

Item #10

Basin Plan Amendments to
Provide a Cost Estimate and
Potential Sources of Financing
for a Long-term Irrigated Lands
Program

State Water Resources Control Board
July 17, 2012

Irrigated Lands Regulatory Program Basin Plan Amendments

- Adopted October 13, 2011
- Consistent with CWC section 13141
- Amends both Central Valley Water Board Basin Plans:
 - Sacramento and San Joaquin River Basin
 - Tulare Lake Basin

Irrigated Lands Regulatory Program Basin Plan Amendments

- Non-regulatory amendments:
 - Amendments do not implement program, not a “project” with respect to CEQA
 - Total cost estimate for potential long-term irrigated lands program alternatives
 - Potential sources of financing
- Program will be implemented through development of WDRs

Comments

- 45 day comment period
- 1 comment letter
- Response to Comments prepared

Recommendation

- Approve the amendments to provide a cost estimate and potential sources of financing for a long-term irrigated lands program in the Central Valley Water Board's Basin Plans

Estimated Cost: Background

- Program EIR certified – April 2011
 - Six program alternatives (five alternatives-sixth constructed from original five)
- Draft Economics Report – supported EIR
 - Estimated total costs and economic impacts for five program alternatives
 - ***Total cost estimate derived from results of Economics Report***

Estimated Cost: Background

- Five original alternatives developed with Stakeholder Advisory Workgroup
- Sixth alternative developed from original five alternatives and circulated to Workgroup
- July 2010 - Draft EIR circulated
- March 2011 – Draft Framework circulated (developed from sixth alternative)
- April 2011 - Final EIR certified; Draft Framework not adopted

Estimated Cost: Background

- Important considerations:
 - Implementation begins with waste discharge requirements (WDRs)
 - Anticipate WDRs will be within the range of alternatives evaluated in the Program EIR
 - No single alternative has been selected

Estimated Cost Assumptions

- Costs will be on the low end, if
 - 3rd Party lead entity successful
 - Existing groundwater monitoring adequate
 - Irrigated pasture will not require tailwater return systems
 - Management practices in place greater than assumed in Economics Report
 - Concerns due to unknown sources - *no agricultural contribution*

Estimated Cost Assumptions

- Costs will be on the high end, if
 - 3rd Party lead entity not successful
 - Individual monitoring required
 - Irrigated pasture will require tailwater return systems
 - Existing level of improved practices as assumed in Economics Report
 - Concerns due to unknown sources - *agricultural contribution*

Estimated Total Cost

- Total annualized cost estimate for long-term ILRP:
 - \$216 – \$1,321 million
 - Estimated 1.4 percent (low end) – 176 percent (high end) greater than costs of continuing the current program
- *Total annualized cost is defined as the constant annual equivalent payment needed to cover all program costs, including interest*

Estimated Total Capital Cost

- Total initial capital cost estimate for long-term ILRP:
 - \$552 – \$2,000 million
- *Total initial capital costs are generally the costs of implementing management practices*
- *Total initial capital costs are included in the total annualized cost estimate*

Economic Analysis Limitations

- Water code prohibits the Regional Board from specifying practices
- Existing level of practice implementation is not well known
- Assumed *all* potential agricultural sources would need to implement practices in watersheds with identified water quality problems
- Iterative approach to management practices implementation could not be captured

Summary of Potential Sources of Financing

- Federal Farm Bill – authorizes funding for conservation programs
- State and federal grant and loan programs
- Private financing by individual sources

Sources of Financing Example: Grasslands Bypass Project 1996-2010

State & federal grants:	\$59,174,570
District funds:	\$22,772,990
Loans:	\$15,057,794

TOTAL	\$97,005,354
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Comment Summary

- Concern that the Framework and staff recommended alternative are “implemented” programs for agriculture
- These alternatives have not been adopted by the Regional Board
- Economics Report underestimates costs
- Cost estimates are based on the best information available

Comment Summary

- The Staff Report incorrectly states that the Economics Report evaluated costs of six alternatives
- This error has been corrected
- Concern that cost estimates cannot be constructed from components of alternatives
- Economics Report costs were expressed by program component to provide this flexibility

Comment Summary

- Program costs will be the responsibility of individual operators
- Staff report has been updated to reflect this concern

Summary

- Non-regulatory Basin Plan amendment provides estimated cost and sources of financing
 - Estimated total costs based on the range of EIR alternatives