

CALFED Bay-Delta Program

Finance Plan Implementation & State and Federal Budget Updates

Agenda Item 10-6

Overview

- Finance Plan Status
- Overview of Near-term Funding Status
- Federal Funding Year 6
- Water User Funding Options – ERP Focus
- State Public Funding Options
- Next Steps / Summary

Finance Plan Status

- BDA approved Finance Plan 12/04; Final Finance Plan available
- Adopted Plan as framework to guide financing of the Program; directed BDA to continue working with all parties to refine details of the Plan
- BDA asked for information on ERP fee option, state funding options, and water user requested assurances

Finance Plan Status

Governor's Proposed Budget 2005-06:

- Endorsed the CALFED Finance Plan as a framework
- Directs BDA to work with stakeholders to develop a plan for financing the Program
- The plan will be incorporated in the Governor's May revision

Finance Plan

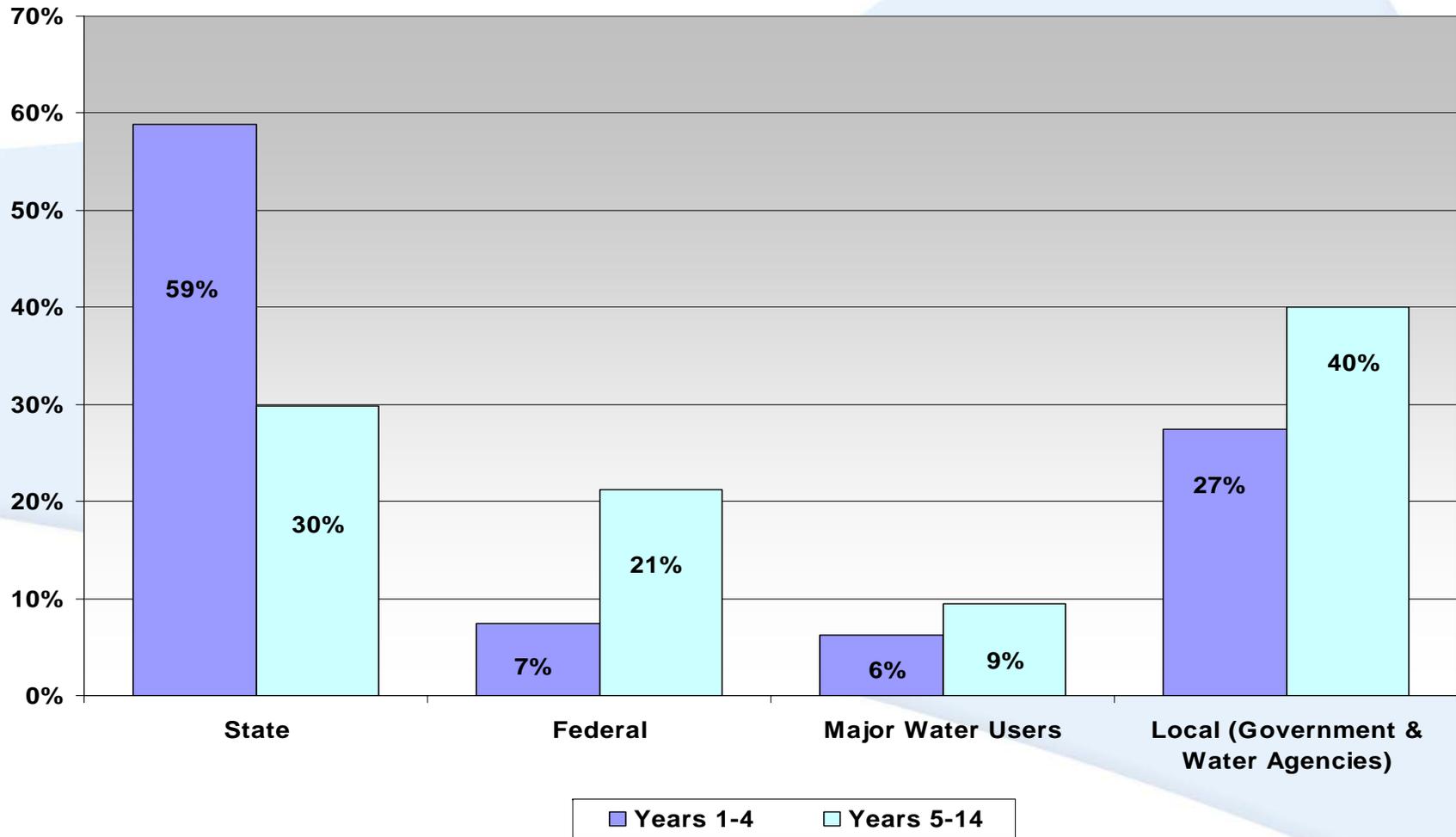
Major Themes & Issues

- Reduces funding targets by 35%
- Pushes the benefits-based approach; sharpens the criteria for public funds
- Adopts a framework to seek funding from all beneficiaries
- Lays foundation for annual review of priorities

10-Year Funding Allocations by Beneficiary (\$ in millions)

Program Element	Funding Target	State	Federal	Water Users	Local Match	Total Funding
Ecosystem Restoration	\$1,500	\$542	\$408	\$400	\$150	\$1,500
Environmental Water Account	\$438	\$180	\$135	\$123		\$438
Water Use Efficiency	\$3,153	\$575	\$530		\$2,048	\$3,153
Water Transfers	\$6	\$6				\$6
Watershed	\$423	\$196	\$161		\$66	\$423
Water Quality	\$276	\$81	\$72	\$17	\$105	\$276
Levees	\$446	\$186	\$175	\$32	\$53	\$446
Storage	\$1,087	\$292	\$36	\$9	\$750	\$1,087
Conveyance	\$185	\$109	\$6	\$71	\$0	\$185
Science	\$437	\$167	\$151	\$108	\$11	\$437
Oversight & Coordination	\$121	\$75	\$46	\$0	\$0	\$121
TOTAL Dollars	\$8,073	\$2,408	\$1,722	\$760	\$3,183	\$8,073
TOTAL Percentage	100%	30%	21%	9%	40%	100%

Finance Plan



Available Funding/ Unmet Needs

Year 6 (2005-6)

(\$ millions)

Program Element	Available Funding						Unmet Needs
	State	Federal	Water User		Local Match	Total Available	
			CVP	Non-CVP			
Ecosystem Restoration	\$26	\$6	\$20		\$3	\$56	\$94
Environmental Water Account	\$45	\$10				\$55	\$17
Water Use Efficiency	\$60	\$15			\$103	\$177	\$128
Water Transfers	\$0.6					\$0.6	\$0
Watershed	\$12				\$2	\$14	\$30
Water Quality	\$4					\$4	\$25
Levees	\$18				\$3	\$22	\$14
Storage	\$27	\$11			\$47	\$84	\$53
Conveyance	\$30	\$5		\$0.1		\$35	\$9
Science	\$7	\$6				\$13	\$31
Oversight & Coordination	\$7	\$4				\$11	\$1
Total	\$237	\$57	\$20	\$0.1	\$158	\$473	\$401

Available Funding / Unmet Needs

Year 7 (2006-7)

(\$ millions)

Program Element	Available Funding					Unmet Needs
	State	Water User		Local Match	Total Available	
		CVP	Non-CVP			
Ecosystem Restoration	\$11	\$20		\$1	\$32	\$118
Environmental Water Account	\$10				\$10	\$43
Water Use Efficiency	\$52			\$88	\$140	\$185
Water Transfers	\$0.6				\$1	\$0
Watershed	\$0.1				\$0	\$41
Water Quality	\$0.9				\$1	\$29
Levees	\$1				\$1	\$34
Storage	\$2				\$2	\$120
Conveyance	\$27		\$0.1		\$27	\$23
Science					\$0	\$44
Oversight & Coordination	\$7				\$7	\$5
Total	\$111	\$20	\$0.1	\$89	\$221	\$641

Federal Funding

- FY 06 President's Proposed Budget & Crosscut
- Federal Funding Priorities FY 06
 - February -- Discussion
 - April -- Recommendation

Federal Funding FY 2006 (Yr 6)

- Finance Plan total \$235 mill
 - \$206 mill Federal Share
 - \$29 mill CVP water user share
- State Administration Strategy:
 - Maximize existing federal funds
 - Request \$100 mill new funding
- BDA recommended Federal Priorities

What Counts

- **Category A:** programs and funds managed *consistent* with the CALFED objectives and following the CALFED process of oversight and review
- **Category B:** programs and funds with *related & overlapping* program objectives and whose geographic area of focus overlaps with the CALFED solution area.

RECLAMATION

Managing Water in the West

Federal FY 2006 Budget

- Budget Crosscut
- Federal Budget Process
- FY 2006 President's Budget



U.S. Department of the Interior
Bureau of Reclamation

Budget Crosscut

- **Compilation of annual budget data from participating agencies**
 - NRCS, EPA, USACE, USBR, NOAA Fisheries, USGS
- **Comprehensive list of projects/programs that contribute or complement CALFED goals**
- **Best available information at the time**
- **Who uses it?**
 - Congress uses it in consideration of appropriations bills and setting Congressional priority
 - Authority uses it for oversight of CALFED implementation

RECLAMATION

Budget Crosscut

- Public Law 108-361 Mandates
 - Delivery 30 days after release of President's Budget
 - Budget data for years 98-present
 - Additional reporting requirements
- Gives more information to Congress to make funding decisions

CALFED-RELATED FEDERAL FUNDING BUDGET CROSSCUT

Federal Fiscal Years 1998–2006

(Dollars in millions)

	1998 ¹	1999 ¹	2000 ¹	2001 ¹	2002 ¹	2003 ¹	2004 ¹	2005 ²	2006 ³
Bureau of Reclamation	\$149.627	\$107.063	\$130.503	\$79.030	\$126.775	\$83.403	\$78.929	\$74.571	\$89.244
Corps of Engineers	\$100.686	\$103.341	\$93.786	\$54.192	\$58.227	\$70.624	\$65.070	\$34.023	\$67.659
Natural Resources Conservation Service		\$14.543	\$12.845	\$16.945	\$39.078	\$38.998	\$48.745	\$37.000	\$37.000
National Oceanic and Atmospheric Administration	\$0.300	\$0.375	\$0.450	\$0.550	\$0.575	\$0.775	\$0.775	\$0.775	\$0.775
Geological Survey	\$3.158	\$3.158	\$4.319	\$5.366	\$5.089	\$5.089	\$4.960	\$4.937	\$4.937
Fish & Wildlife Service	\$0.941	\$1.143	\$3.647	\$18.230	\$5.605	\$11.189	\$13.684	\$2.018	\$3.787
Environmental Protection Agency	\$3.204	\$3.049	\$57.262	\$53.375	\$54.255	\$20.693	\$1.502	\$0.707
Total	\$257.91	\$232.67	\$302.81	\$227.68	\$289.60	\$230.77	\$213.66	\$154.03	\$203.40

¹ 1998–2004 totals reflect actual obligations.

² 2005 totals reflect estimates based on enacted levels.

³ 2006 totals reflect amounts requested in the President's Budget.

RECLAMATION

Fiscal Year 2006 Reclamation Budget Process

- Process begins about 18 months prior to budget year
- Adjusted for Agency priorities
- Input from Department and OMB
- February 8, 2005 – President releases FY 2006 budget

- Congressional Review, Hearings and E&WDA development
- October 1, 2005: FY 2006 begins

RECLAMATION

2006 President's Budget vs. 2005

Federal Funding (\$millions) Category A & B

Program	FY 2006 Proposed	FY 2005 Enacted
Water Management	\$56.2	\$31.4
Storage	\$11.0	\$4.0
Conveyance	\$5.4	\$4.7
Water Use Efficiency	\$19.7	\$20.7
Environmental Water Account	\$10.2	\$1.2
Drinking Water Quality	\$12.4	\$14.3
Levee System Integrity	\$0.2	\$0.2
Ecosystem Restoration	\$74.1	\$67.8
Science	\$9.2	\$8.4
Oversight & Coordination	\$4.2	\$0.8
Other	\$0.8	\$0.6
Total	\$203.4	\$154.0

RECLAMATION

2006 President's Budget vs. 2005

Federal Funding (\$millions) - Category A only		
Program	FY 2006 Proposed	FY 2005 Enacted
Water Management	\$0.00	\$0.00
Storage	\$11.00	\$4.00
Conveyance	\$5.38	\$4.65
Water Use Efficiency	\$14.74	\$15.72
Water Transfers	\$0.00	\$0.00
Environmental Water Account	\$10.00	\$1.00
Drinking Water Quality	\$0.00	\$0.00
Levee System Integrity	\$0.00	\$0.00
Ecosystem Restoration	\$26.47	\$27.72
Science	\$5.69	\$4.89
Oversight & Coordination	\$4.24	\$0.75
Total Category A	\$77.52	\$58.72

RECLAMATION

Federal & Water User Shares

President's Proposed Budget

FY 2006

Program	Total	Federal Share	Water User Share
Water Management	\$0.0	\$0.0	\$0.0
Storage	\$11.0	\$11.0	\$0.0
Conveyance	\$5.4	\$5.4	\$0.0
Water Use Efficiency	\$14.7	\$14.7	\$0.0
Water Transfers	\$0.0	\$0.0	\$0.0
Environmental Water Account	\$10.0	\$10.0	\$0.0
Drinking Water Quality	\$0.0	\$0.0	\$0.0
Levee System Integrity	\$0.0	\$0.0	\$0.0
Ecosystem Restoration	\$26.5	\$6.3	\$20.2
Science	\$5.7	\$5.7	\$0.0
Watershed	\$0.0	\$0.0	\$0.0
Oversight & Coordination	\$4.2	\$4.2	\$0.0
Total Category A	\$77.5	\$57.4	\$20.2

Federal Funding Priorities

Factors to consider in setting priorities:

- Past history of funding
- Available state & user funding
- Possibility of Prop 50 statewide funding
- Funding tied to regulatory assurances
- Project specific schedule delays
- Program risks of less funding
- Status of Program Review

Federal Funding Priorities

Ecosystem Restoration

- Finance Plan
 - \$150 million target
 - \$45 million Federal share (30%)
- FY 06
 - \$50 mill Available Funding (State & Rest. Fund)
 - \$6 mill Proposed Federal funding
 - **\$94 mill Unmet need**

Federal Funding Priorities Ecosystem Restoration

- Will regulatory assurances be provided if funding is less than \$150; how much less?
- Can additional Water User funding be available sooner than FY 07
- Can Category B projects /funding be directed to ERP priorities?
- What projects suited to federal directed funding?

Federal Funding Priorities

Environmental Water Account

- Finance Plan (Year 6)
 - \$72 million target
 - \$27 million Federal share
- FY 06
 - \$45 mill Available Funding (state Prop 50 for long-term assets)
 - \$10 mill Proposed Federal funding
 - **\$17 mill Unmet need**

Federal Funding Priorities

Environmental Water Account

- Can EWA fully operate at less than \$27 mill? How much less?
- Will regulatory assurances be provided if funding is less?
- Can Water User funding be available sooner than FY 08?
- Can additional Prop 50 funding be allocated?

Federal Funding Priorities

Water Use Efficiency

- Finance Plan (Year 6)
 - \$305 million target
 - \$50 million Federal share
- FY 06
 - \$163 mill Available Funding (State & local match)
 - \$15 mill Proposed Federal funding
 - **\$127 mill Unmet need**

Federal Funding Priorities

Water Use Efficiency

- Fed share provided primarily for Recycling
- Available funding for all components
- State share of conservation & recycling is covered for several years
- Can available funding sustain the program for another year?
- Is there Category B funding that can meet CALFED objectives?

Federal Funding Priorities

Storage

- Finance Plan (Year 6)
 - \$138 mill target
(\$105 grdwtr, \$23 surface, \$10 SLLPIP)
 - \$29 mill Federal & CVP share (includes \$17 SLLPIP)
- FY 06
 - \$73 mill Available Funding (State & local match)
 - \$11.6 mill Proposed Federal funding (\$11 mill surface storage, \$0.6 mill for SLLPIP under conveyance)
 - **\$60 mill Unmet need** (primarily for groundwater and San Luis LPIP)

Federal Funding Priorities

Storage

- Prop 50 Chp 8 funding may be available for groundwater projects
- San Luis LPIP – received Prop 13 funding; needs additional federal and CVP funding to continue studies

Federal Funding Priorities Watersheds

- Finance Plan (Year 6)
 - \$44 million target
 - \$19 million Federal share
- FY 06
 - \$14 mill Available Funding (State & local match)
 - **\$30 mill Unmet need**

Federal Funding Priorities Watersheds

- Finance Plan (Year 6)
 - \$44 million target
 - \$19 million Federal share
- FY 06
 - \$14 mill Available Funding (State & local match)
 - **\$30 mill Unmet need**

Federal Funding Priorities Watersheds

- Both State and federal share lacking
- Is there Category B funding or Prop 50 Chp 8 that can/may meet CALFED objectives?
- Can available funding sustain the program for another year?

Federal Funding Priorities

Water Quality

- Finance Plan (Year 6)
 - \$29 million target
 - \$12 million Federal share
- FY 06
 - \$4 mill Available Funding (State)
 - **\$25 mill Unmet need**

Federal Funding Priorities

Water Quality

- Funding needed for all components including Franks Tract
- Is there Category B funding or Prop 50 Chp 8 that can/may meet CALFED objectives?
- Program funding has been limited in past

Federal Funding Priorities

Levees

- Finance Plan (Year 6)
 - \$35 million target
 - \$13 million Federal share
- FY 06
 - \$22 mill Available Funding (State & local)
 - **\$13 mill Unmet need**

Federal Funding Priorities

Levees

- Federal authorization provided for the Corps; studies required before implementation
- Available funding covers maintenance; not levee improvements (special projects)
- Comprehensive Program Evaluation

Federal Funding Priorities

Conveyance

- Finance Plan (Year 6)
 - \$44 million target
 - \$0.3 million Federal share (for hydrodynamic studies) & \$0.5 million CVP share (for Clifton Court Forebay/Tracy P.P. Intertie)
- FY 06
 - \$42 mill Available Funding (State & SWP)
 - \$5.4 mill Proposed Federal funding (TFTF)
 - **No Unmet need –but federal funding is not for the projects identified in the Finance Plan as needing Federal \$ in Year 6**

Federal Funding Priorities

Science

- Finance Plan (Year 6)
 - \$44 million target (\$30 BDA Science, \$14 IEP)
 - \$16 million Federal share (\$15 BDA Science, \$1 IEP)
 - \$5 million CVP share (IEP)
- FY 06
 - \$14 mill Available Funding (State & SWP)
 - \$4 mill Proposed Federal funding (IEP)
 - **\$26 mill Unmet need (\$23 BDA Science, \$3 IEP)**

Federal Funding Priorities

Science

- No federal funding for BDA science;
Only for IEP
- Is there Category B funding that can meet CALFED objectives?
- What critical needs will not be funded at the current funding level?

Federal Funding Priorities Questions

- Are there thoughts or questions about a \$100 million federal funding proposal?
- Are there certain activities that should receive additional Federal funding?
- Are there comments about the President's priorities for \$77 million?

Federal Funding Next Steps

- Continue working with agencies & stakeholders to develop strategy for FY 06 Federal funding request
- April BDA/ BDPAC meeting—
recommendation to State administration
on federal funding priorities

III. Water User Funding

Finance Plan proposes new water user contributions:

- Ecosystem Restoration Program
- Environmental Water Account
- Science –IEP
- Delta Levee Program

ERP Fee Schedule & Process

February: BDA, BDPAC, Legislative & Stakeholder input of fee options and regulatory assurances

March: Legislative & stakeholder input on straw proposal for fee and assurance

April: BDA recommends ERP fee option and assurances

May: Administration May Revise Proposal

Ecosystem Restoration Revised Allocation

ROD vs Finance Plan Ecosystem Restoration				
	ROD		Finance Plan	
Funding Target	\$150 mill		\$150 mill	
State Share	\$50	33%	\$45	30%
Federal Share	\$50	33%	\$45	30%
Water User Share	\$50	33%	\$45	30%
Restoration Fund	\$15		\$20	
New Fee	\$35		\$25	
Local Grant Match	0	0%	\$10	10%

Water User ERP Analysis

- Reviewed ERP proposed actions
- Evaluated nexus to water supply
- Evaluated geographic nexus

Conclusion:

30% water user share is reasonable

ERP Benefits

Bay-Delta System Water User Benefits

- Stabilize / recover fish populations
- Water quality improvements
- Water supply reliability; insurance policy
- Regulatory assurances for Delta exporters

ERP Water User Benefits

ERP benefits may vary by following factors:

- Amount of diversion or impoundment
- Size of diversion or impoundment
- Seniority of water right

ERP Fee Concerns

- Who pays and how much
- Additional program linkages
- Additional regulatory assurances
- Assurances to prevent diverting fee revenue
- Existing assurances tied to \$150 mill
 - Uncertainty over State & Federal contributions
 - Uncertainty over future Restoration Fund

Existing Regulatory Commitments

Fishery Agencies provide annual regulatory commitments under ESA to DWR and USBR which ensures south of Delta exporters will not have supply reduced **IF** three tiers of assets are in place:

Tier 1 - Baseline protection

Tier 2 - ERP and EWA funding

Tier 3 - Additional resources if needed

Additional Assurances Discussed

- No additional regulatory requirements under ESA during certain period
- Linkage to DIP explicit
- FERC relicensing coordinated with ERP actions
- Full assurances if water user share funded but still less than \$150 mill
- Regulatory assurances for all water users contributing to ERP (financially or other)

ERP Water User Fee Options

1. Water Diversions
2. Reservoir Storage Capacity
3. Combination Diversions & Storage

1. Water Diversion Fee Option

Four variations:

- Uniform per acre foot diversion
- Differentiated by export vs non export water users
- Differentiated by urban vs ag water users
- Differentiated by all of the above

Water Diversion Fee Option

- No fee on diversions subject to CVP RF
- Revenue Target = \$25 million
- Fee Multiplier Examples
 - Urban Fee rate 2X Agriculture
 - Export Fee rate 2X Non Export
- Revenue Collection assumptions
 - 100% CVP & SWP
 - 80% non-project urban diversions
 - 60% non-project agricultural diversions

Diversion Fee Ranges

Sac Valley Ag	
In-Delta Ag	\$1.32 - \$2.12/AF
Other SJV Ag	
Delta Export Ag	\$1.81 - \$3.24/AF
Upstream Urban	\$1.62 - \$3.62/AF
In-Delta Urban	
Delta Export Urban	\$2.12 - \$5.29/AF

Water Diversion Fee Option

Pros & Cons:

- Fees based on diversions can reflect level of benefits/impacts
- Fees differentiated by ag and urban, & export and nonexport may better reflect level of benefits/impacts
- Fees based on diversions can improve resource efficiency
- Rates per AF significantly smaller than CVP Restoration Fund
- Collecting fees from smaller nonproject diverters difficult

2. Storage Capacity Fee Option

- Fee based on storage capacity in Bay-Delta System reservoirs
- 33 major reservoirs included
- Water storage seen as proxy for ERP benefits & impacts to ecosystem
- Uniform rate per AF
- Fee imposed on storage operator who may pass through to all beneficiaries -- supply, power, flood control, recreation

Storage Capacity Fee Option

Operator	Capacity (MAF)	Fee (\$1000)	Fee/AF Capacity
SWP	3.64	\$7,000	\$1.93
CVP	10.46	\$20,200	\$1.93
USACE	1.68	\$3,300	\$1.93
Other	7.48	\$14,500	\$1.93
Total	23.27	\$45,000	\$1.93

Storage Capacity Fee Option

Other Storage Reservoirs include:

- USACE reservoirs
- Turlock Irrigation Dist.
- PG&E and SCE reservoirs
- Merced Co.
- EBMUD reservoirs
- Yolo County reservoirs
- San Francisco reservoirs
- Sacramento MUD

Storage Capacity Fee Option

Pros & Cons:

- Not all reservoirs have clear nexus to ERP benefits/impacts
- Additional factors other than storage capacity may be needed to assess benefits/impacts
- Lowest cost to administer; Dependable revenue
- Amount paid by each beneficiary group (e.g. hydro, rec., irrigation, M&I, flood control) determined by storage operator
- Diverters without storage would not contribute to ERP (e.g. much of Sac Valley and Delta)

3. Diversion/Storage Fee Option

- Assumptions used for example:
 - 50% from storage fee & 50% from diversion fee
 - Storage & diversion fees not assessed on users contributing to CVP RF
 - \$25 million revenue target
 - Four variations of diversion fee

Diversions/Storage Fee Ranges

Diversions Fees	
Sac Valley Ag, In-Delta Ag, Other SJV Ag	\$0.66 - \$0.90/AF
Delta Export Ag	\$0.90 - \$1.62/AF
Upstream Urban, In-Delta Urban	\$0.81 - \$1.81/AF
Delta Export Urban	\$1.06 - \$2.65/AF

Storage Fees			
Operator	Capacity (MAF)	Fee (\$1000)	Fee/AF Capacity
SWP	3.64	\$3,555	\$0.98
USACE	1.68	\$1,643	\$0.98
PG&E	1.55	\$1,516	\$0.98
TID	2.03	\$1,981	\$0.98
Other	3.90	\$3,805	\$0.98

Diversion/Storage Fee Option

- Pros & Cons
 - More stable revenue than diversion-only option
 - Brings in diverters not covered by storage-only option
 - Recognizes that both storage and diversions impact Bay-Delta

IV. State / Public Funding Options

- Possible Statewide water infrastructure fund
- Support Statewide Water Programs (including CALFED)
- Options Paper in Supplemental mailing
- More information at April meeting

V. Next Steps

- Develop Federal appropriations requests FY 2006 and 2007
- Continued discussion water user contributions, assurances & State funding options
- April BDA /BDPAC meeting – Action Item
- May Revise Proposal