funded through the Department of Water Resources.

Supplemental Report request.

The *Supplemental Report of the 1998 Budget Act* requests:

“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 benefiting water users to bear the full cost

CALFED Agencies

<p>California</p> <ul style="list-style-type: none"> The Resources Agency Department of Fish and Game Department of Water Resources California Environmental Protection Agency State Water Resources Control Board Department of Food and Agriculture 	<p>Federal</p> <ul style="list-style-type: none"> Environmental Protection Agency Department of the Interior Fish and Wildlife Service Bureau of Reclamation U.S. Geological Survey Bureau of Land Management U.S. Army Corps of Engineers 	<ul style="list-style-type: none"> Department of Agriculture Natural Resources Conservation Service U.S. Forest Service Department of Commerce National Marine Fisheries Service Western Area Power Administration
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of strategies to provide increased water supply, including, but not limited to, capital, interest, mitigation, and operations and maintenance costs.”

This letter responds to the request for a draft CALFED financing strategy for the components of the preferred alternative. The requested draft economic comparison of potential strategies to increase water supply reliability for urban and agricultural water users is being forwarded as a separate letter.

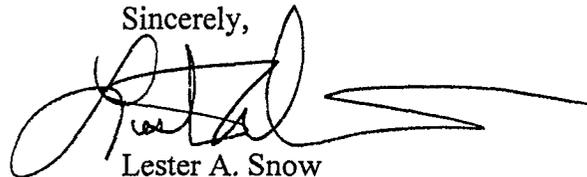
Forthcoming draft program plans and draft programmatic environmental impact statement/
environment impact report.

The CALFED agencies will release draft program plans and a draft programmatic environmental impact statement/environmental impact report for the CALFED Bay-Delta Program in late June 1999. These documents will identify a draft preferred alternative and will include more detailed descriptions of program actions to improve water supply reliability and to develop financing mechanisms for the program.

Enclosed is the CALFED Bay-Delta Program Draft Finance Plan, June 1999. This document is part of the CALFED Bay-Delta Program draft programmatic Environmental Impact Statement/Environmental Impact Report. The Draft Finance Plan discusses program benefits, program beneficiaries, and finance options for each of the elements of the CALFED Bay-Delta Program. The draft also discusses estimated program costs.

Please call me at (916) 657-2666 if you have questions on this material.

Sincerely,



Lester A. Snow
Executive Director

cc: Thomas M. Hannigan, Director
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