

TO: Members of the California State Legislature

FROM: Exchange Contractors

DATE: March 3, 2014

Subject: Background on State's Proposal to Cut Deliveries to Agricultural Contractors

It goes without argument the State is facing the worst drought since 1977 and, until the recent rains, quite possibly the worst on record. It also goes without argument that the drought will cause great economic harm to the communities that rely upon agriculture up and down the Great Central Valley. It is important that we as a state do not make decisions that needlessly exacerbate or accelerate that economic harm. Therefore, we urge restraint in addressing the current drought and believe, if allowed to work as intended, the water rights priority system will best address the difficult situation with which we are faced. In response to a request by the Department of Water Resources and the Bureau of Reclamation (DWR/USBR) to relax Delta outflow requirements and to operate the Delta cross channel gates in a more flexible manner to address impacts from the drought, the State Water Resources Control Board (State Board) Executive Director issued an emergency order on January 31 to reduce Delta outflow requirements and to allow for real-time operation of the Delta cross channel gates. However, the emergency order went well beyond the relief requested by DWR/USBR and ordered that pumping from the Delta be constrained to undefined public health and safety purposes (while not clearly defined the Water Board appears intent on limiting uses to municipal industrial, drinking water, fire safety, and dust mitigation). On Friday February 28, the State Board extended the order through the month of March. On March 3, the Water Board amended its order to indicate it was discussing water operations with USBR and would issue further orders on March 12.

Throughout the month of February, the State Board and the USBR, which has the responsibility for operation and management of the Central Valley Project (CVP), have been in a dialogue on curtailing deliveries from the CVP to comply with the as yet undefined edict of the State Board to limit deliveries to health and safety. However, based on discussions with State officials, there appears as of now to be little understanding of the devastation that will occur if the San Joaquin Valley water supply is cut off, which includes many small cities and towns. This is in direct conflict from the decision announced in early February where the USBR notified senior water right contractors that deliveries on the CVP would be curtailed to 40%, with no limitation to health and safety. Under the USBR's announcement in mid-February to its contractors, water could be delivered to agriculture and wildlife refuges, thereby supporting employment and wildlife in the Central Valley.

According to the State Board, all deliveries to agriculture that is reliant on the SWP and CVP should be cut off to preserve the water supply in Shasta, Oroville and Folsom reservoirs for use in 2015 for health and safety purposes, fisheries and to maintain salinity standards in the Delta. Moreover, it is unclear if

the State Board proposes that carryover water in the San Luis Reservoir should be preserved for future health and safety use only. The State's premise is that the difficult but responsible course of action should be to deliver no water for agricultural or refuges and instead take all the water supply that exists in the highly unlikely case there is no rain between now and next year. While this may seem logically prudent, there are several facts that argue against this course of action.

Given the demands on the CVP/SWP system to meet all the fishery and water quality requirements and assuming there was a common understanding of what is meant by "health and safety", there simply will not be enough water in storage to preserve public health and safety, meet existing in-stream and Delta fishery requirements and push salts out of the Delta as proposed by the State Board. Moreover, the system is not designed and has not been engineered to operate in the way that the State proposes. While it may seem counterintuitive, during times of drought the flexibility in the system comes from having some water in the system, not impounding it. When there is water moving in the system it provides water operators and managers the ability to exchange water among the various districts served by the system. These exchanges cannot be accomplished if there is no water in the system south of the Delta. If the State Board prevails upon the USBR to cut off all agricultural deliveries it will eliminate the ability of the water agencies to exchange water among themselves, which will exacerbate the social and economic damage in the Central Valley.

Cutting water deliveries to agriculture will devastate the social and economic fabric of the San Joaquin Valley for years to come and create short and long term health and safety issues. In the Friant service territory, an informal survey of a small percentage of agricultural districts indicates a bare minimum of \$500 million in economic loss to agriculture alone. The estimate is preliminary and covers only a small percentage of the total production the Valley. Moreover the estimates do not factor in the non-agricultural economic activity.

The State wrongly assumes that those in the Friant service territory will simply transition to groundwater for their water needs. Unfortunately, there are many communities and producers in the area that have no access to groundwater. The decision by the State will essentially deprive people of their only source of water. Furthermore, the State's decision will result in significant job loss which will result in additional health and safety issues for years to come.

In the San Joaquin Exchange Contractors' service territory over 200,000 acres (or 83% of our lands) could be fallowed, which translates to over \$800 million loss to the region in just one year. Approximately, 46% of the total employment in the Exchange Contractors' service area and those communities is agriculturally related. For the communities of Mendota, Firebaugh, Dos Palos and Crows Landing this number increases to 84%. Over 4,000 jobs within the Exchange Contractors' service area and communities could be lost. The poverty rate in the service area is 19.1% with the mean income per capita at \$30,500.

Governor, we understand your Administration is doing everything in its ability to manage a tough situation. However, with that being said we are most concerned with the current direction of the State Board and would request any effort to change the existing allocation decision by the Bureau cease until

such time that more data and modeling can be identified to justify further action. Failing to do so will likely result in irreparable damage to many communities and livelihoods throughout the San Joaquin Valley.

Talking Points:

- Cutting water deliveries to agriculture will devastate the social and economic fabric of the Central Valley for years to come and create short and long term health and safety issues.
- In the Friant service territory, an informal survey of a small percentage of agricultural districts indicates a bare minimum of \$500 million in economic loss to agriculture alone. The estimate is preliminary and covers only a small percentage of the total production the Valley. Moreover the estimates do not factor in the non-agricultural economic activity.
- The State wrongly assumes that those in the Friant service territory will simply transition to groundwater for their water needs. Unfortunately, there are many communities and producers in the area that have no access to groundwater. The decision by the State will essentially deprive people of their only source of water. Furthermore, the State's decision will result in significant job loss which will result in additional health and safety issues for years to come.
- In the San Joaquin Exchange Contractors service territory over 200,000 acres (or 83% of their lands) could be fallowed, which translates to over \$800 million loss to the region from the Exchange Contractors' service area in just one year.
- Approximately, 46% of the total employment in the Exchange Contractors' service area and those communities is agriculturally related. For the communities of Mendota, Firebaugh, Dos Palos and Crows Landing this number increases to 84%. Over 4,000 jobs within the Exchange Contractors' service area and communities could be lost. The poverty rate in the service area is 19.1% with the mean income per capita at \$30,500.
- It is important for water to remain in the system and to allow the experts the flexibility to maximize its use. In other words, the system managers should be allowed to operate the system with clearly defined goals and objectives.
- The State Board cannot become the de facto manager of the entire water delivery system.
- The State Board should conduct open public hearings, and then, based upon the evidence, establish policies that sets parameters and objectives for the operations of the system, however the actual operation of the system for the benefit of the people of California should be left to the experienced system operators.