

Final Draft Funding Plan

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Preface

This document is the final draft Funding Plan which will be content for Exhibit G to the Global Agreement for Healthy Rivers and Landscapes. The Systemwide Governance Committee provides this draft to the State Water Resources Control Board for information, as the Board prepares its Staff Report to update the Bay-Delta Plan. The Systemwide Governance Committee does not seek the Board's analysis of the sufficiency of the funding commitments described in this document. Consistent with statute and case law, a regulated entity is required to comply with the substantive terms of a Board order, without the Board's overseeing the specific funding mechanisms (e.g., the rates charged by a public water agency, or legislative appropriations) used for such compliance. If the State Water Board approves the Healthy Rivers and Landscapes Program as a pathway for implementation of the Bay-Delta Plan, the Parties will be required to implement their commitments to flow, habitat restoration, science, and other measures, even though the Board will not oversee or approve the Funding Plan itself.

Draft Funding Plan

The extent of the detail regarding funding and revenues agreed to thus far is articulated in the March 29, 2022 MOU and Term Sheet (2022 MOU and Term Sheet) and any applicable amendments. Further specificity will be provided through the development of the Healthy Rivers and Landscapes Program (Program).

Revenues to support the Program will be generated from multiple sources over the term of the agreement, including from DWR, Reclamation and other federal agencies, public water agencies, bond and other state funding, and other sources. Revenues will support the acquisition of water and support science and habitat projects. Figure 1 depicts how funds would be collected, directed, and disbursed.

1 Revenues

1.1 Revenues Generated by Public Water Agencies

Public water agencies will establish two revolving funds: one to contribute water for tributary flows and Delta outflow through fallowing, reservoir reoperation, and other water acquisitions; and one to support science investigations and structural habitat projects. The water purchase revolving fund ("Water Fund") will be funded through the collection of a surcharge on public water agencies. Additionally, public water agencies would contribute to a revolving fund to support science and structural habitat projects ("Science and Habitat Fund"). Collection of the water purchase and science surcharges would begin and would be collected for each year of this agreement. Funds generated for these revolving funds will be used by the Systemwide Governance Committee¹ to implement the Program and would be complemented by revenues generated by California and the United States. Table 1 summarizes the funding from each type of public water agency. In addition to collection of surcharges from participating public water agencies shown in Table 1, DWR will also collect \$10 per every acre-foot of water that is moved through unused capacity as part of fair compensation under Water Code Section 1810. Based on recent historical diversions, it is expected that public water agency contributions to the Water Fund would be approximately \$447M and contributions to the Science and Habitat Fund would be approximately \$141M over the initial 8-year term (Appendices 1 and 3, 2022 MOU and Term Sheet). Actual dollars may vary

¹ See Draft Governance Program for more information on the Systemwide Governance Committee.

depending on hydrology and diversions/deliveries. The Systemwide Governance Committee will prioritize expenditures based on funding available in the Water Fund, and Science and Habitat Fund. Any changes by the HRL parties to surcharges will be based on similar principles that were used for the development of allocation of fees and payments across parties, to ensure ongoing equity among the parties and that the program would remain funded at levels to support the commitment of assets. The Tuolumne contribution will be self-funded, meaning Parties to the Tuolumne agreement will not contribute to the Water Fund and Science and Habitat Fund. See Exhibit G-1 for additional detail on revenue generated to support the Program to date.

Table 1. Contribution to Revolving Funds²

Water Source	Contribution to Water Fund	Contribution to Habitat and Science Fund
CVP/SWP project water, except CVP water originating from Millerton Lake, and Contra Costa Water District	\$8/acre-foot	\$2/acre-foot
Non-project water from the Sacramento River and Feather River Settlement Contractors		\$1/acre-foot
Non-project water from Putah, Yuba ⁴ , non-CVP American River water agencies		\$2/acre-foot
Mokelumne (Mokelumne will self-fund \$1.5 million for habitat projects; completion of new habitat creation on the Mokelumne is contingent on receiving additional state funding.)	\$10/acre-foot	N/A
Tuolumne will self-fund ~\$64 million for habitat projects and ~\$17 million for operations and maintenance costs associated with those habitat projects over the term of the Program.	N/A	N/A

1.2 Revenues Contributed by California and United States

The 2022 MOU identified \$2.9 billion as the amount necessary to implement the program over the course of the initial 8-year term. To date, the parties have already secured \$2.4 billion to implement the Flow and Non-flow Measures of the Program (see Exhibit G-1 – Funding Status). The Systemwide Governance Committee will continually track and report on this amount and will work to address additional funding needs as necessary.

State general fund and bond revenues can be used to contribute to the acquisition of water, implement non-flow actions, and conduct scientific studies. The State will utilize existing general fund and bond money, where appropriate, and pursue legislation to provide additional funds to implement the Program. The contribution of directed and competitive funding opportunities from various sources, totaling \$1.419 billion, is in addition to the funding provided through public water agency surcharges described above. This program also includes securing \$740M in new federal funding. Reclamation has already committed at least \$171 million towards new habitat projects since 2018, the habitat baseline

² Specific allocations of surcharges and calculations of diversions and deliveries will be defined in applicable Tributary Specific Agreements.

⁴ In lieu of a \$2/AF surcharge, Yuba will contribute \$520,000 annually to support the Yuba River Science Program. This is equivalent to the expected contribution under a \$2/AF surcharge

identified in the March 29, 2022 MOU. This represents a significant increase in Reclamation's average spending to ~\$50 million per year on habitat projects in California's Central Valley. The Parties continue to work with other federal agencies to further secure new habitat funding. Total program funding per the March 29, 2022, MOU is \$2.914 billion.

2 Collection of Funds

Collection of SWP Funds: DWR, subject to authority, will place both surcharges on the Statement of Charges and the SWP public water agencies commit to pay these surcharges to DWR.

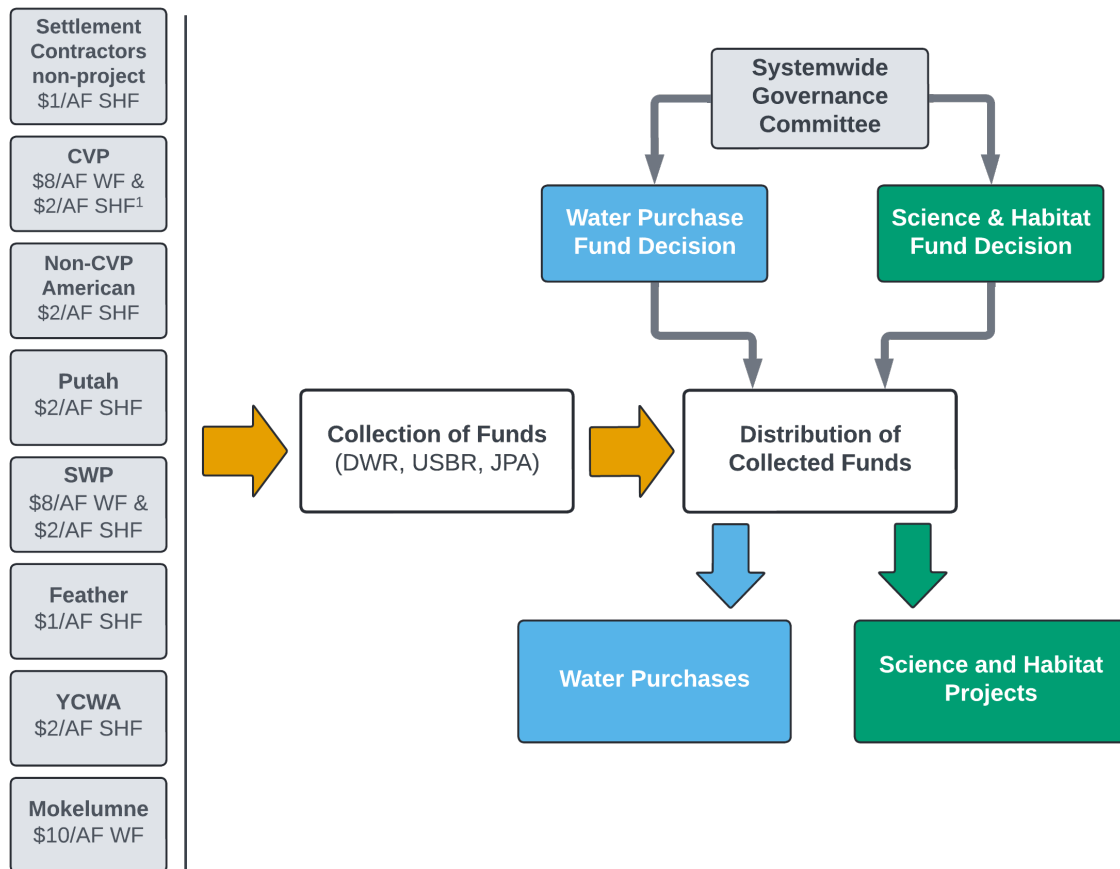
Collection of CVP Funds: Similarly, Reclamation, subject to authority, will collect surcharges from CVP and Solano Project (Putah Creek) contractors consistent with Table 1 and Figure 1.

Collection of Funds from non-Project tributaries (e.g., Yuba, Mokelumne): DWR, Reclamation or the Joint Powers Authority (JPA), subject to authorities, will assist in collecting funds from non-Project tributaries through party-specific agreements established as part of the Program.

3 Distribution of Funds, Financial Management Entity

A financial management entity (either a Joint Powers Authority or a non-profit organization) is anticipated to collect and disburse funds and contract for services as directed by the Systemwide Governance Committee through the Program Office. The financial entity will have the ability to collect monies under the Program as well as grant funds. The entity will track this incoming revenue as well as outgoing expenditures. The entity will also compile information and generate reports on the success of Program funding, and how contributed money is being spent. Additionally, this entity will adopt contracting principles and maintain clear financial records.

Figure 1: Preliminary diagram on how funds would be collected, directed, and disbursed for the Healthy Rivers and Landscapes Program.



¹ Not applicable to CVP water originating from Millerton Lake.

Exhibit G-1 – Funding Status

Funding Source	Use of Funds	MOU Commitment	Status
Public Water Agencies	Structural Science and Habitat Fund	\$141M	Secured—PWAs are contributing to JPA through self-assessment, as outlined in Implementing Agreements Dollars in this and the subsequent row are based on an analysis of historical hydrology on a long-term average done for the 2022 MOU. Actual dollars may vary
Public Water Agencies	Water Revolving Fund	\$447M	Secured—PWAs are contributing to JPA through self-assessment, as outlined in Implementing Agreements
State	Habitat Restoration Projects and Flows	\$165M – Prop 68 \$503M - Secured	A total of \$1.1 billion of state funding has been secured for habitat restoration projects and flows, as detailed out below:

Funding Source	Use of Funds	MOU Commitment	Status
		\$381M – Unsecured	<u>Habitat</u> \$462M already secured and allocated to specific projects that support the program. Funding for this work includes Proposition 68 and General Fund monies that support existing programs within the Natural Resources Agency and its departments <u>Flows</u> \$667M secured to support different agreements to increase environmental flows. Of this amount, \$227M is already allocated to specific agreements to increase environmental flows through DWR’s FISH program. Additionally, \$440M is set to be allocated to specific agreements increasing flows within the next year in DWR and CNRA’s jointly administered Instream Flow Purchase Program and WCB’s Streamflow Enhancement Program
State	Proposition 1 Environmental Water	\$370M	\$370M secured and allocated to specific projects
Federal	Habitat Restoration Projects	\$740M	At least \$171M secured and allocated to specific projects that support the Healthy Rivers and Landscapes program*. *Additional funding may be counted toward this total, pending additional project detail
CVPIA	Term of the VAs Habitat Restoration	\$80M	Approximately \$10M/year for 8 years.
Various	CVPIA and State funding allocated to Healthy Rivers and Landscapes Program habitat projects in March 2019 PD	\$87M	Funding from CVPIA, Prop 1, and other grants already allocated to projects identified in the March 2019 PD. Does not include Prop 68 funds.

Funding Source	Use of Funds	MOU Commitment	Status
	MOU Subtotals		Of this total, at least \$2.4 billion is already secured for the following:
	Public Water Agencies	\$588M	\$1.1B is already secured and encumbered to habitat projects and funding agreements to provided environmental flows. An additional \$440M is expected to be awarded to projects for additional flows in the coming months
	State	\$1,419M	
	Federal	\$740M	
	Other	\$167M	
	<u>Grand Total</u>	<u>\$2,914M</u>	\$755M is committed by Public Water Agencies in their Implementing Agreements through a surcharge that will be levied upon Board adoption At least \$171M is secured and allocated to specific projects that support the Program