CALFED BAY-DELTA PROGRAM

OVERSIGHT HEARING

BEFORE THE

SUBCOMMITTEE ON WATER AND POWER

OF THE

COMMITTEE ON RESOURCES
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

ON

THE FISCAL YEAR 1998 FEDERAL BUDGET REQUEST FOR THE CALFED PROGRAM AND ITS SOLUTIONS TO THE WATER PROBLEMS

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FISCAL YEAR 1998 FEDERAL FUNDING REQUEST FOR THE CALFED PROGRAM

THURSDAY, APRIL 17, 1997

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WATER AND POWER,
COMMITTEE ON RESOURCES,
Washington, D.C.

The Subcommittee met, pursuant to call, at 12:34 p.m., in room 1324, Longworth House Office Building, Washington, DC, Hon. John Doolittle (Chairman of the Subcommittee) presiding.

Mr. DOOLITTLE. The Subcommittee on Water and Power will come to order. We have set today's meeting to hear testimony concerning the fiscal year 1998 Federal budget request for the CALFED program.

I apologize to our witnesses. I don't think I have ever started a hearing more than five minutes late, and I guess if we were operating on Pacific Coast time, we would be more or less on that standard today, but unfortunately, it is Eastern time here.

We had an extraordinary situation involving the address of the Speaker of the House to the full House of Representatives, which was not anticipated at the time this hearing was scheduled, so I apologize, and I realize that people have been inconvenienced and may need to adjust their schedules.

STATEMENT OF HON. JOHN T. DOOLITTLE, A U.S. REPRESENTATIVE FROM CALIFORNIA; AND CHAIRMAN, SUBCOMMITTEE ON WATER AND POWER

Mr. DOOLITTLE. The CALFED program promises to be one of the most important issues considered by this Subcommittee in the 105th Congress. It represents a major Federal and State commitment to solving California's water needs and sets the stage for future water management policies and facilities within California.

It is critical that we use this opportunity to meet the needs of all of our constituents—agriculture and urban, landowner and conservationist, business owner and recreationists alike.

Let us also be clear that the funding for the CALFED Bay-Delta Program under consideration today is not limited to a funding request for this year alone, nor is it limited to the three years of the current authorization. It is a program likely to involve decades of Federal and State funding commitments.

The current CALFED authorization, the Federal authorization as large as it is proposes implementation of only certain limited aspects of the program in this and the next two fiscal years, while

postponing the authorization and funding request for most of the program into future years.

All of the CALFED alternatives under consideration are estimated to range in cost from $4,000,000 to $8,000,000, an amount to be paid over 20 to 30 years. This is the time to hear a solid commitment from those most interested in the current CALFED program objectives, that they will be full participants and supporters of the latter phases of the project, when the relative funding for projects they now support is on the decline.

Another issue of concern is the need to develop criteria to assess the successful implementation of the earlier portions of the program. When the object of an authorization is a dam or a water recycling plant, success is achieved when the facility is completed and becomes operational. Not only do we currently lack the specifics on the projects to be undertaken in this phase of CALFED, but there are no measuring sticks to determine that we have achieved a specified goal once the money has been spent. How do we know that there will not just be an endless flow of requests for new funding, based not on the need to achieve a new goal, but rather because we haven't defined success? If we do not define a measure of success, we will be asked to spend unlimited resources with no hope of closure.

The CALFED program must incorporate milestones and objective measurements that define when specific goals have been met.

Finally, this phase of the program represents a major public acquisition of private property rights. Much of the area viewed as potential habitat, meander belts, and ecosystem management zones is currently held by private interests. Their predecessors built hundreds of miles of levees and reclaimed tens of thousands of acres of land in the 1800's.

This land is now used throughout the delta and along the Sacramento and San Joaquin Rivers to support a thriving rural economy dedicated to farms, small businesses, mineral extraction, recreation areas, and private residences.

If these private landowners are going to be asked to return these lands and water rights to the public domain, a process should be set up which is fair, expeditious, and easy for them to use.

The preferred alternative in this case is that any acquisition should be based on a willing seller and willing buyer transaction. If that is not the case, we do not want to endorse a program that acquires property through regulatory or programmatic takings or forces people to sell out of sheer frustration.

I do not believe that these concerns present insurmountable obstacles. Rather, they represent reasonable, attainable goals which should reflect the way government conducts its business. The Federal California Bay Delta Environmental Enhancement Act coupled with California Proposition 204 advance a partnership with potential funding of nearly $1.5 billion.

It has the potential to be used to enhance the water quality and environmental resources in the Bay-Delta, as well as for other water resource activities in California. Yet how it is administered will be a test of government's ability to transition to a smarter, more efficient, less coercive mode of operation. I look forward to hearing from the witnesses.

Mr. Dooley, are you going to make an opening statement?

Mr. DOOLEY. Mr. Chairman, I think that I will not give an opening statement, but rather thank all the participants who have been waiting for some time for their testimony. I really thank the leadership that has been shown by a number of the people that are going to be testifying for putting together a really diverse coalition which is committed, I think, to finding constructive and positive solutions to some of the water and environmental problems that have plagued California for decades. Thank you.

Mr. DOOLITTLE. Thank you. Now, if the Subcommittee members will indulge me, I would just like to observe that it has come to my attention, and frankly, has caused me great concern that there have been some last-minute delays and changes in the 1997 water allocation announcement for the CVP contractors.

I think that it is unfortunate that the Fish and Wildlife Service, one agency among the many CALFED agencies, can continually take action at the last minute that threaten, the efforts to build consensus among the various stakeholders. This is the second year in a row that there have been last minute blow-ups related to water allocations.

All the other parties at the table are operating in good faith to provide as much water as possible for the environment with as little economic impact on water users as possible. I am very concerned that the Department of Interior does not have the desire or perhaps the clout to rein in what has become a rogue agency.

This is a far cry from Secretary Babbitt's commitment when he was first appointed that his department would speak with one voice. With that, let me invite our first panel of witnesses to come forward, and if they would, to remain standing to take the oath. If you will please raise your right hands?

Do you solemnly swear and affirm under penalty of perjury that the responses given and statements made will be the whole truth and nothing but the truth?

Thank you. Let the record reflect that each answered in the affirmative.

We welcome you here. I think you are all familiar with our five-minute rule of testimony. The lights are there as a guide. I would like to mention that we asked Mr. Snow to give a lengthier explanation, so he will have ten minutes for his statement.

Let me introduce our distinguished panel. We have Mr. Lester Snow, Executive Director of the CALFED Bay-Delta Program. We have the Honorable John Garamendi, Deputy Secretary from the Department of Interior; the Honorable Douglas P. Wheeler, Secretary for Resources of the State of California; and Mr. Robert Perciasepe, Assistant Administrator for Water of the Environmental Protection Agency.

Gentlemen, we are very pleased to have you here, and Mr. Snow, it is my understanding you will lead off this panel.

STATEMENT OF LESTER SNOW, EXECUTIVE DIRECTOR, CALFED BAY-DELTA PROGRAM

Mr. SNOW. Thank you, Mr. Chairman and members of the committee. My name is Lester Snow. I am executive director of the CALFED Bay-Delta Program.

What I would like to cover today is to give you an overview of the program covering our basic approach and the status, but also to spend a fair amount of time on what we refer to as early implementation, how we begin improving the situation in the Delta, and specifically the importance of Federal fiscal year '98 funding commitment to that early implementation effort.

First, I want to start with I guess what I would call my overall conclusion, and that is that we cannot and we will not fail in our efforts to bring a long-term solution to the Bay-Delta system resource conflicts.

In this case, the we that I refer to is the State, Federal, and local governments and perhaps more importantly, the stakeholder community including environmental, urban, business, and agricultural leaders coming together as a unit. In this case, the we has realized that we must move forward and solve this problem.

The reason that we will not fail is not because the current crop of stakeholders or agency representatives who are smarter or more insightful than the past generation, but more simply that the consequences of failure have become so severe. Included in the category of failure is inaction or status quo.

In the past, we have left things slide because there was flexibility left in the system. We could put off decisions or put off investments because there were no immediate consequences. Those days are gone forever.

We see now the consequences of failure in terms of direct impacts, like levee failures during flooding. We see the decline of recreational and commercial fishing. We see risks to water quality in terms of drinking water supplies, overall reduction of water supply reliability, reduction of watershed productivity, and perhaps more alarming for the long run and perhaps less directly understood, a reduction in Pacific Rim competitiveness and jobs unless we deal with these issues.

What we are facing are years of deferred investment and decisions to not make changes because it is costly or complicated or may result in conflict. We are seeing a slow but methodical reversal of this deferred investment, first with the creation of something called CALFED and the framework agreement, then the accord, then Proposition 204, and now the appropriation that we are seeing in the proposed fiscal year '98 budget.

We must continue in this path and use Prop 204 and the appropriation to renew the necessary investments in this system so that we may succeed. I would like to switch now and try to provide a basic overview to the CALFED Bay-Delta Program, and to do that, I want to use a briefing book that I believe you have been supplied, commonly referred to as the Federal briefing packet, which I believe you have in front of you.

I know that some of the other speakers will draw attention to this, and you will hear this a number of times, but I guess part of the unique aspect of what we are doing is the joint collaborative effort among State and Federal agencies. We have as a basic foundation of our program stakeholder and general public involvement. If we do not maintain stakeholder involvement and we do not maintain general public access to our program, we will fail, because

that is how attempts in the past have failed to reach conclusions to these problems.

We depend on a collaborative effort to find solutions. That collaboration extends beyond the agencies to individual landowners that must work with us to help us understand their issues and find solutions that work.

If I could refer to pages four and five of the briefing book, it will give you a basic organizational structure of CALFED, organized under the Secretary of Interior and the governor of the State of California, with the CALFED agencies in fact forming a board of directors for the Bay-Delta program.

We have laid out a process in three phases, moving from getting simple agreement on what the problem is to be solved in this system all the way through phase three, which is implementation of the solution. We have set up specific objectives to cover the problem areas which we have identified as water quality, ecosystem health, improved water supply reliability, and system integrity or levee stability.

We have in phase one, which we completed last year, identified three alternatives for addressing those issues in a combined fashion. We are now in phase two which includes the environmental documentation under State and Federal law and a refinement of these alternatives so that we may reach a preferred, a draft preferred alternative in November of 1997, and a final preferred alternative in the fall of '98.

If you can look at page seven of the briefing packet, you will see a very concise description of the nature of the alternatives that we are moving forward with.

You will notice that each alternative is composed of what we refer to as common programs, consideration of additional storage, and finally modification of the way we convey water in and around the Bay Area system.

Within the common program, we have water quality, system integrity, ecosystem restoration, and water use efficiency. What we are doing in phase two is refining these alternatives and developing environmental documentation to support them as we move forward.

We are dependent on a lot of public input, with emphasis on actions and alternatives which address multiple objectives. We want to avoid people simply trying to address their problem that is separate from someone else's interests, and thus have developed alternatives that attempt to address as many objectives as possible.

For example, when we look at storage, we look at it not just as it may be used for water supply, but also how storage can be operated to improve water quality, fish flows, and flood management, so we get as much benefit out of a single action as possible.

All objectives must be addressed in an alternative. In California, we refer to it as no one gets out alive. We are all in this together. You don't get your problem solved unless everybody else's problems are solved.

Given the common programs that I have mentioned at the bottom of that chart, it is clear that some actions, no matter what the final alternative, will be implemented, that is, if they are common to all of them. Certain actions must be taken to improve ecosystem

health, water quality, system integrity, and water use efficiency. That is the basis for the concept of early implementation.

What we have found with our extensive outreach to the public and to stakeholders is that they don't want to wait ten year for more plans to be prepared. They want to see a long-term solution, but they want us to start fixing the problem now, and not put it off until we have dotted every I and crossed every T.

We have the ability because of the common program to identify actions that allow us to begin reinvestment in the system, to identify actions which will have a beneficial impact, and/or will not prejudice the long-term outcome.

It is important that we identify actions that we can actually start resolving some of the existing conflict in the system. If I could direct your attention to page 18 and the three charts that follow that, I will attempt to describe the basic process that we are utilizing to identify projects and begin the early implementation.

A major concept in this restoration-coordination activity, as we refer to it, is to actually identify the priority projects and programs that can achieve a reduction in conflict of the system and contribute to the long-term.

We are attempting to set up what could be called a funding matrix so that we can make the most efficient use of existing moneys that are available as well as new appropriations.

We are doing this currently primarily looking at something called category three, a funding mechanism that came out of the accord. Monies have been made available in Prop 204.

As we set up the different priorities of what needs to be done, diversions that may need to be screened, certain types of habitat that may need to be restored, for current conflict-types of issues, such as anticipated spring run salmon is a problem. We are dealing with Delta smelt in the Delta that is a problem, and then we look at integrating other Prop 204 funds that may be able to make the project bigger or more efficient, and looking at other Federal funds.

It is our desire to integrate the State and Federal decisions to come up with better, more efficient programs that address the problems in the system.

On chart two, there is a very quick shorthand of the decision-making structure that we have put in place. As you know in identifying the amounts of money that may be necessary in fiscal year '98, we can identify them by categories, not by project. It is our firm belief to maintain allegiance to the stakeholders that have been involved and the public, that we must go through a methodical process of picking the best projects.

We have identified categories of activities. We have done that in a very open process. There are four basic steps for us to come up with the individual projects, identify the priorities, develop actions which address those priorities, establish a request for proposals so we get the best projects in, and finally, recommend the projects.

Since we are dealing with potential multiple funding sources, projects that we would want to use Prop 204 funds for, we would recommend to the Secretary of Resources for the State of California, and likewise, if the Federal appropriation goes through, we would submit those to the Secretary of Interior for final determination.

We are utilizing an ecosystem roundtable which has been established as a Subcommittee of the Bay-Delta Advisory Council to look at these near-term implementation issues and help develop criteria and priorities by which we will select specific projects. The Bay-Delta Advisory Council will also review this as part of its task of looking to the long-term program.

We have attempted to set up a project review process that maximizes public input and gives us the greatest probability of getting the best projects to address the issues that we have identified.

The third chart—I really just put this in here to give you an indication of the kind of timeframe that we are on. To make a long story short, we have set up for three separate funding cycles between now and the end of Federal fiscal year '98. We are on path now to identify specific projects to begin receiving funding in August of this year. Obviously, those funding projects will be focused primarily on Prop 204, but we can immediately identify additional projects for funding in the February to March timeframe, and then a third funding cycle for August-September of next year.

We have set up a process to get maximum input in terms of the kinds of projects that can address the problems that we have seen in the system.

We have attempted to identify the kinds of activities, and that is categorized on page 23. In general, they follow the issues of habitat acquisition and restoration, including conservation easements, fish screening projects, monitoring to make sure that these projects are effective in meeting the objectives of the program.

We are establishing indicators that will be used as a yardstick to make sure that we are making progress on the program. We are also looking at water quality measures, including watershed management. We are looking at integrating habitat into levee stabilization programs and you will also notice in our proposed activities conservation and reclamation activities.

I see I am about out of time. If I could indulge you for two more minutes, please?

Mr. DOOLITTLE. Certainly. Go ahead and finish your statement.

Mr. SNOW. I guess at this point, instead of going through the more detailed list of the kinds of projects, what I would like to do is put the emphasis on our outreach and creative solution approach to this.

We don't pretend that we know all of the best solutions to these problems. We do know what the problems are. We do know that we have problems with fish when it comes to diversions, and we need to screen them.

We want to solicit creative proposals from people so that we have on the table in front of us the best thinking of everybody in the State of California. It is a collaborative effort. We need to work with the local landowners and local conservancies to make sure that we are designing the best approaches to these problems.

We cannot pretend that we know in Washington or in Sacramento the best thing that works on Butte Creek. We need to work with the local folks to understand how these things can be accomplished.

This is part of a long path. It took us 150 years to get the system to the condition it is in today. There is no one fix. We have to have

a variety of actions and a significant period of time in order to recover the system.

We have to actually test our approach to large-scale ecosystem restoration. Nothing of this magnitude has ever been implemented. We need to move cautiously but deliberately.

Finally, I guess I would say that we cannot fail, as I started out. The risk of failure is too great. Part of this issue of not failing is clearly a strong Federal commitment, not only a policy commitment to make this happen but also a financial commitment to make sure we can proceed with the projects that are necessary.

The less that we invest today, the more there will be conflict like arose yesterday with respect to CVPIA, and the longer it will take. We often think that we can save a penny today, and that will be a penny saved, and that is not the case when it comes to health of this water system.

We need to make the investments today so that we can reduce the conflict for tomorrow. Thank you, Mr. Chairman.

[Statement of Lester Snow may be found at end of hearing.]

Mr. DOOLITTLE. Thank you very much. Mr. Secretary, welcome.

STATEMENT OF THE HONORABLE JOHN R. GARAMENDI, DEPUTY SECRETARY, DEPARTMENT OF THE INTERIOR

Mr. GARAMENDI. Mr. Chairman, here we are again. I want to thank you and the members of the Subcommittee for inviting me this morning to discuss our process and progress in developing the comprehensive long-term restoration of the California Bay-Delta ecosystem.

I am pleased, in fact delighted, that my colleagues from the Environmental Protection Agency and from the State of California are here with me. Our joint participation demonstrates mutual concern, shared cooperation, and long-term commitment to meeting the challenges of protecting our resources.

I would like to depart a little from my prepared testimony and deal with the issue you raised in your opening statement, Mr. Chairman. The April water allocation which is just completed is the most recent example of the importance of the Bay-Delta program that we are here discussing today.

This has been an extraordinary water year, the seventh such extraordinary year in the last eight. We cannot fix the weather, but we can surely fix the water system.

The Bay-Delta program is the fix to the water system, and it is imperative that we undertake the projects identified in the Bay-Delta program. This is the only way that we can all work together in a coordinated fashion. This is the only way to protect fish and wildlife. This is the only way to protect agriculture and urban water users. This is the only way to avoid another fight next April over the allocations.

The CALFED program itself comes from the 1994 December when Federal agencies, State agencies, representatives of agriculture, urban, and environmental organizations signed what is known as the Bay-Delta Accord.

That accord described new ways to meet the requirements of laws, the Endangered Species Act, the Central Valley Improvement Act, the Clean Water Act, as well as certain State laws.

We are working together in a comprehensive long-term strategy to restore the health of the Delta and the Bay. You have heard the goals from Mr. Lester Snow, and I will not repeat them here, but in order for us to develop the accord and carry out the long-term Bay-Delta program, the Federal and State agencies combined forces in what we call CALFED.

Four Federal agencies, the U.S. Fish and Wildlife Service, Bureau of Reclamation, EPA, and the National Marine Fishers began the effort together with the State of California.

We have added or are about to add six additional Federal agencies, USGS, the Bureau of Land Management, National Resource Conservation Service, the U.S. Forest Service, Western Area Power Administration, and the Army Corps of Engineers.

These additional agencies provide a vast array of experience and programs critical to our long-term restoration efforts. Only through broad integration of policies and programs as well as new and creative ways of approaching problems can we realize the goals carried out or laid out in the Bay-Delta program. This year's tragic flooding is a prime example.

In the past several months, State and Federal agencies have been responding to the January floods that wreaked havoc throughout much of the Central Valley and the Bay-Delta's many tributaries. The Army Corps of Engineers in collaboration with CALFED and other Federal and State agencies has undertaken major efforts to repair flood protection facilities throughout the system.

With the organization of CALFED, we have a unique opportunity to implement the restoration goals that are part of the Bay-Delta program, as well as the Administration's complementary Federal flood plain management strategies.

Reducing flood damages and threats to life and property through cost effective and where appropriate, nonstructural alternatives, can also restore the natural values inherent in the flood plain and adjacent lands as well as provide for water quality, quantity, and ecosystem benefits envisioned in the Bay-Delta program.

A moment to speak about the funding. An overwhelming endorsement from California voters for Proposition 204 plus the bipartisan support here in Congress that resulted in the passage of authorizing legislation last fall and the unprecedented collaboration among historically feuding water interests in California, we have an incredible opportunity today to use the Bay-Delta funding provided for in the President's budget as a down payment on this major effort to restore the environment as well as to provide the necessary water and flood protection.

The program we are undertaking is one of the most significant restoration programs ever undertaken in the world, and its implications go well beyond California.

The committee has recognized the importance of the Central Valley to the health of California's economy and its diverse natural resource base. The CALFED program is an innovative and unique approach to resolving the complex resource issues that have burdened the State for decades.

It is imperative that we have the funding from the Federal level. We ask that you and this committee give us your full assistance

to achieving the goals of the CALFED program. Thank you, Mr. Chairman.

[Statement of John Garamendi may be found at end of hearing.]

Mr. DOOLITTLE. Thank you. Secretary Wheeler, we are pleased to welcome you here. You are recognized for your testimony.

STATEMENT OF HONORABLE DOUGLAS P. WHEELER, SECRETARY FOR RESOURCES, STATE OF CALIFORNIA

Mr. WHEELER. Thank you, Mr. Chairman. I have a prepared statement that I will submit for the record and attempt very briefly to summarize my remarks which are directed at the State's participation in CALFED.

In addition to my responsibilities as Secretary for Resources, I am also Chairman of the governor's Water Policy Council, and, I am pleased to say, co-chair of CALFED with my colleague to the left, Bob Perciasepe.

The State's involvement with CALFED really began just five years ago this month, with the announcement of the governor's water policy framework, in which he identified a strategy to meet all of California's water needs for the coming decades.

At that time and at several occasions since then, the governor has said that until we solve the issues of the Bay-Delta, both the water supply issues and the environmental issues, we will not be able to develop a comprehensive water supply for the State which assures growing supply as California continues to flourish.

In April of '92, he made that statement. In June of '94, he came to the conclusion that we could not achieve a comprehensive solution in the Bay-Delta or elsewhere unless first the State got its act together by coordinating a multiplicity of agencies and different authorities. Then having done that through the Water Policy Council, we challenged our colleagues in the Federal Government who exercise a variety of jurisdictions in the Bay-Delta to similarly come together.

So we have first the Water Policy Council at the State level. We had next the organization of the Federal Ecosystem Directorate, FED, and then as a result of a framework agreement in June of '94, the emergence of CALFED, the coalition of interests which for the first time in California's history, and I believe in the country's history, brought together all the resource agencies and all of the interested parties to work together on a solution that is truly comprehensive.

That led to the December, 1994, Bay-Delta Accord, which used the period of three years allotted by the "no surprises" policy of the Clinton Administration to find the ultimate final solution for the Bay-Delta, both in terms of ecosystem restoration and in terms of water supply.

As you have heard from Lester Snow, we are well on our way toward this Delta fix. We are now in the second phase, in fact, of a three-phase program which has remained the highest priority for Governor Wilson in the achievement of his overall water policy framework.

The program and the concept received a strong vote of endorsement first from the legislature of California with the passage of S.B. 900, and then ultimately, as you have also just heard, from

the voters of California, who by a margin of 63 percent in November elected to commit $995 million to a variety of different programs, five in all, for assuring a clean, safe, reliable water supply for California. Three of those five elements are directly attributable to the work of the Bay-Delta program and to the solutions of Bay-Delta issues. In furtherance of the initiative approved by the voters in November, the governor's budget for '96-'97, and his proposed budget for '97-'98 include commitment of $280 million all told in implementation of programs authorized by Proposition 204.

This is a landmark for the State of California and more than demonstrable of the State's commitment to this partnership. We are very pleased, therefore, that the Congress elected to authorize in the fall of last year a Federal match to that State effort and are here to urge your approval of the first year's increment of that Federal funding in the amount of $143 million.

The governor wrote to the House appropriations committee on the last day of March, just a couple of weeks ago, to say that for the State of California, there is no higher priority in the Federal budget than this match of the State's effort with respect to the CALFED Bay-Delta program, and that the State's expenditure in support of this program can only succeed if there is a commensurate resolve and effort on the part of the Federal Government.

Let me conclude my remarks, Mr. Chairman, on this occasion by quoting from the governor, and he wrote in that letter of March 31, "This $140 million appropriation is my highest priority for the energy and water development appropriations bill."

We have submitted a copy of that letter to you for the record, and I am pleased to have been able to underscore the governor's commitment and the State's commitment to being a full partner in this very innovative solution to Bay-Delta issues. Our partnership with the Federal Government represents real opportunity to demonstrate to the world in fact that California has once again led the way in devising innovative means in which to meet its resource and its economic objectives.

[Statement of Douglas P. Wheeler may be found at end of hearing.]

Mr. DOOLITTLE. Thank you. Mr. Perciasepe, we are pleased to have you here, and you are recognized.

STATEMENT OF ROBERT PERCIASEPE, ASSISTANT ADMINISTRATOR FOR WATER, ENVIRONMENTAL PROTECTION AGENCY

Mr. PERCIASEPE. Thank you, Mr. Chairman. It is an honor for me to be here. I, too, like my colleague, Secretary Wheeler, am wearing two hats today, first as an administrator of EPA but also as the co-chair with Secretary Wheeler of the CALFED process, so in that regard, it is an honor to be here and be invited to testify.

Before I say something about the accord and add just a few more pieces to what you have already heard, I also want to make clear how important we view and recognize the economic and ecological significance of the water systems in California. The economy of the State of California is important to the entire economy of the United States, and the ecological resources and natural resources that we

are working with here and that are involved with are also of national significance.

I want to talk a little bit about what we have achieved under the accord and a little bit about the funding and what we hope to be able to do.

First, the accord accomplishes a number of things that have been mentioned already. It defines a process to adopt water quality standards. It defined a process to coordinate water project management. It created a program to improve aquatic habitat. It established a long-term process which Lester has reviewed, and I think I agree with Secretary Wheeler that it provide a framework and an atmosphere and a time for us to achieve those things by having that period of certainty.

The water quality standards were ultimately adopted by the State water resources control board in May of '95 and approved by EPA in September of '95. This is something that both the State of California and the Federal Government had been trying to achieve for quite some time, and we are all very proud that we were able to do that.

We have set up a process to coordinate reviews of some of the achievements of the accord to date, a process to coordinate project management between the State and Federal Government. We have developed an atmosphere of more confidence in the financial markets in the State of California, in people like Standard and Poor's writing that the accord represents a major step in alleviating many of the credit concerns that were evolving from a municipal bond standpoint. Richard Rosenberg from the BankAmerica Corp saying that the accord is a critical first step toward a new era of water management in the State.

These are all confidence-building and important statements in terms of the atmosphere and the process that we are trying to put forward.

I think more importantly and probably significant is the involvement of all the different stakeholders. Mr. Chairman, you mentioned in your opening remarks the agricultural concerns, the urban and industrial needs, the ecological needs, and getting everybody to work together on those issues have been provided for in this process.

The Federal funding request for fiscal '98 is really part of this larger process that Lester reviewed, and you have the information in front of you which I won't detail here in my comments about how we are anticipating these funds to be spent.

I would like to make a couple of points that we have to have a continuing transition into the long-term plan that we are all working on, and part of what we are trying to do with our five-year funding plan here at fiscal '98, and the CALFED proposal, is to continue building that confidence by doing no-regret projects, projects and programs that are components of all the different alternatives that are common to all of the alternatives and cover many of the areas that we are concerned about, not just ecological restoration but also water quality, levee vulnerability and the water supply. Some of those projects are laid out in front of you.

We are also working on a cost-share agreement which we plan to have in place before September so that the Federal funds and

the State funds under Prop 204 can be spent in a cooperative way under an agreement that both of us have to do, because statements both in the Federal law authorizing Federal funds and the State law require a cost-share agreement.

We also have a new way of doing business in how we are going to be working on these projects. You have me from the Environmental Protection Agency here talking to you today about projects that are going to be done perhaps by the Army Corps of Engineers, or maybe by Secretary Wheeler's agency, or the Department of Interior—probably not by EPA—advocating this whole issue of projects that we are all working on together, and how these funds are going to work together in tandem, and how we are going to make those decisions.

I will conclude, simply because much has already been said, by saying that the Bay-Delta process should be supported for a number of reasons. First, it is built on a core of partnership with the State, and I think, as a former State official, one of the most important things in this process is that we are working on this together with the State.

Second, the coordination amongst the Federal agencies, again, as Secretary Wheeler mentioned in his statements, we have really worked very hard to keep the agencies working together on this, and this provides a really good opportunity for us to do it.

Third is the fact that all the stakeholders are involved with this, and I think Lester may have used the term nobody gets out alive. I would prefer to say we are all going to be fed really well, and that the idea here is really that the house has to be built with all the struts strong and that is what we are trying to do, and that is what the process is designed to do.

I will stop here, Mr. Chairman, and I will answer any questions.

[Statement of Robert Perciasepe may be found at end of hearing.]

Mr. DOOLITTLE. Thank you very much. It is hard to know where to begin, but Mr. Garamendi, what is the status of this water allocation?

Mr. GARAMENDI. The water allocations were made late yesterday. The announcements went out late yesterday afternoon.

They are much the same; in fact, they are the same as was envisioned by the operation—CALFED operating group—last Friday. There was a modification made, a statement made as to the policy surrounding the B–2 water and how it can and under what circumstances it would be used in the Delta, also a policy statement made with regard to the no-net-loss provisions of the accord which will be in operation this year. That having been done, the policy—the allocation was made yesterday.

It is, as I said in my opening statement, this is a symptom of the larger problem, and we will be plagued with April allocation problems every year in the future as we have been in the last several years in the past because the system is broken. It is the Bay-Delta program that allows us and gives us the framework and the resources, the guidelines and the mechanism to fix the system.

It is simply imperative, we cannot survive long in California without the Bay-Delta program.

Mr. DOOLITTLE. I think we all agree the system clearly is broken. Hopefully, this process will lead to its satisfactory repair and an-

swers. Are there outstanding issues still unresolved concerning the water allocation?

I thought I read something in your press release that there are going to be further refinements.

Mr. GARAMENDI. Yes. The work done by the operating, the ops group, last Friday spoke to the first half of the process. The second half was unresolved last Friday, and that second half is whether the specific criteria and mechanisms to be used in the makeup pumping that will occur in the fall. That has yet to be determined.

We do have an extensive box of tools available to us to assist in the makeup pumping in the fall. We expect that all of those tools will be used. Some of them are cited in the CVPIA legislation, others have been suggested by water users throughout the State, and we will be using all available tools as appropriate and as needed to complete the makeup pumping in the fall.

We have about a two to three-week period ahead of us in which these issues will be discussed and resolved and my statement speaks to that period of time.

Mr. DOOLITTLE. So you expect that at least within three weeks, these allocation issues would be resolved?

Mr. GARAMENDI. That is correct. That is the intention, and the word I had last night, discussions with the people that will be doing the work is that they expect to be able to resolve the remaining issues which are principally around the issue of—which are around the issue of the makeup.

Mr. DOOLITTLE. Thank you for your efforts so far.

Mr. Snow, is it important to the CALFED Bay-Delta Program that the appropriate agencies determine the accounting of the 800,000 acre-feet of yield for the CVP rather than Fish and Wildlife?

Mr. SNOW. The short answer to that question would be yes, but we do need to understand how we are going to deal with what I would call environmental flows.

We certainly feel as we compare our ecosystem component of the long-term plan, that should be addressed in the magnitude and timing with certain kinds of flows to provide ecosystem benefit.

Obviously, that is what was intended with the 800,000 acre-feet, so at some point in our process, we need to better understand the prescription for the 800,000 acre-feet to make sure it is integrated with the way we look at the long-term needs of the ecosystem.

Mr. DOOLITTLE. And how close are we, in your opinion, to reaching a long-term agreement on how that water will be counted?

Mr. SNOW. I cannot answer that. I am not involved in dealing with the CVPIA and the actual prescription. I can respond that we are quite close in terms of the CALFED program understanding a lot of the principles related to when you need ecosystem water for the fish restoration plan or other types of issues, so we are trying to work closely to integrate those, but I am not familiar with the schedule for making the determination of the 800,000.

Mr. DOOLITTLE. Let me ask our Deputy Interior Secretary. Mr. Garamendi, how would you answer that?

Mr. GARAMENDI. I am trying desperately to recall what I told you a week and a half ago so as to honor the commitment I made when I raised my hand as to telling you the whole truth.

As I recall, it is the end of this—it is in May. It is the end of May. I believe that was my testimony a week and a half ago, and I believe it is the end of May that we expect that to be completed.

Mr. DOOLITTLE. I know my time is up here, but Mr. Wheeler, are you in accord with this process, the 800,000 acre-feet, or is it your understanding, too, that representatives state that we will have closure of this by the end of May?

Mr. WHEELER. We are so assured, Mr. Chairman. This is not a matter of direct interest of the State or a concern. I should say it is of interest to the State but not of direct responsibility, and we share the view of the CALFED project that we have to take into account the availability of this water as part of a larger plan, which plan is very much a concern of the State.

Mr. DOOLITTLE. If you don't know what this is, it is going to be difficult, isn't it, to proceed ahead?

Mr. WHEELER. Absolutely, and I think that goes to the point of how much additional water and for what purpose will be required of the CALFED process. This is a building block situation.

We are trying to integrate. One of the unique aspects of CALFED is the fact that we are trying to integrate a number of disparate statutory authorities and requirements, State, Federal, and local, into a comprehensive plan, and the comprehensive plan that CALFED is supposed to prepare, but you are absolutely correct that you can't do that unless you know what the component parts are.

Mr. DOOLITTLE. Thank you. Mr. Radanovich.

Mr. RADANOVICH. Thank you very much, Mr. Chairman, actually for setting these hearings and for the attendance of everybody involved with the CALFED process.

It is a remarkable process. I want to extend my complete endorsement of your endeavor and I want to reiterate how easy it was last year to promote the funding or at least the authorization for the spending of a portion of which you were seeking to get appropriated.

It was very easy simply because it had broad-based support in California, and I look forward to continuing that as well.

Mr. Snow, I wish to get an estimate from you or at least a breakdown of the current $143 million request. I will applaud the Administration for coming up to the plate for the full amount. We, however, have our task at hand to make sure that the appropriators indeed appropriate that much this year.

So if you could, please, give me the breakdown, a general breakdown, of where that money will go and also which agencies it will be spent through. Is that a problem in making sure that all CALFED agencies were affected the same way?

Mr. SNOW. In the briefing book, it provided our current estimate on page 23 to go through both our—what we have done is given a total estimate of what we can accomplish in fiscal year '98 for the total program. That adds up to $260 million and covers all four problem areas.

Then in turn, we have taken each of the areas, such as ecosystem quality, and broken it down into pieces such as habitat acquisition and restoration, fish screening and passage, and then in each of those cases, further broken it down.

These end up being our target categories. For example, $47 million of acquisition of key properties and habitat restoration in partnership with others for fish and wildlife purposes, and we have indicated in there just looking at existing programs that funding could be used by USDA in concert not only with their Natural Resource Conservation Service Activities, the Fish and Wildlife Service, but other entities.

We have not made a determination at this point exactly how those moneys should flow, and the reason for that is while we have targeted areas and types of habitat, we have not selected projects, and that comes through this ecosystem roundtable process that I have described.

So as we get an inventory of projects ready to go, each one may have a different funding combination and a different lead agency. We are looking to accomplish the kind of maximum ecosystem benefit for the least dollars by looking at these different combinations of projects.

So this is our current working level of detail, these kinds of categories, and as we proceed with our public process through the ecosystem roundtable and the Bay-Delta Advisory Council, we will start filling in with specific projects.

The first projects will be funded under Prop 204, because we intend to do that in this Federal fiscal year, August of this year, to begin allocating the moneys.

Mr. RADANOVICH. So if I can assume the total of page 23 is not the total, but rather it goes on to include pages 24 and 25?

Mr. SNOW. Yes, I am sorry. It is on page 26 that has the totals. It shows $143 million as a potential Federal funding, and $260 million as the total.

Mr. RADANOVICH. Thank you very much. Mr. Chairman, I have a statement and a letter I would like to submit for the record.

Mr. DOOLITTLE. That will be accepted, without objection.

[Statement of Hon. George Radanovich may be found at end of hearing.]

Mr. RADANOVICH. Thank you very much. Also, Mr. Snow, how much is the programmatic EIS statement on the three long-term alternatives expected to cost, how will it be funded, and is late 1998 a realistic timeframe to expect completion of this EIS?

Mr. SNOW. Let me start with the last question, realistic time line.

I think if you talk to people that are familiar with projects such as this, they would say no, that it cannot be done in that period of time. However, we have established that deadline, and we intend to stick to it.

An important part of this whole effort is keeping everybody engaged, keeping the momentum, and I believe if we keep the stakeholder community engaged and the diversity of the State and the Federal agencies that we can meet our targets.

These kinds of processes, if you slow down every time there is an issue, you can turn it into a ten-year planning process. That is not going to serve the resource system well if we do that, so we intend to stick to that deadline.

In terms of the funding, as a result of the Bay-Delta Accord, there was a specific agreement developed between the State and

Federal agencies to prepare a long-term plan. That agreement that has been executed between the State and Federal agencies provides for 50–50 cost share of developing the long-term strategy, preparing environmental documentation, and establishes in that agreement a total cost of $20 million to be split evenly and provides for modifications as necessary as we proceed and covers a four-year period of time. That is what we are operating under currently.

Mr. RADANOVICH. Thank you. Mr. Chairman, I would like another couple minutes because I have run out. I do have some more questions.

I know this is a hard question to ask, but Mr. Perciasepe, is that how you say it?

Mr. PERCIASEPE. That is fine.

Mr. RADANOVICH. Would there be any difficulty in extending the existing three-year program to four if necessary until a long-term management plan is determined, if it is determined that it will have to go beyond 1998, and if so, can you give me an idea of how long we might expect it to go if you don't reach that 1998 deadline?

Mr. PERCIASEPE. Thank you. The existing accord which was signed in December of '94 was a three-year horizon which would in theory then have it expiring in December of this year.

We are all in agreement that this needs to be extended for some period of time. We are working with all the stakeholders, with the State and the other Federal agencies to frame how that will be extended.

I think it is our feeling and our desire to extend the accord for the appropriate period of time to allow that work to be completed, and we think it has worked well within the framework for all the work that we have been doing.

So the answer in simple terms is yes, we think it should be extended, and yes, we are working on it to get it long before the deadline or the expiration.

Mr. RADANOVICH. Thank you very much. Mr. Deputy Secretary, thank you for being here. As you well know, I have had a long-term desire for obtaining some legislative changes in the CVPIA, so to follow up on the Chairman's question, to what extent will the prescription be that the 800,000 acre-foot will require legislation in your opinion?

Mr. GARAMENDI. I don't think any legislation is required with regard to the CVPIA. What is required is that we move beyond the CVPIA and get all of the water system in California into a repair process. The CALFED Bay-Delta puts us there where we can achieve the fixes, the kind of solutions necessary.

As to the CVPIA, we do not believe legislation is required, and certainly, we spoke to that extensively last year.

Mr. RADANOVICH. Thank you, Mr. Deputy Secretary. One more question, if I may. Will the department present water contracts as a draft new contract beginning with contract negotiations on those water contracts that expire later this year and then early in 1998?

Mr. GARAMENDI. There are two issues that are outstanding with regard to the water contracts. The first is the issue of the Windstar impact on those contracts and whether the language needs to be changed. The solicitor for the Department of Interior, Mr. John Leshy, has determined that the current language in many of the

contracts opens the Federal Government up to significant financial liability, and we are now in the process of discussing with the contractors different language that may resolve that problem. We hope for a speedy resolution of that, and if that is the case, we would hope to have that resolved in the next few months, perhaps sooner.

The second has to do with renewal of contracts. The contracts that are up for renewal will be dealt with as they come up. Until the EIS is completed, those renewals will be additional short-term extensions.

Mr. RADANOVICH. Thank you.

Mr. DOOLITTLE. Mr. Pombo is recognized.

Mr. POMBO. Thank you, Mr. Chairman. Mr. Snow, in going through the briefing packet that you provided, I notice that there are a number of land acquisition portions of that, and that a lot of that money is contingent on land acquisitions.

Do you intend on proceeding with that willing buyer-willing seller arrangement only?

Mr. SNOW. Yes, exclusively willing buyer-willing seller, and if I could add, in as many places as possible, we would like to work with a local entity of some sort, be it a conservancy or group of landowners that we try to work through.

A lot of the historic problems have been associated with land acquisition for ecosystem purposes, and I think we know too well the good intentions of restoring wetlands only to create mosquito problems for the neighbors, and we have to go through those.

If we do not commit to doing that, we are not going to have a lot of willing sellers, so we have to make a strong commitment to working with landowners and do it exclusively on a willing-seller basis.

Mr. POMBO. So it will be exclusively on the willing-seller basis. Is that part of the authorizing document or is that just a commitment on your part?

Mr. SNOW. For what we are calling the early implementation program or the accelerated implementation, it is a policy statement. Basically, that is how we are going to proceed with this early implementation program.

Mr. POMBO. Have you identified, and I know you have, but have you identified potential sites for acquisition and if so, how are you dealing with those property owners at this time?

You brought them into the process and discussed with them that their properties are slated for potential acquisition?

Mr. SNOW. At this point, all we have identified is broad areas such as the Delta or Suisun Marsh or North Bay or San Pablo Bay. We have not targeted specific properties at this point.

Mr. POMBO. I notice that in one part, it specifically points out the Stone Lakes Wildlife Refuge, the expansion of that existing refuge. In order to do that, you are expanding onto private property, and I have had constituents contact me with concern as to which direction and who is involved.

Mr. SNOW. We are aware of the conflicts and the controversies associated with Stone Lakes. We highlighted that area because that particular category that we proposed would deal with meander belts as well as the potential condition to existing refuges in the San Joaquin, Delta, and the Sacramento system.

We have not targeted specific acquisitions in those areas, but I think that the point that you are making is certainly a critical issue to us, and that is that we have to work with the local parties that would be affected by such land acquisitions in order to have a long-term successful program.

We do not view this as run in quickly and secure 100 acres and we are through. We have to have a long-term sustained relationship with the local property owners in order to maintain the kind of program that we are talking about.

Mr. POMBO. At what point will the property owners be contacted and told that they are on the map, so to speak?

Mr. SNOW. Well, there are two separate tracks that we are on to do that.

One is that we have already started holding regional meetings to discuss our long-term program, ecosystem restoration activities. The point of that is to talk about where we may be going in the long run, what could be local impacts, and to get better ideas.

Separately, though, we will be holding local meetings to talk about these near-term activities, to have actual workshops before we solicit proposals from people to try to get additional input and let people know what is going on in their area.

The other piece that fits that is that we are trying to have meetings with local entities in certain areas, such as in the Delta with the Delta Protection Commission, to get on their agenda and describe these activities and to work with some of the local landowners.

Also, I guess I would stress that this is only a partial response to the issue that you raised. That is why we have established something called the ecosystem roundtable. This actually has members of people from different parts of the State with different interests, so they are bringing these concerns to the table as we even formulate our strategy for implementing these ecosystem restoration opportunities.

It is probably not a perfect system that we have set up, but we think we have enough workshops and contact, enough organizations, that we are providing the opportunity to make sure we run these issues to the ground and that we do not make a mistake and get landowners upset at the front end of a program when we are depending on their cooperation for the long run.

Mr. POMBO. Unfortunately, and I appreciate your trying to set up the roundtables and do as much of that as you can, but unfortunately, the property owners that are involved may be more likely to reach out if they went to a farm bureau meeting than an ecosystem restoration roundtable, and so you can have a lot of meetings like that.

The Health Protection Agency is made up of a very diverse group, but the property owners that are involved for the most part, you can go all the way through your entire process and they can be oblivious that they are even being considered.

I would like to strongly encourage you that early on in the process, when you are beginning to develop areas and maps as to where you are going to go that you begin to contact the property owners so that they know before they pick up their paper in the morning and see a map that they are potentially going to be on a map.

I think that would avoid a great deal of the problems in the long-term.

Mr. Chairman, I understand my time has expired. I did have a few more questions. Are we going to have another round of questions?

Mr. DOOLITTLE. Why don't you just go ahead and ask your questions?

Mr. POMBO. Thank you. What restrictions—if you come up with a plan and you can use South San Joaquin, you can use the Stone Lakes area, both of which are identified as areas of potential acquisition, and you come up with a plan that the experts agree is the best thing to do, but you have unwilling sellers in those particular cases.

What kind of restrictions would you place upon those sellers who happen to be within an area that is slated for acquisition on their activities, normal farming activities? What kind of restrictions would you place on them if they are unwilling sellers?

Mr. SNOW. Well, I guess there are a couple ways to try to answer that, but I think that perhaps the most germane way to answer it is that a proposal that would come in for this early implementation—that is what I am talking about right now exclusively, that had these types of local conflicts going on would be very unlikely to receive funding through our process, because it is incomplete as far as we are concerned.

We are looking for projects that are ready to go and don't have these kinds of conflicts and controversies going on with that. So we are going to expect programs and projects to come in where people are already working with the local landowners to resolve those problems.

So if we have a proposal for land acquisition where it is a patchwork quilt because they are saying they are going to have to condemn some of the parcels, it doesn't meet our criteria for this early funding effort.

Mr. POMBO. But see, that is exactly the problem right there. It is just the way you described that, because it will be on the map as slated for acquisition, and there may be a problem with a few owners that are unwilling sellers or however it is, that there may be a problem with that particular acquisition.

You won't slate money to purchase that because there is a problem with it, but it will remain on the map as slated for acquisition for habitat restoration or wetlands or whatever the overriding public use of that may be, and for ten years, twenty years, however long this process continues, every time a county planner picks up a map, they will see that is slated for acquisition by this process. Every time a potential buyer of that property for farming use comes along and begins to do his research into a particular piece of property, he will find out that that property is slated for future acquisition by Fish and Wildlife, Army Corps, or whoever it may be, and that tends to have the impact on the long-term viability of that particular parcel on the value of that parcel and will be seen over a number of years as—they potentially will become willing sellers because the government is the only buyer, and there is no one else out there.

I am concerned about establishing this process that we are going through and not having some way of protecting those property owners who may not be willing sellers in this process. I understand there are willing sellers. I have talked with a number of them, but there are a number of them that have contacted me that are not willing sellers, and I am very concerned about where this takes us.

Mr. SNOW. You raise a good point that I don't have an equally good answer for. It is actually very germane when we look at the bypass or overflow areas on the San Joaquin where we can talk about dealing with a flood management issue at the same time we are talking about ecosystem restoration activities.

If you have 100 landowners lined up that think it is a good idea to have a flood easement and conservation easement, but there is one in the middle that does not, do you build a levee around them?

That is a fundamental question that is in our future, no question about that, and I don't have a good answer for resolving those kinds of conflicts. I do know that in the near-term, to deal with this early implementation, we are going to steer away from projects that have that kind of—it is called implicit condemnation aspects to them and move to projects where we can get something done and get the benefits generated to reduce the conflict that is out there.

But in the longer run, when we look at, again, an example of a bypass, agricultural preserve, habitat preserve, that is a more difficult issue, and we are going to spend a lot of time working on that.

Mr. POMBO. I appreciate that, and I would really like to continue working with you on that, because it is a concern of mine.

Mr. Perciasepe, along the same lines, the acquisition of these properties, what is the commitment of the Federal agencies in protecting the property rights of the individuals who appear on a map slated for acquisition even though—and we both understand that the way this works is you will sit down and figure out the best way to do this and come up with a map, and then you go out and try to purchase the property. That has a lot of times been when the problems start, but what happens, what are you going to do and what is the commitment going to be from the Federal agencies not to put further restrictions on those individuals who happen to not be willing sellers in this process?

Mr. PERCIASEPE. I think first of all, I want to also reiterate what Lester said. I believe these issues of the impact of the Federal Government is an important aspect of this and probably will be handled in a sensitive way identifying what may or may not need to be done through any project that comes out of this process, not just ecosystem-type projects, but also facilities that may have to be built, a more traditional concept of government working with private property owners. I think both of those aspects are going to require a great deal of sensitivity.

There is nothing in this program that changes the existing regulatory aspects of the different agencies. We have no new authorities granted to us by these funds or to any of the participating State or Federal agencies, so the existing, underlying laws would be the ones that would be enforced.

Mr. POMBO. What concerns me is some of the things the Federal agencies have done in the past, and what I am searching for is, I

guess, commitment in this entire process, that those kind of things aren't going to happen in the future, where you have an unwilling seller who can go through a number of years and eventually get to the point where the only buyer for their property is a Federal agency or conservation group, and that is the only direction they can go, and the property has been devalued because there is only one buyer, and we end up with a situation where they are contacting their elected representative to help them out, and it is way too late in the process.

I think it is early in the process that we have to put this out on the table so that these kind of things don't happen.

Mr. PERCIASEPE. I would agree, and I think we have the agreement of the Federal agencies that this entire process, when it comes to the use of private property for any public purposes, whether it be facilities or easements or whatever, has to be done in a way that reaches out to the individual property owners, and I would agree with that.

You have my commitment that we will make sure that that happens.

Mr. POMBO. And this question, I guess, would probably be more appropriately geared to Mr. Garamendi. Would the Administration oppose language that would say that just because they are on a map it would not put any added restrictions or in any way reduce the use of that property just because we put them on a map? Would that be possible?

I know you don't have language in front of you or anything, but I mean, just that general idea, is that something that you think the Administration would oppose?

Mr. GARAMENDI. I think such language would be unnecessary. In the instance we are discussing, which is the first $143 million allocation, most of which will be spent as Mr. Snow suggested in what are called early implementation, we will not be in a position to do something that is not desired by the landowner.

Now, the land that is likely to be affected or desired or acquired is land that is in unique status to begin with. It is along a river. It is a potential wetland or it may already be a wetland or an area in which—the Stone Lakes area which is subject to flooding today and there are restrictions having to do with the flooding that occurs there annually.

I cannot envision specific language or even general language that would be of use in the context of this particular appropriation.

Now, as we move into the future with the remaining other portions of CALFED, there are projects that are flood control projects. It is clearly envisioned that a flood control project is one that may very well require condemnation often because the landowner may desire a friendly condemnation. There are certain tax advantages to such an activity versus an outright sale of the land, so I don't think we want to preclude that.

Certainly as you understand so well from your district, flood control project is a chain and a link missing is not a project at all, so we want to be very careful how we deal with that and not preclude that potential which may be beneficial to the landowner.

Then the third part of this Bay-Delta program is water enhancements, meaning how do we get new water, additional water. Those

are what I think Mr. Perciasepe said the traditional water projects, and again, I don't believe it is wise to preclude both because the landowner may desire a friendly condemnation, nor do you want—and it may be impossible to build a reservoir or a pipeline system or a pump without having that option available to you.

I would suggest that the point you have made is one that is well understood. You have heard from three of us that we understand the point you are making, but I think that given the extent of this project across the vast reach of California, that language may very well be very, very detrimental to achieving the goals and not carry out the desire that you are seeking.

Mr. DOOLITTLE. Mr. Snow, since this is sort of free money that you are spending; in a sense, this isn't coming out of your pocket. What incentives are there for you to get the most bang for the buck?

Mr. SNOW. Having just filed my taxes, I am not convinced that it is not my money.

Mr. DOOLITTLE. Thank you.

Mr. SNOW. A taxpayer in your district, I might add, and that is a question that everyone has asked, whether the stakeholders are going to hear from our elected officials in California or back here, how do we get the bang for the buck on this.

You will even notice in this proposed allocation of funds, that we have included a specific category for monitoring of ecosystem health. That has to be part of any effort that goes forward as improving the way that we monitor these projects as individual projects if in fact they are doing what we said they are going to do, is the riparian habitat coming back the way that it said, and are fish responding to it.

In our program, we are developing something that we call ecosystem indicators, which are basic yardsticks to be used to see if we are going where we said we are going to go, but then also perhaps more relevant to these specific funds and the projects that would enable, we do envision a very specific monitoring program where we set up baseline conditions and then monitor as the actions are taken to see if we are getting the results.

If a fish screen is being put in place, we want to monitor how that fish screen is working. This is particularly important were we may in fact be funding innovative approaches to fish screening, not just a cookie cutter approach that, here is the mandate for the fish screen, go do it everywhere.

If we are allowing some creative approaches, then we need to have a monitoring program in place to make determinations about the least cost and most effective way to screen fish out of diversions.

I can't follow up with additional information on the broad ecosystem indicators and our strategy, but the actual monitoring will be developed to fit the individual projects to make sure that the projects are being implemented properly.

Mr. DOOLITTLE. Well, you hit upon an area I was specifically interested in. Maybe Mr. Garamendi or one of the other gentlemen here will comment about it.

There is one reclamation district that had a proposal to protect fish. It was not a fish screen. It was some sort of an acoustic de-

vice, much less expensive, I guess many times less expensive than a fish screen, and according to their experts it would have saved 80 to 90 percent of the fish, but the Fish and Wildlife Service has apparently set a standard that requires, I think it is 98 percent of the fish to be saved. I guess zero percent are being saved today.

My question to one of you gentlemen is, react, please, to this situation where there was an innovative, non-fish screen approach and it was vetoed by one of the Federal agencies.

Mr. GARAMENDI. Which one did that?

Mr. DOOLITTLE. Fish and Wildlife Service.

Mr. GARAMENDI. Mr. Chairman, you asked for my reaction, and my reaction is that that is not the proper answer that was given by the Fish and Wildlife if you cite the facts totally and correctly.

We must be creative and innovative, seeking methods that are new and in some cases untried. We have to use what we are calling an adaptive management approach, but frankly, the answers are not known on many of the wildlife issues today, and we need to try something, test it. If it doesn't work, then come back and make modifications. Only in that way will we make progress, and I am a very strong advocate of that, and I would certainly want to see the Fish and Wildlife Service be using that adaptive management process.

I know that Mike Spear is an advocate of that. He is our regional manager on the West Coast, and I would think that we will see more of that. I would be interested in having the specific facts with regard to this one. It might prove to be a useful example for us all.

Mr. DOOLITTLE. I will forward to you the specific facts and would request that when you review them, that you make a response to the committee.

I think a lot of good can come out of this if people are willing to be flexible and reasonable as to how these things are done, but to demand that—I mean, a fish screen is not necessarily a perfect answer. It is certainly a very expensive solution, if it really amounts to much of a solution, and I guess that is perhaps another question.

Mr. GARAMENDI. I look forward to getting the specific information and I will respond to you. I have given you my general impression based on the information you have given me. The bottom line is, in order to deal with the Bay-Delta issues, the water issues of California, we must be creative and that means trying new things.

Mr. Chairman, I am apologetic, but I have an airplane that I must leave for.

Mr. DOOLITTLE. I appreciate your staying. We started late. I would encourage those of you who are able to remain to do so, but I understand this is a very difficult situation.

I think, Mr. Garamendi, you have answered my questions, and Mr. Pombo is satisfied, so why don't we ask the rest of you to remain, and we will excuse the Deputy Secretary to make his plane.

Mr. GARAMENDI. Thank you very much.

Mr. DOOLITTLE. And I think that we are just about concluded with the questions for the rest of you. I hope at least Mr. Snow can stick around for the second panel, and as many of the rest of you as are able.

When you hear the testimony of our final witness on the second panel, I would be interested in engaging you in a bit of further conversation. I think when you hear the testimony of Mr. Payne, you will see what I am driving at here. In fact, I truly regret that I was not aware of his testimony earlier. I would have asked the Corps of Engineers to be present for this to get their input, but it was too late to do that.

Let me ask you this question now, Mr. Snow. In your interchange with Mr. Pombo, you certainly made it clear that you are pursing willing buyer-willing seller. I guess the question I would follow up with is, what conditions are necessary to foster the climate of a willing buyer-willing seller?

In other words, it is certainly possible to make the pronouncement that you are going to do that, but then every time somebody turns around to do practically anything with land that is in one of these sensitive areas, you have to have some governmental agency's permission, and we all know that they communicate with each other, local, State and Federal. The State agencies will pick up the phone and call the Federal and vice versa, hey, we have a situation here, an interest in this, move slowly with your permit or whatever. I do believe that that occurs, and you will see in the testimony of Mr. Payne someone who has been frustrated for years over this.

In fact, the Corps of Engineers is one of your participating agencies, right, in CALFED, and the real estate division apparently doesn't communicate with the CALFED aspect of the operation.

What do you do about this when people become very frustrated and are deemed to be willing sellers because they finally don't know what else to do. Essentially, they give up.

Are you sensitive to these problems and what are you going to be doing to take that into account?

Mr. SNOW. Yes, I am, and I am going to do something different than the Corps did in this case. This will be the short answer.

I have some general familiarity with the issue that you are referring to with Mr. Payne's property, and it is a truly unique situation. I am not sure I have ever run across anything quite like that, and I will give you one kind of specific response as to how I think we want to do business, and I hesitate to do this, because I know that you have on your next panel someone from the Nature Conservancy.

But I think in fact the Nature Conservancy provides a model that we want to work with, and that is that is not Federal or State agency acquisition of property. It is our enabling organizations such as the Nature Conservancy that has a track record of working with the local landowners to do this in a cooperative fashion to acquire property.

I think that is what we want to see happen, is to be able to see conservancies and other organizations that have at their roots the local property owners and local interests participating in those kinds of decisionmaking processes.

Where that doesn't work, then we will need to have a more traditional property acquisition, but we have to be mindful of these kinds of issues because of the sustained effort that we have to maintain. If the reputation is that the land acquisition that re-

sulted from the CALFED program is going to cheat you out of the value of your property, then there is not going to be willing sellers out there, and there are going to be people back here testifying don't give them any more money.

We have that in mind as we proceed forward with this. We have to deal fairly, and that is on both sides. I mean, if you give away too much money, then you have people saying that it is a gift of public funds, so you have to have a fair and open approach, and everybody knows what the rules are.

I think that philosophically, that has to be the foundation of this program, because we are not in this for a flash in the pan where we are going to buy a couple hundred acres and we are through and we don't care what people think about is.

We are in this for the long haul. The efforts that we are talking about you will see referred to in here, 20 to 25 years of implementation. To be able to sustain that, we have to have good relationships with the property owners and local government and local businesses.

Mr. DOOLITTLE. I am very encouraged to hear that response. I am encouraged that you are in charge of the program, and you have a great opportunity to actually accomplish something in an area where so little has been accomplished in the past.

I hope, and as long as you are mindful of the fact that there are ways to get someone's property short of condemning it, and that you will work to resist allowing those conditions to exist, I think it will be a very, very positive thing.

Let me thank all of the members and the ranking members of our panel for being here. We will have no doubt a few additional questions to submit to you in writing, and we would ask for your prompt reply, and we will hold the hearing record open for that purpose.

With that, we thank you for being here. Those who can stay, please do, and we will understand if other things must take you away.

Mr. SNOW. Thank you, Mr. Chairman.

Mr. DOOLITTLE. I have something, because of this time change, that is pressing on me. I am going to declare a recess for five minutes, and then we will come back for the second panel.

I will ask our second panel to come forward and remain standing for the oath for your testimony.

Please raise your right hands. Do you solemnly swear or affirm under penalty of perjury that the responses given and the statements made will be the whole truth and nothing but the truth?

Thank you. Let the record reflect that each answered in the affirmative. Ladies and gentlemen, we welcome you here to the Subcommittee hearing, and I apologize for the inconvenience of this delay.

The lights there in front of you will indicate when your five minutes are up. It isn't life or death if you go over it, but please try to use it as a rough guide, anyway.

Let me introduce the panel. We have Rosemary Kamei, Director of the Santa Clara Valley Water District; Ms. Leslie Friedman Johnson, Director of Agency Relations of the California Regional Office of the Nature Conservancy. We have Ms. Sunne Wright

McPeak, President and CEO of the Bay Area Council; Mr. Richard K. Golb, Executive Director of the Northern California Water Association; and Mr. W. Ashley Payne, owner of the Ashley Payne Farms.

We appreciate your being here, and we will recognize Ms. Kamei for her statement.

STATEMENT OF ROSEMARY KAMEI, DIRECTOR, SANTA CLARA VALLEY WATER DISTRICT

Ms. KAMEI. Thank you, Mr. Chairman and members of the Subcommittee. Thank you for providing me an opportunity to submit the statement on the CALFED Bay-Delta program on behalf of the Santa Clara Valley Water District, a member of the California Bay-Delta Water Coalition, and on behalf of the Bay-Delta Advisory Council.

California's economy is one of the strongest in the world, and that strength is dependent on sufficient and reliable supplies of water. The San Francisco Bay-Delta Estuary supplies 20 million people and supports an $800 billion economy and job base. The Bay Area is the number one business location in the United States and second in the world.

Santa Clara County, the Silicon Valley, is the single most important high-tech center in the United States, being home to over 4,000 high-tech companies. The Silicon Valley receives one-third or over $1 billion of the venture capital that is invested in the United States annually and employs approximately 230,000 people.

These growing industries as well as our homeowners need a reliable source of high quality water coupled with an improving environment to produce the products that fuel the economic engine and to provide healthy surroundings to raise our children.

Santa Clara County is home to 1.6 million people, and it constitutes 25 percent of the Bay Area's total population and economy. On an average year, half of the water supplied to Santa Clara County comes from the Bay-Delta region. A reliable and adequate supply of high quality water and environmental quality is important to the businesses and residents of the Silicon Valley.

As a member of the Urban Water Users Community and an active participant in the CALFED Bay-Delta program, I am pleased with the progress of the program and the degree to which the program has promoted an open and consensus-building process in developing a long-term solution to the problems facing the Bay-Delta.

The program has a very ambitious schedule, but I think that it is important for CALFED to continue with the momentum that it has generated. From the urban perspective, the CALFED process is on track to increase water supply reliability. This is absolutely critical to maintaining the quality of life, not just in my area but throughout the State.

The Bay-Delta Advisory Council, also known as BDAC, is a federally chartered stakeholder group which provides policy guidance to CALFED in its development of the long-term Bay-Delta solution. It is a 32-member council consisting of representatives from urban, agricultural, environmental, business, and fishing interests. It is the formal forum for stakeholders to discuss issues, understand the concerns from all of the interests that will be affected by the

CALFED Bay-Delta program, and to provide recommendations to CALFED in developing balanced alternatives for addressing water problems in the Bay-Delta.

Although the CALFED program requires all parts of the long-term solution to move forward together, the CALFED agencies and stakeholder interests have recognized an immediate need to begin implementation of the ecosystem restoration element. Because the ecosystem restoration element is designed to serve as the foundation for all of the other program elements, immediate restoration action is necessary to achieve the more long-term water supply reliability and water quality benefits.

The California Bay-Delta Water Coalition, including the Santa Clara Valley Water District, strongly supports the Administration's budget request for funding the interim CALFED ecosystem restoration program. The coalition believes that it is critical that all parties in this process, Federal, State, local, and stakeholder interests, contribute financially to CALFED Bay-Delta.

The project selection and funding prioritization process is being performed in a manner that fosters cooperative planning and implementation with all the Federal, State, and local agencies and the stakeholders. Prioritization is based on a rigorous evaluation of environment needs, biological benefits, technical feasibility, cost effectiveness, potential environmental and third-party impacts, and consistency with CALFED goals.

I believe that this ecosystem roundtable process is the most effective method for coordinating overlapping agency programs and for bringing meaningful involvement and stakeholder buy-in.

Thank you so much for this opportunity.

[Statement of Rosemary Kamei may be found at end of hearing.]

Mr. DOOLITTLE. Thank you. Ms. Johnson, you are recognized.

Ms. JOHNSON. Yes, I am sorry, I was just distracted.

STATEMENT OF LESLIE FRIEDMAN JOHNSON, DIRECTOR OF AGENCY RELATIONS, CALIFORNIA REGIONAL OFFICE, THE NATURE CONSERVANCY

Ms. JOHNSON. My name is Leslie Friedman Johnson and thank you, Mr. Chairman, for the opportunity to testify here today.

I would like to submit for the record a coalition statement on behalf of the California Bay-Delta Water Coalition. Several of the panelists here before you are part of that coalition, and we did prepare a joint statement which we would like to submit for the record.

Mr. DOOLITTLE. It will be submitted.

Ms. JOHNSON. In addition to the coalition's statement, I have submitted a personal statement in which I tried to address the questions that you asked of me in my invitation letter, so I would like for that to become part of the record as well.

Mr. DOOLITTLE. Yes, it will be.

Ms. JOHNSON. Again, my name is Leslie Friedman Johnson. I am director of agency relations for the Nature Conservancy in California. The Nature Conservancy is a membership organization. We have over 900,000 members nationwide. We are in the business of land and biodiversity conservation.

In California, we have been active for more than 20 years in the Bay-Delta watershed doing ecosystem conservation and restoration projects, so I think that qualifies us to speak to some of the issues at hand today.

We do share the CALFED objective of restoring ecosystem health in the Bay-Delta watershed, and for that reason, we have been participating in the CALFED process since virtually the day after the Bay-Delta Accord was signed.

As I said, I have submitted a lot of information for the record in my written statement. I would like to focus on just a couple of elements of that statement and perhaps elaborate on them for our purposes here.

I would like to begin with talking about why we need strong Federal support at this time. I am using that as a euphemism for lots of money, why we need that in the process. As my colleague here just mentioned, ecosystem restoration is the foundation for the CALFED solution that is being built.

I would like to characterize it a little bit differently than you have heard it characterized today, maybe a little background first.

Habitats and species in the valley, in the Bay-Delta watershed are in decline, have been in decline for a long time. We are down to a point where we are down to single-digit percentages of a lot of species and habitat types. It has gotten to the point where there is virtually no slack left in the system, to the point where every acre-foot of water, every acre of land becomes a potential battleground, a potential flashpoint for controversy.

We believe that we will continue to have controversies until this situation is fixed, until we restore some of the slack or the flexibility to the system.

We tend to talk about the CALFED elements, ecosystem restoration, water supply reliability, water quality, as though they are discrete, separate elements. I would just like to try to make the point that we believe they are intricately linked, and that in fact, restoring the ecosystem is in and of itself an activity that will help enhance water supply reliability. It is not a separate action. It is an action to help restore reliability.

This is something we feel very strongly about. What the money would be for in the short-term, and I would like to spend a little bit of time talking about the urgency of the need for support. Everyone says that we need it, that it is a good thing, that we should do more of it.

What I would like to really highlight is the urgency. There are urgent actions that need to be done. There are species that are on the brink. There are species that continue to be in decline. If they are allowed to continue to decline, water supply reliability will be impacted further than it has been already.

In addition to emergency actions to deal with species at risk, there is also a lot of research and development, demonstration projects that need to be done for habitats for which restoration technology is not well developed. We know a lot about how to restore some, but virtually nothing about how to restore others.

We also need to act immediately so as to preserve our options so that we can do the ecosystem restoration as we learn more about what needs to be done. By that, I mean we need to acquire land

before it is converted to urban or high investment uses if we are to bring it back. We also need to have significant funding in order to encourage projects on the scale that we need to actually restore ecosystem health. Little piecemeal projects that deal with single issues or single species that are not done in a large scale, coordinated way are not going to get us to a place where we can actually say we have ecosystem health.

I think that the request, the nature of the Administration's request this year, that it is for a lump sum. We support that very strongly. We know that there has been talk about perhaps dividing it up amongst the agencies. We fear that that would undermine CALFED's ability to use the funds in a coordinated fashion. We really think the lump sum is the right way to go.

That concludes my statement. I would be happy to answer any questions, and again, I thank you for the opportunity to testify.

[Statement of Leslie Friedman Johnson may be found at end of hearing.]

Mr. DOOLITTLE. Thank you very, very much. Ms. McPeak, you are recognized for your testimony.

STATEMENT OF SUNNE WRIGHT McPEAK, PRESIDENT AND CEO, BAY AREA COUNCIL

Ms. MCPEAK. Thank you, Mr. Chairman. As you introduced, I am here representing the Bay Area Council, a business-sponsored CEO-led public policy organization established more than 50 years ago to promote the economic vitality and environmental quality of the nine counties that rim San Francisco Bay.

I also want to share a viewpoint from the perspective of business throughout California and in addition, I am very honored to serve on the Bay-Delta Advisory Committee as vice Chairman.

The Bay Area Council and business leaders throughout California strongly support the CALFED process and endorse this Federal investment in the continuation of the process in this fiscal year. Put quite simply, this is the only hope in California to reach an accord or sustain the accord reached in December of '94 and continue to address the challenges of securing a reliable quality water supply for the economy which also is dependent upon restoration of the environment in the Bay-Delta ecosystem.

You most eloquently set forth the importance of the Bay-Delta process and the challenges we face in order to achieve success in your opening comments. I couldn't State them any better.

Let me just say in terms of are we in it for the long haul, the business leaders that head my organization and those that have been very involved in California got into this process to support the Bay-Delta Accord because it was quite clear that the political paralysis, the gridlock in policy in California, was seriously threatening the economic recovery and sustained economic prosperity for California and therefore, also for the nation.

I am quite personally surprised that we have been able to get along this many years without a workable solution to assure a reliable water supply for the State.

We don't have any more time. If we do not proceed with the CALFED process, we seriously threaten and endanger the economic

engine known as California, the Bay Area, and therefore, the sustained economic growth of the nation.

You can be very pleased and proud of leadership exerted here by your committee in this process. It is only because it is stakeholder-driven, Federal-staked, multi-agency, bipartisan that we have a chance to succeed.

Economic prosperity and environment quality must go hand in hand and we know that quite dearly, particularly in the region that surrounds the Bay-Delta Estuary. What is proposed here for the Federal appropriation and the investment in CALFED is an approach to implement as we continue to address the challenges.

I want to also share with you that my members have little tolerance for wasting time, but also an appreciation for what it means to have a sustained commitment to seeing a process through.

The timetable we are working on with the EIS-EIR process is one that we want to see met. You heard the commitment from Lester. I can assure you that Chairman Mike Madigan and myself are also committed to meeting that timetable, because it is only with that intense, sustained focus do we make any progress.

I believe that we can all be quite confident because there is such a sense of urgency in California, and therefore, both the Federal and State projects that we succeed with the CALFED process that we will succeed.

I am happy to answer any questions.

[Statement of Sunne Wright McPeak may be found at end of hearing.]

Mr. DOOLITTLE. Thank you. Mr. Golb, you are recognized.

STATEMENT OF RICHARD K. GOLB, EXECUTIVE DIRECTOR, NORTHERN CALIFORNIA WATER ASSOCIATION

Mr. GOLB. Mr. Chairman, my name is Richard Golb. I am executive director of the Northern California Water Association. The NCWA is a nonprofit organization that represents both public and private water agencies throughout the Sacramento Valley.

I really appreciate the opportunity to testify here today, and also appreciate your time commitment despite the distractions of earlier and your proceeding on with this hearing. It means a lot to all of us who travelled east from California to testify.

California's agricultural interests are supportive of the CALFED process as well as the CALFED ecosystem goal, and the whole objective of the CALFED plan which is to restore water supplies for California's cities, businesses, and farms and to restore the ecosystem for all species and habitat of the species that depend on it.

We view those two goals as interrelated, and we view them in such a way that they are not mutually exclusive, but mutually achievable, and in fact, this is in a similar vein to support that was echoed earlier for Governor Wilson's 1992 water policy where he advanced the principle that all interests have to advance at the same time, and that any one interest shouldn't get ahead of the others.

Our support for the CALFED process is consistent with the governor's 1992 water policy. Following on that theme, CALFED adopted a set of six solution principles earlier, and they are very

important because what they do is they guide CALFED as it attempts to develop a preferred alternative.

Now, several of the principles that CALFED adopted do the following. First, they ensure that the final solution is equitable to all interests, also that the preferred alternative doesn't result in any redirected impacts to other regions or other interests. Then one of the final principles is that it is a durable plan that will last, that has shelf life, so it addresses both California's economic needs and environment needs.

We believe the success of the CALFED program is imperative for the success of California's economy and the long-term health of our environment.

As Sunne indicated, the ecosystem roundtable is a 19-member subcommittee of the Bay-Delta Advisory Council. The ecosystem roundtable of which I am a member is a representative work group comprised of all major interest groups and all major stakeholders in California.

The mission is to assist CALFED and the Bay-Delta Advisory Council to come up with recommendations for specific projects to resolve and identify priority needs throughout the whole Bay-Delta watershed. Our current goal is to go through this process and make an initial recommendation, hopefully by sometime this summer so that we can move forward with some of the projects that are available and ready to go now.

Our view so far of the ecosystem roundtable is that it is an accountable and balanced process. There are always reasons to be skeptical, and there is always great interest when a group of people get together and attempt to allocate State and Federal dollars. That interest is healthy. The skepticism, to an extent, is probably healthy as well, but from our perspective, so far, it is working well and we view it as a process that we believe in. There are clearly established criteria for how projects will be selected, strong measures of good science for how the priorities will be established, and we view those steps which Lester Snow identified earlier today as balanced steps that will lead us to very good projects.

Congressional support for the President's budget request for $143 million will allow CALFED and the ecosystem roundtable and the Bay-Delta Advisory Group to begin work on both immediate projects and long-term restoration projects that will provide significant water supply reliability benefits for agricultural needs and urban and municipal needs.

The funding will also ensure that restoration projects that have a current local fund share as well as current State and Federal approval can move forward now.

For example, State and Federal agencies have long advocated that agricultural water suppliers, the San Joaquin River and the Sacramento River and in the Delta, should screen their diversions, should place large, mechanical screens around their diversions to slow the water as it passes the diversion and prevent juvenile salmon from being trapped at the pumps.

There are a number of agricultural water suppliers that have accepted the challenge and stepped forward to begin the process of installing these screens on the diversions. It is a very lengthy, expensive process.

At this point now, we have a number of agencies that are ready to proceed and a number of water suppliers, public and private, that would like to install these diversions and are willing to do so. These funds that the President has requested will help CALFED finance those projects.

In conclusion, I guess what I would like to say is that Federal support for the CALFED process is imperative, and that means the support of the agencies and the support of Congress.

What we need to make sure that CALFED succeeds is a full commitment, a commitment of financing and a commitment to adhere to the accords, the agreements that we have reached in California such as the 1994 Bay-Delta Accord to make sure that we have the authorization, the authorities, the necessary financing and the agreements all together collectively to finance the initial projects that will lead to the long-term projects that CALFED is now developing.

Again, Mr. Chairman, thank you for conducting this hearing, and I would be pleased to answer any questions at the conclusion of Mr. Payne's testimony.

[Statement of Richard K. Golb may be found at end of hearing.]

Mr. DOOLITTLE. Thank you. Mr. Payne, you are recognized.

STATEMENT OF W. ASHLEY PAYNE, OWNER, ASHLEY PAYNE FARMS

Mr. PAYNE. Thank you. Mr. Chairman, members of the committee, my name is Ashley Payne. I am a rancher in Yolo County, California. I appreciate the opportunity to testify before you today and your Subcommittee, particularly from the perspective of a landowner who has property in the CALFED acquisition area.

My involvement with the Federal land acquisition process has been with the U.S. Army Corps of Engineers, the Corps' effort to acquire the Little Holland tract, an island in the delta that my brother and I own. While my experience may be somewhat unique, it does provide some lessons from which the CALFED land acquisition program can benefit.

Little Holland tract is a 1,630-acre delta island in southeastern Yolo County, with 450 acre-feet of appropriate water rights. In 1995, Congress passed legislation directing the Corps to acquire Little Holland tract, and funds were appropriated to carry out the acquisition. To date, it appears that we are still a long way from finalizing acquisition of the property.

The Corps has appraised the property and offered us $735,000 for the island. This is far less than the fair market value of the property. In 1992, a private appraisal valued the property at $2,500,000. In 1995, Congress made up to $3,300,000 available for the acquisition.

There were several reasons for the low appraisal by the Corps that have emerged. First, Federal appraisal standards preclude the use of anything but private-to-private sales when selecting comparables to determine the fair market value of a parcel. Federal appraisal guidelines do not permit the use of transactions that involve a nonprofit or the State of California, both of which have made significant acquisitions in the Delta.

Secondly, the Corps does not have a solid understanding of water rights and their value. During our recent discussion with the Corps, representatives of the agency acknowledged that the Corps had not assigned any value whatsoever to the appropriate water rights associated with the Little Holland Tract.

Senior appropriate water rights similar to those associated with Little Holland tract have sold recently for $1,500 per acre-foot. That would place the value of the water rights alone at $2,200,000.

Third, the Corps real estate commission seems to operate in somewhat of a policy vacuum. For example, the real estate division has never consulated with their Corps colleagues involved in CALFED to determine whether the Corps would have an interest in acquiring the water rights of Little Holland. We did, and the answer was an unqualified yes.

Finally, the Corps has been unable to discriminate between the value and therefore, the price that should be paid for varying qualities of habitat. What I think is that the Corps appraised comparative value of all inundated land equally regardless of the quality of the habitat.

To summarize, there are important key lessons out of Little Holland tract and experience that may be relevant to the committee.

First and foremost, it is important which agencies are given responsibility for carrying out the land acquisition program. Certainly the Corps of Engineers should not have a role in this part of the CALFED program. They lack the expertise, and in particular, they lack the knowledge of water rights. In my view, the Bureau of Reclamation should have the lead in this process.

Two, there should be clear lines of communication between the real estate division of various agencies that operate in the valley and the Delta, and the Federal officials involved in the CALFED process. It should be clear to all Federal officials involved in land acquisitions in the region that CALFED has set a high priority on acquiring prime habitat and water rights for environment purposes.

Three, a concerted effort must be made to ensure that the Federal Government is able to quickly and efficiently determine the fair market value of prime habitat and at the same time, carry out the acquisition in a timely manner.

Four, Federal appraisal standards should be modified to allow the use of sales involving nonprofit organizations and government agencies. The Delta and the islands within the Delta are very unique, and the primary sales of late involve either nonprofit organizations or government agencies. Automatic exclusion of these recent sales results in appraisals that do not reflect the current value of the land and water rights.

In conclusion, as you can imagine, this has been a very frustrating experience. This is a prime piece of property with wetlands and wildlife. Congress has instructed the Corps to acquire the property including the water rights and the funds have been appropriated, yet 15 months after the Congress directed that the property be acquired, the sale has still not closed.

Certainly, if this kind of experience is repeated, it will undermine the kind of willing seller requirement that will be needed for an aggressive CALFED land acquisition program to be successful.

Mr. Chairman, while my situation might have been somewhat unique, I understand you have testimony before you that has been submitted from other landowners that reflect similar concerns. I am the landlord, I am the landowner who would like to be allowed by the Corps to fix my levees and farm the land or sell it at a fair market value, neither of which I can presently do.

Thank you for this opportunity to testify.

[Statement of W. Ashley Payne may be found at end of hearing.]

Mr. DOOLITTLE. Thank you. Ms. Johnson, Mr. Payne mentioned various recommendations about how land acquisitions should be handled in the Bay-Delta program. What is your perspective on these recommendations?

Ms. JOHNSON. On these specific recommendations?

Mr. DOOLITTLE. Yes.

Ms. JOHNSON. I think that if gestures are made, that if interest is shown by the government to acquire land, that they should follow through as expeditiously as possible.

I think that the CALFED program provides an opportunity to see these things happen in a more coordinated fashion to identify the appropriate agency to take title.

One of the situations that we have now is all of the different State and Federal agencies who have land acquisition authority or responsibilities have different priorities, different mandates, different processes for completing those.

Some are more efficient than others; all have fairly lengthy bureaucratic needs that they need to move through.

Mr. Snow, in his testimony earlier in answering a question, suggested that one way to go about this might be to have money granted to organizations that can do the kind of work in a more expeditious manner. I would support that.

The other recommendation, and I am sorry, I didn't make a note of each of the recommendations he made. Perhaps if you have a specific question about one of his recommendations, you could refer me to it.

Mr. DOOLITTLE. Well, you have heard an outline of the problems that he experienced in trying to sell his property. Here you have a situation where the Corps has actually determined that it is in the nation's interest to get it. It has been authorized, money has been appropriated, and yet we still can't accomplish it and haven't accomplished it. Hopefully, it can happen.

Ms. JOHNSON. I can say that we have extensive experience working with a variety of agencies on land acquisition.

Mr. DOOLITTLE. Does one stand out over the other in terms of being easier to deal with?

Ms. JOHNSON. It is very highly variable. It depends on the deal, it depends on the time, it depends on whether the money is available before going in to try and do the deal or if they are trying to solicit it after the fact.

On the whole, we have had very good experiences working with them. I know that landowners as a rule have expressed a preference for working with private entities over working especially with the Federal Government.

Mr. DOOLITTLE. So the Federal Government would rank last in the agencies to be dealt with?

Ms. JOHNSON. As I said, it is highly variable, and it depends on the deal. I think that what CALFED is proposing is to come up with a mix of approaches that will accomplish what needs to be accomplished for its mission.

Mr. DOOLITTLE. The Corps isn't here to defend themselves, but I don't know—Mr. Payne, were these people in the real estate division, even though they were with the Corps?

Did these people live in California or was this something that was done back in Washington, D.C.?

Mr. PAYNE. No, this has been handled by the Sacramento department of the Corps.

Mr. DOOLITTLE. How could you live in California and not recognize the water rights issue? That sounds like it is an absolutely different proposal.

Mr. PAYNE. We requested private counsel.

Mr. DOOLITTLE. Well, I guess no one is here to defend the Corps today in this group, and they are supposed to be one giving live testimony in committees, even in this one. Of the various Federal alternatives, they are thought to be one of the more reasonable Federal agencies to deal with, but they have their problems, too.

Ms. Kamei, having once resided in the Bay Area for a number of years, I am intrigued that it is your assertion that this is the number one business location in the United States. Is that a point of view accepted by the whole or is that local pride in the Bay Area?

Ms. KAMEI. Having lived in the Bay Area 16 years, perhaps it sort of grows on you, but it is generally the case and it has attracted quite a number of firms, especially the high-tech firms, to our area, and I know there is always the element of going to other areas, but it seems to be one that draws people to the West Coast.

Mr. DOOLITTLE. And you said it is the second in the world. From that list you are using, what is the first in the world?

Ms. KAMEI. Singapore.

Mr. DOOLITTLE. Singapore is the first business location in the world?

Ms. KAMEI. And I did confirm it with my colleague who is representing business here today, Sunne, and she might have more information to add.

Mr. DOOLITTLE. OK.

Ms. MCPEAK. Fortune magazine published in November of '94 their list as they do annually of best locations for business within the United States and in the world, and that is the ranking that Rosemary is quoting.

They change from year to year their ranking, Mr. Chairman.

Mr. DOOLITTLE. Is this a thing that takes into account the number of five-star hotels and things like that? Are there all those in the rankings?

Ms. MCPEAK. Actually, no. In that particular year, Fortune hired a consulting firm who looked at knowledge-based industries and what the change was happening globally, and so that also helps explain the ranking internationally of Singapore, so it was more looking at what has been the trend in comparative advantage and the globalization.

Mr. DOOLITTLE. That is very interesting. Let me ask you, Ms. Kamei, how are the urban water users going to approach the water use efficiency program that is contained in all three of the long-term management alternatives?

Ms. KAMEI. One of the things that we are working very diligently with in the CALFED program is how conservation programs and other programs and what we call BMPs, best management practices, can be put in place for the short-term and long-term and making that commitment.

We signed an MOU, a memorandum of understanding, among the water users to implement those BMPs.

Mr. DOOLITTLE. Ms. Johnson, can you give us some more details on the role that Nature Conservancy is playing in CALFED land acquisition efforts?

Ms. JOHNSON. Well, to my knowledge, CALFED has no land acquisition efforts to speak of yet. It is not entirely clear how that is going to play out.

What we are doing very aggressively now is trying to develop projects for working with others with landowners, with local conservancies, with a variety of agencies and interests to try and develop the projects, get them ready to go so that when the money is made available, it could be spent effectively and quickly.

We are working in a number of areas that overlap not coincidentally with the CALFED maps that you have seen in your packet.

Mr. DOOLITTLE. Let me ask my colleagues if we could have one round of questioning. Would anybody object if we just each ask our questions?

Mr. POMBO. No.

Mr. DOOLITTLE. I promise I won't take long. The 800,000 acre-feet of water for environmental purposes, would anyone care to comment just as to the relative importance you assign to clarifying exactly what that means in order to be able to resolve so many of these issues that seem to depend upon that?

Mr. GOLB. I will try. The current situation now with the latest water allocation announcement which is at best unfortunate, and this is a classic example of the type of situation that led us to form CALFED and urge CALFED's formation in 1994.

From time to time, we are going to see these problems arise, and I don't think we should try to skirt the issue. They can be extremely dangerous to this fragile coalition that we worked so hard to put together, but they also stress something very important, and that is that if CALFED isn't successful, we will face more situations like this every year.

The future economic of California agriculture cannot withstand more of these types of situations where water supplies are uncertain or water supply cutbacks—that they will continue to face those. The business interests can't either, so I think that we look at it is, we have a difficult situation in front of us.

I have heard the administrator of EPA, Mr. Perciasepe, and the Deputy Secretary, both indicate they were willing to try to work this out to the best of their ability. I take their word for it, and I think they will.

We are going to have these things from time to time, and the coalition that is here before you today recognizes it is a problem for

us, but in the long run, CALFED's success is imperative, and that means full funding is necessary as well as the full Federal support is necessary.

It is a difficult situation, but hopefully, we will be able to get through it, but it shouldn't detract support from the CALFED program.

Ms. MCPEAK. The 800,000 acre-feet issue from CVPIA and the controversy that continues today is illustrative of the major challenge faced by a project or a program such as CALFED which is to understand there has to be a resolution of the issues that treat all parties fairly.

No effort to protect the environment or restore habitat that doesn't recognize the reality of meeting on a long-term basis a reliable, sustainable water supply for ag, for urban, for industry, is simply going to fail, and that is where we are at.

The CALFED process represents that hope to look at how we satisfy all those needs. I want to assure you that the Bay Area business and Bay Area Council is very concerned about it. We have formed—Rosemary is one of four co-chairs representing four stakeholders, a Bay Area Water Policy Forum. It was launched by Dick Rosenberg, who is the past chair, retired chair and CEO of Bank of America.

Next week, we will be discussing the 800,000 acre-feet issue to try to better understand it, but the fact of the matter is that in isolation trying to restore habitat without understanding it must go hand in hand with meeting water needs in the State, is simply not going to succeed ultimately.

Mr. DOOLITTLE. Let me follow up with you, Ms. McPeak, if I may. I believe you are really from the east Bay, but since you represent the Bay Area Council, may I ask you if you could give us details about what money or water, if any, the city of San Francisco, which gets its water from its system, has contributed to the Bay-Delta restoration efforts?

Ms. MCPEAK. Actually, I should be even more forthcoming in disclosing that I am actually from the San Joaquin dairy and grew up on a dairy farm. You have to have done that to really understand what the perspective of farmers is in all of this.

All of the water agencies within the Bay Area are committed to the Bay-Delta process and the urban water agencies within the State of California which the city and county of San Francisco is also one as is the Santa Clara Valley Water District involved in the CALFED process.

They individually as water districts are investing sums of money to look at what is it going to take to reach a solution. They are collectively through the California Urban Water Association participating in the process. As you are probably very familiar with, many issues that San Francisco Department of Water and Power has specifically been involved in trying to resolve on their watershed, I would just to be progressive in looking at how they carry their fair-share responsibility in restoration of the habitat, even though they are not taking out of the Delta pool.

Mr. DOOLITTLE. If you had the information today or else later, maybe just tell us in a letter what they actually are doing to contribute to Bay-Delta restoration effort?

Ms. MCPEAK. Mr. Chairman, if that is your request, we certainly will follow through and ask——

Mr. DOOLITTLE. Mr. Payne, I wanted to ask you, in the appraisal process, did the Corps itself predominate or does the real estate division have the upper hand?

Mr. PAYNE. Well, I am going to reconsider for the CALFED part of it. What we would like to do, we have had informal discussions with the Bureau of Reclamation through the Interior Department in working with them.

We also need to clarify the appraisal process that they have used, and I think this is going to be important for all future purposes, because if you use the value—if you can't use the value of sales to government which are the majority of the sales in this area—I mean, there are no other comps that are available.

Mr. DOOLITTLE. When you repaired those levees back in the early 1980's, I guess it was, were you shocked when the Corps took the position it did?

Mr. PAYNE. Yes. We were repairing the levees in 1991.

Mr. DOOLITTLE. Oh, in '91.

Mr. PAYNE. And some of the damage to the tract and the drought contributed to the water bank, which gave us some money to fix the levee. The Corps came after me due to the fact that I had not got a permit, but we had been fixing the levees for 20 years under a blanket permit.

Mr. DOOLITTLE. And the permit was to do what?

Mr. PAYNE. It was to build the levee. You were supposed to have a permit to build the levee.

Mr. DOOLITTLE. Right, because they were interested in that building on wetland?

Mr. PAYNE. Yes, yes.

Mr. DOOLITTLE. So you had a permit to do that?

Mr. PAYNE. Right, because where the ranch sits, it is in the old bypass and the State has always had rights over the ranch during the flood season, but after that, we were always able to go back and fix the levees and farm the ranch.

Mr. DOOLITTLE. And that permit number three is one of those nationwide permits they are phasing out now?

Mr. PAYNE. Yes. That caught us by surprise, because even the State Department of Water Resources who we sold the water to, we were in contact with them. They were responsible for getting any necessary permits.

Mr. DOOLITTLE. When you are a landowner with some piece of unusual land like that, when you listen to these stories, what do you do, call your attorney to ask if you can do anything with it? Is that the first step you have to take?

Mr. PAYNE. You mean before——

Mr. DOOLITTLE. Yes.

Mr. PAYNE.—or do you mean after——

Mr. DOOLITTLE. When you have a levee to be repaired or some act you want to take on your land, I wouldn't think to call anybody, but——

Mr. PAYNE. No. In the past we never had. We would just go and do the dredging and they sent their barge up and patched up the levees and our ranch was easy to drain. It has a flat feed and it

is low so the water moves out, and when the tide comes in, it will fill, and then it goes down through this small drainfield by gravity.

Mr. DOOLITTLE. That would account for the situation where water that they hold back on the river bottom lands. They have to get a permit. They can't just let it go back into the river even, because that violates one of these standards.

Mr. Snow, I know you have heard Mr. Payne's story, and since the Corps of Engineers is part of your CALFED process, do you think you might be able to unravel this situation and get it resolved?

Mr. SNOW. If I paraphrase, the question was is that I am going to straighten out the Corps?

Mr. DOOLITTLE. That would be a truly Herculean task, but do you think you might at least help one end of the Corps to understand the other end?

Mr. SNOW. Absolutely. I think one of the benefits, and Leslie already spoke of this, is that in CALFED, we are trying to get all the people at the table at the same time. So we are starting to speak with the same objectives, goals, and approach to dealing with these issues, and I think there are probably a lot of issues at play in Mr. Payne's situation, but clearly, there is no question that part of it is the issue of left hand/right hand. Nobody knows what is going on, that it is not being coordinated, and that is one of the things that we have to accomplish in this.

I would hope that in our situation that a valuable piece of habitat like that that we can lay out a logical strategy for acquisition of a situation where you have a willing seller and a location that has valuable habitat come to us, so that we can run that to ground instead of becoming a saga on how government doesn't work.

Mr. DOOLITTLE. Thank you, and I invite Mr. Pombo to ask his questions.

Mr. POMBO. Thank you, Mr. Chairman. Mr. Payne, throughout this entire process and I had the opportunity to read your testimony previously, before your land flooded, were you in the position of being a willing seller of your property? Were you interested in selling your property to the Federal Government at that time?

Mr. PAYNE. We had actually sold the property at one time in the early '80's to a Spanish company——

Mr. POMBO. Yes.

Mr. PAYNE. [continuing]—and they couldn't get the money, and at that time, we had to foreclose. At that time, no one was offering us anything, and if we were offered a reasonable price, yes, we probably would have been willing to sell to anyone.

Mr. POMBO. Since all of this happened, since it flooded and you had the problems fixing it, is it farmable now? I mean, are you farming it currently?

Mr. PAYNE. No. I can't get a permit to close the levees and the levees, what they do is they keep the tidal waters out in the summertime, and that is why we drained it every year when the levees broke, and then we would start farming it as soon as the ground was dry.

Mr. POMBO. So you are unable to farm it, so it is no longer—can you still use it for crop management?

Mr. PAYNE. Well, if you did, yes. If you did close the levee and drain the ranch, you could farm it.

Mr. POMBO. But the government won't let you close it.

Mr. PAYNE. Right, but we haven't farmed it, you see, for—this will be the sixth year that it has been inundated, and we have got a large growth of weeds in there and willow trees have sort of taken over, which make it a beautiful wetland, but to clear it and reclaim it now, six years later, would be pretty expensive.

Mr. POMBO. Is there anyone, any other person other than Federal agencies or a conservation group that would purchase your property? Is there any support other than preserving it as a habitat or a wetland?

Mr. PAYNE. Well, yes. If you cleared it, you could go back to farming it.

Mr. POMBO. But they are not going to let you fix the levees?

Mr. PAYNE. That is true, so we are sort of—yes. The only thing now that we can do with it is sell it to a government agency who wants it.

Mr. POMBO. So part of the problem with your appraisals is that it is in a different condition today than it was when you originally sold it or when it was appraised, because it is not farmland anymore, and they won't let you do anything with it, right?

Mr. PAYNE. Yes.

Mr. POMBO. This is the kind of thing that concerns me, and I know Ms. Johnson, your organization or group or whatever you call it is involved with the purchase of a lot of these properties like this, and one of the things that concerns me about this whole process that we are going into is exactly what happened with this case, and that there won't be anybody else to buy it because you can't do anything else with it.

How do you step in and keep something like this from happening?

Ms. JOHNSON. That is a complicated question. I don't think that the Nature Conservancy, for instance, could prevent something like this from happening, and we have no ability to influence regulatory action.

I do think, however, that one of the problems that we see is that—I mean, the very fact that repairing a levee is a regulatory issue when it comes to wetlands or endangered species, is a symptom of the fact that we have so little habitat left.

We are fighting our endangered species battles in irrigation ditches and on levees. It shouldn't be like that, and I am not saying that we shouldn't be fighting the battles to protect the species. What I am saying is that we should restore their habitat, not their habitat in ditches and on levees.

If we have sufficient habitat to have a healthy ecosystem and healthy species populations, we wouldn't run into issues like that, so I think that maybe that is a very direct way of saying that is how we do these things, we can prevent situations like this.

Mr. POMBO. In the CALFED process, what role do you see the Nature Conservancy playing? I have this map here that has a broad area outlined and that area that you see there is my district, and obviously, my constituents see that and I begin to get phone calls.

How would you respond when you see a map like this, how does your organization respond to it?

Ms. JOHNSON. I will answer that in a couple of ways. One is, when we do projects and we are doing increasingly large scale projects because we understand that to really accomplish the kinds of conservation and ecosystem conservation that we are trying to do, we need to do things that are big. You don't do just little postage-stamp sized preserves.

We generally don't release our maps until we have spoken to all the landowners who are potentially going to be affected by any activity that we are contemplating.

When we see these maps, I think a couple of things. One is, we are actively working currently in several places that are indicated on the maps, and as such, you asked the question earlier of Mr. Snow, when are you going to start reaching out to some of these landowners, letting them know what you are contemplating.

We have already talked to a lot of those landowners, and actually we are approached by landowners on a fairly frequent basis saying that they would like to sell their land. Often, we find that—I forget who it was on the earlier panel who said that a lot of these lands are unique types of lands; they are riparian lands, flood-prone lands, places were in many cases a landowner might actually, and we have found actually does welcome the opportunity to perhaps sell their land or perhaps enter into something short of a real estate transaction.

One of the things that we are trying to pursue in a lot of the areas we are working is a whole spectrum of activities. Sometimes, it is by conservation easement on existing park land that enables the farmer to continue farming, but also protects the value of that property. Also, a lot of agricultural land is good wetland habitat.

We are working on wildlife-compatible farming practices, doing experiments and research in trying to develop more of them.

I think that there are a lot of different types of activity that contribute to ecosystem restoration that aren't necessarily outright acquisition, and I know that we are very directly involved in working with CALFED on a development theory for an ecosystem restoration program, and they are contemplating only those types of activity.

I think that today we have perhaps over-focused on the land acquisition element, and the areas that are indicated on the map are the areas that need to be restored, not necessarily the areas that need to be acquired.

Mr. POMBO. I was agreeing with you until you said that last piece and then you kind of threw me for a minute.

Ms. JOHNSON. Can I clarify?

Mr. POMBO. Yes. You have the map in front of you, but if you take this broad area—this map is on page 45. If you take this broad area and say that this needs to be restored——

Ms. JOHNSON. Well, in this case, the map——

Mr. POMBO. You are talking about literally several billion dollars' worth of agricultural properties and the way that they are outlined here is watershed management for final projects, watershed management for habitat wildlife quality, and the impact that would have on my district to whether they were acquired or not, if they

were restored to something that would fit into those broad categories, the economic impact on my part of California would be immense.

Ms. JOHNSON. I must apologize. I was not—I didn't recall all the different maps that were in this briefing book. I was referring specifically to the maps that had to do with areas where they want to do land acquisition and restoration.

As I understand it, the upper watershed management area is talking more about compatible—maybe putting in buffer strips along headwaters of streams or looking at best management practices for grazing management or timber management. It is a much more limited set of activities that is proposed for the upper watershed. It is not full restoration of the upper watershed, so I apologize for that confusion.

Mr. POMBO. That is OK. That scared me.

Ms. JOHNSON. I was thinking of a different map than you were looking at.

Mr. POMBO. There are a number of different maps in here and I realize that.

Mr. Golb, you participated in this process and I understand that you are on the ecosystem roundtable, and what happens in that process when you can't reach a consensus on an issue?

Mr. GOLB. We haven't had that. So far in the ecosystem roundtable process, we have been working with CALFED to identify different priorities in terms of what are the issues that need to be addressed with the watershed and the river system within an area; what are the types of actions that we might pursue.

So far, those have been fairly objective scientific evaluations and issues that we have been looking at. I think the process that you are describing where there could be potential conflict will happen when you start looking at what are the specific actions that we might consider, and then what are the specific projects. Do we do this fish screen project or do we do that one; do we try to restore this wetland habitat or do we do that; do we try to acquire this tract of land or that piece of property.

In that case, there will be disagreement and there will be disagreement based on a number of reasons, and a lot of factors will be involved.

I think what we are going to have to try to do is just do our level best to adhere to criteria that we have already established in terms of the objectives. What are we really trying to accomplish, what is the best way if we can do this to protect or restore environmental values within the budget without jeopardizing private property interests or other local economic interests or community needs.

I think we can do it, but there will be some disagreement. If we don't have a consensus, I think those projects probably will fold.

Mr. POMBO. So you believe at this point that if there is not consensus that they will move on to another issue?

Mr. GOLB. I think the way Lester said it, and correct me if I misstate this, but I think what we are looking at is for example, one issue may be—we may be looking at two tracts of property for acquisition for example.

For purposes of discussion, if one tract we don't have a willing seller, regardless of its potential for environmental value, I think

that for this process, for this appropriation, I think that tract will not be pursued; whereas, if we have another tract maybe that has less environment value but we do have a willing seller, we do have community support, I think that tract would probably be proposed to the Bay-Delta Advisory Council for purchase.

Mr. POMBO. In general, how do you feel that the landowners themselves have been included in this process?

They talk about the stakeholders and a lot of people get put in a room and they talk about the stakeholders, but how would the individual property owners be included in this process?

Mr. GOLB. We need to do a better job in contacting the individual landowners, there is no doubt about that. On this panel, for example, Mr. Payne is the only direct landowner that is involved with the CALFED process.

Unless a small, two-bedroom home in Sacramento, I think this would apply, but I would think the way that Lester talked about earlier is that what we are attempting to do is bring in the community interests and bring in the landowners so they can see this map.

You are exactly right. When a lot of people see these maps, there is going to be great concern, and we talked about some of the skepticism earlier, but Lester has done a pretty good job so far, and the CALFED process has been pretty good about public outreach. A lot of that is going to fall to us, people that represent water districts, farmers, botany groups, county supervisors.

We have been working with Lester to try to do that. We are going to have to do some more outreach so that some guy doesn't wake up one morning and get in the mail a document like this that shows his property, his livelihood, is targeted for acquisition, and I don't think that's what Lester intended with these documents.

And as Leslie indicated, those documents don't necessarily—the maps don't target lands so much for acquisition as they do areas for restoration, and there are a lot of activities that Lester has proposed and the CALFED process has proposed for this $143 million appropriation that will be restoration not related to acquisition.

Mr. POMBO. The appropriation includes a huge amount of money for acquisition, and when I look through this, I see maps and when you have tens of millions of dollars in here that are for acquisition and you have maps, one thing leads to another.

As I said, I already have constituents that have contacted me and said I am within one of these squiggly lines or I am on one of these maps and I don't want to be, how do I get out, and I don't know what to tell them at this point how they get out.

You are not going to drop this and have a blind spot in the middle of it, but that is one of my great concerns about the way these processes get put together is that the property owners are not included in this process to the point where they know what is going on, whether they are willing sellers, whether they are the kind of people that would call the Nature Conservancy and say come get my land, I am not making any money, the price is terrible.

Whatever it is, that happens and I know it does, but there is a cattle rancher that entered into a long-term conservation easement with the Nature Conservancy on their entire ranch, and that was one of their ways of making it.

I understand that happens, but if you don't include the property owners from the very beginning, it makes my life that much more difficult, because then they contact me.

Mr. GOLD. A couple of suggestions. The first is—let me give you Lester's home phone number to give to your constituents.

The second is that there are certainly ample stories like Mr. Payne's. I have never had that happen to me, but there are certainly ample stories out there, and you have some in your own district where Federal agencies have purchased land or attempted to purchase land in a coercive or unfair or overly aggressive fashion, and we have lots of stories like that around.

I think what we are trying to do in CALFED is we are attempting to restore the environment in such a way that we don't also damage economic interests and community interests, and earlier in my remarks, I talked about some of the solution principles that CALFED has adopted. There are six of them, and one of them is no redirected impacts to an individual interest, and we are going to hold CALFED accountable to that.

I think what that means, the practical effect of that is, number one, we have to do a better job of notifying landowners that CALFED is interested in land acquisition or easements or some other type of arrangement in the area where they own property.

Number two, I think one of the things we need to look at is possibly utilizing entities like the Nature Conservancy to bring them in. They have a wonderful track record with local and private landowners and using entities like that to work with local constituencies.

The third thing, I think we need to pursue very carefully, very carefully, the last thing we want is the Federal Government agencies to be getting more tracts of land in the State of California, and I think that California tends to do these things.

You can rest assured that on behalf of the farmers and landowners that I represent, that I will make sure I do my best that CALFED follows these principles, and that we achieve the restoration providing suitable alternatives that we are not impacting individual or community interests.

You and I both know that in a community, particularly in an agricultural community, there is also an industry, an entire industry that is dependent on production of crops, trucking, fertilizer, marketing, merchandising, and we can't have those lands come off the county tax roll and impact the county government's tax receipts which has an ultimate effect on the entire community.

We have a lot of work to do, and so far, I have been pretty confident and comfortable with the process that Lester has established. I am certain that Sunne, as the co-chair of the Bay-Delta Advisory Council, will also be watching this very carefully.

Mr. POMBO. Thank you. I know that we have talked a lot about the private property owners in this process, and I am concerned about how this all works. The fact that we are dealing with endangered species the way that we are today, I don't think it is the way it should be done, but in that whole process of trying to restore the environment, trying to reach some common sense with some of these laws, I think we have to be careful that everybody is included at the table when those decisions are being made.

On behalf of the Chairman who had another meeting and had to leave, I want to thank you for your testimony. There will be further questions that will be submitted in writing, and if you could answer those quickly on a routine basis, it would be appreciated by the committee, and on behalf of the Chairman and myself and the rest of the committee, I apologize to you for the length of this hearing. It was not a normal situation in which it came about and I apologize to you for that, but thank you very much for sticking around and for your testimony. It was greatly appreciated.

[Whereupon, at 3:28 p.m., the Subcommittee was adjourned; and the following was submitted for the record:]

TESTIMONY OF LESTER A. SNOW, EXECUTIVE DIRECTOR, CALFED BAY-DELTA PROGRAM

Mr. Chairman, members of the Subcommittee on Water and Power Resources, I am Lester A. Snow, Executive Director of the CALFED Bay-Delta Program. I appreciate the opportunity to appear before you today to provide a status report on the Bay-Delta Program and to answer any questions you might have.

Background

Before I describe our Program, I would like to provide some context for you. The San Francisco Bay and Delta System is the largest estuary on the West Coast, supporting fisheries, wildlife and agriculture, while providing more than 20 million people with their water supply. It has been referred to as the crossroads of the State's economy and thriving ecosystem, yet it has fallen victim to competing interests, unplanned growth, and a declining ecosystem. It continues to deteriorate to the point where people are concerned that the very jobs and economic competitiveness of the State are at stake unless we can move forward and fix the problems in the system.

The San Francisco Bay-Delta system has been used and abused for over 150 years. It has been the source of fresh water for agriculture and cities since this region was developed. It has also been the area where we have dumped mine tailings and toxic waste, and eliminated habitat over a long period of time. We know there is no quick fix, that we can go out and implement one thing and all of a sudden the system is healthy again. We recognize it has taken a long time to get to this point; our current situation is the culmination of a multitude of impacts. We know we must devise a strategy that addresses all of those impacts, and moves us forward in a logical, productive fashion. The CALFED Bay-Delta Program is a collaborative effort to address these issues.

The CALFED Bay-Delta Program has been charged by the Governor of California and the Secretary of the Interior to develop a comprehensive plan to resolve environmental and water management problems associated with the Bay-Delta system. Our Program has the task of instituting, through an open process that includes participation by the stakeholder community, a long-term settlement that everyone can live with. At this time I am pleased to report that tremendous progress has been made and I am optimistic that it will continue.

The CALFED Bay-Delta Program was established as a result of the Framework Agreement entered into between the State and Federal governments in mid-1994. That agreement set forth three areas in which it was agreed additional coordination and cooperation would be pursued to alleviate uncertainty and conflict within California's water management regime and the various overlapping jurisdictional disputes between Sacramento and Washington, D.C. Specifically, the Framework Agreement set forth a process to facilitate the following: formulation of state water quality standards pursuant to the Clean Water Act which could be certified by the Federal and State governments; and, improved operational coordination of the State Water Project and the federal Central Valley Project to more effectively and efficiently manage the state's water supplies to meet all beneficial uses, and a long-term planning process to comprehensively "fix" the Bay-Delta system.

The Bay-Delta Program

That long-term planning process is the CALFED Bay-Delta Program. We began our effort in the spring of 1995. In the two years since we started, we have made remarkable progress and enjoyed a period of great cooperation among all parties concerned with Bay-Delta issues. Considering the complexity and controversial nature of the issues involved, this is an important achievement and one that will serve California and the nation long into the future.

The Program is divided into three phases. During Phase I, from June 1995 to September 1996, the Program developed a mission statement, identified problems, developed objectives and several guiding principles (the "Solution Principles "), and designed three alternative solutions to Bay-Delta related problems. In Phase II, from November 1996 to September 1998, the Program will conduct a broad-based environmental review of the three alternative solutions and will identify a final preferred solution. Phase II will also include technical analyses of the alternatives and development of an implementation plan. During Phase III, starting in late 1998 or early 1999 and lasting for many years, the preferred alternative will be implemented in stages.

As the Program seeks to resolve issues, it is important to note that our mission is to do so in a manner that serves all beneficial uses of the system. Additionally, we are guided by six solution principles that will define acceptability of a solution. These principles are that the preferred alternative should: (1) reduce conflicts in the system; (2) be equitable; (3) be affordable; (4) be durable both as to project life and adaptability to unforseen changes in future needs; (5) be implementable; and, (6) perhaps most critically, have no redirected impacts. Our intention is not to propose a solution that solves problems for some at the expense of others, but to provide improvement for all beneficial uses.

As I mentioned, the Program is addressing four major areas of concern: ecosystem restoration; water supply and water supply reliability; water quality; and, levee stability. We have developed three comprehensive solution alternatives, which include multiple actions focused on these problems, to carry forward through the environmental impact analysis. First, I will touch on the common aspects of all three alternatives, then briefly describe the distinguishing features of each.

Alternatives Under Review

Each of the three alternatives include implementation of what we call the "common programs" for each area of concern. These common programs are virtually identical in every alternative based on the understanding that significant baseline improvements must be made in all four areas. They are:

The Water Use Efficiency Common Program takes two approaches: make more efficient use of water exported from the Delta, and reclaim water after use. It encourages urban water agencies to recycle water and to make greater use of previously developed Best Management Practices, which are commonly-accepted standards for water conservation. Similarly, it urges agricultural water users to implement cost-effective measures such as the Efficient Water Management Practices, which are standards for conserving agricultural water.

The Ecosystem Restoration Common Program seeks to restore Bay-Delta ecosystem functions by taking advantage of natural processes and restoring some of the system's natural resilience to stressors like drought. The common program gives preference to activities that benefit several species and improve other resource areas, including water quality, levee stability, and water supply reliability. Activities could include improving shallow water and riparian habitats, restoring riparian and San Joaquin River habitats, acquiring water to boost instream flows, and controlling non-native species.

The Water Quality Common Program focuses on limiting the release of pollutants, particularly salinity, selenium, pesticide residues, and heavy metals, into the Bay-Delta system and its tributaries. Activities could include improving the management of urban stormwater runoff, cleaning up mine sites and limiting toxic drainage from them, providing incentives for urban water agencies to upgrade their filtration systems, managing agricultural drainage, developing watershed protection programs, and offering incentives to retire agricultural lands whose discharge most degrades San Joaquin River water quality.

The Levee System Integrity Common Program addresses levee maintenance and stabilization, subsidence reduction, emergency management, beneficial reuse of dredged materials, and creation of habitat corridors as mitigation for negative impacts. Delta islands would be prioritized for work, a strategic plan devised, and stable funding sources identified with the goal of bringing as many levees as possible up to a higher standard of stability.

In brief, the three alternatives under environmental review are distinguishable by their conveyance components and are: (1) continuing with essentially the current storage and conveyance system and complete reliance upon the common programs to achieve the project purposes; (2) a significantly modified through-Delta conveyance system that would reconfigure many of the sloughs and channels; and, (3) a dual conveyance option would add an isolated facility to the modified through-Delta alternative. In all cases, we will analyze ranges of appropriate storage options north of the Delta, south of the Delta and, perhaps, in the Delta. In addition to appro-

priate surface storage options (which could include upstream of the Delta—supplied by the Sacramento or San Joaquin Rivers or their tributaries, south of the Delta—supplied with water exported from the Delta, or in the Delta), groundwater storage and conjunctive use projects will be part of our Program, and we are working with local communities to gauge interest and to ensure local concerns are being satisfactorily addressed.

While we have winnowed down to three alternative types, we began with hundreds, reduced that to 20 and then 10 before arriving at the three we have now. That process of developing and reducing the number of alternatives took approximately eighteen months. It was a process that was carried out with a high level of agency and public input.

Public Input

In addition to numerous public workshops and public meetings, we are fortunate to have the Bay-Delta Advisory Council (BDAC), a chartered Federal advisory committee, contribute to our effort. BDAC meets monthly or bimonthly to provide advice, comment and recommendations for improvement. In addition, BDAC has created fact finding Work Groups that are forums for in-depth discussion on policy questions that impact the Program, including: how will success of an ecosystem restoration program be defined?, how can water use efficiency be maximized in a realistic manner?, what assurances are needed to ensure that the program is implemented tomorrow as it's designed today?, and, what sort of financing arrangements make sense?

BDAC, its work groups, and our public workshops all provide avenues for public participation, and are a continual check for us to judge how we are doing in meeting the needs of all Californians.

The incredible cooperation among and between State and Federal agencies, as well as the comfort level and trust that the stakeholder community has for our Program, has led to an additional role for our Program in addition to development of the long-term comprehensive solution. That role is to act as a coordinating point for ecosystem restoration activities throughout the Bay-Delta system.

Because there were, and are, ongoing restoration efforts in the system, there was a need to coordinate activities and ensure consistency with the long-term strategy CALFED was developing. The CALFED Ecosystem Restoration Coordination Program is developing a planning and project selection process to begin early implementation for ecosystem restoration activities using existing programs and commitments. This process focuses primarily on Category III funding decisions for 1997 and 1998 and coordination with CVPIA, but also begins to integrate restoration efforts of other closely related restoration programs. (Category III projects are projects that do not cost water to implement that the stakeholders agreed to help fund as part of the 1994 Bay-Delta Accord.) Potential near-term projects include fish screens and ladders, riparian habitat restoration, wetlands development, ecosystem restorative watershed management actions, and other Bay-Delta ecosystem restoration actions.

To provide a broad range of representative interests to this process, the Ecosystem Roundtable was established as a sub-committee of BDAC. The Roundtable is charged with developing criteria and recommending approval of "early implementation" projects. These are projects that are consistent with the long-term plan the CALFED Bay-Delta Program is developing, and for which there is broad support across constituencies.

The Roundtable will make recommendations on funding projects to BDAC and through BDAC to CALFED. Final decisions will be made by the California Secretary for Resources and the Secretary of the Interior.

As with the long-term Program, monitoring and evaluation of success of these early implementation efforts will be a major focus for us. We expect that over time, assessments and data will indicate that we will need to adaptively manage the system, (i.e., adjust specific projects or actions), both on a macro-scale, for example, water project operations, and on a more micro-scale, for example, a specific habitat enhancement project. The monitoring methodology will be developed on a project by project basis, but will probably include sampling, site inspections, and other data collection and trend analysis.

As I stated at the outset, the Program has made incredible progress in a relatively short amount of time. I attribute that success to a number of factors. First and foremost we have a staff of dedicated professionals, detailed from both State and Federal agencies, that are literally transforming how government works. Second, the agencies themselves have committed to an unprecedented level of cooperation, and understanding what is at stake, have made the Program a high priority. Third, the intense involvement of the stakeholder community. The water community has come

together to seek a satisfactory outcome. Working through BDAC and our workshops and work groups, the technical expertise and policy advice we receive from the stakeholder community is invaluable and indicative of the importance they place on our Program's success. Finally, the public's support for resolving California's water problems, as evidenced by the passage of Proposition 204, further illustrates the imperative we are all working under.

The CALFED Bay-Delta Program faces the challenge and opportunity of a new approach in the methods of dealing with resource issues. The challenge of cooperatively devising and implementing a solution, while moving away from regulation and litigation provides a model which minimizes conflict and maximizes public and private support. I expect the Program to meet this challenge resulting in a reliable water supply and healthy environment. Future generations will bear the burdens or reap the benefits depending upon how we proceed with these problems today.

STATEMENT OF HONORABLE JOHN GARAMENDI, DEPUTY SECRETARY, DEPARTMENT OF THE INTERIOR

Mr. Chairman and members of the subcommittee, thank you for inviting me to be here this morning to discuss with you our progress in developing a comprehensive long-term restoration plan for California's Bay-Delta ecosystem. I am pleased that my colleagues from the Environmental Protection Agency and State of California are here with me. Our joint participation demonstrates mutual concern, shared cooperation, and long-term commitment to meeting the challenge to protect our resources.

The CALFED Program

In December 1994, Federal agencies, State agencies, and representatives of agricultural, urban and environmental organizations signed what is known as the Bay-Delta Accord. The Accord described new ways to meet the requirements of several statutes, including the Endangered Species Act (ESA), the Central Valley Project Improvement Act (CVPIA), and the Clean Water Act (CWA). It also called on State and Federal agencies to develop a comprehensive long-term strategy to restore the health of the Bay-Delta and simultaneously meet the water needs of California's economy.

The CALFED Program identified the following major actions necessary for meeting our goals:

(1) Ensure reliable water supplies for California's urban and agricultural economies;

(2) restore the health of the Bay-Delta ecosystem;

(3) improve water quality in the Bay-Delta and rivers flowing into it; and

(4) enhance levee system stability.

In order to develop the Accord and carry out the long-term Bay-Delta Program, Federal and State agencies combined forces and formed CALFED. Four Federal agencies—the US Fish and Wildlife Service, the Bureau of Reclamation, the Environmental Protection Agency, and the National Marine Fisheries Service—began the effort. Six additional Federal agencies are about to join CALFED—US Geological Survey, Bureau of Land Management, Natural Resources Conservation Service, US Forest Service, Western Area Power Administration, and the Army Corps of Engineers. These additional agencies provide a vast array of expertise and programs critical to our long-term restoration efforts. Only through broad integration of policies and programs, as well as new and creative ways of approaching problems, can we realize the goals laid out in the Bay-Delta Program. This year's tragic flooding is a prime example.

January 1997 Floods

Over the past several months, Federal and State agencies have been responding to the January floods that wreaked havoc throughout much of the Central Valley and the Bay-Delta system's many tributaries. Army Corps of Engineers, in collaboration with the CALFED and other Federal and state agencies, has undertaken major efforts to repair flood protection capabilities throughout the system. With the organization of CALFED, we have a unique opportunity to implement the restoration goals of the Bay-Delta Program and the Administration's complementary floodplain management strategies. Reducing flood damages and threats to life and property through cost-effective, and where appropriate, non-structural alternatives, can restore the natural values inherent to the floodplain and adjacent lands, and provide water quality, quantity, and ecosystem restoration benefits central to the long-term Bay-Delta Program.

Bay-Delta Funding

With an overwhelming endorsement from California voters for Proposition 204, bipartisan support in the Congress that resulted in the passage of authorizing legislation last fall, and the unprecedented collaboration among the historically feuding water interests in California, we have an incredible opportunity to use the Bay-Delta funding provided for in the President's budget as a down payment on this major restoration effort.

The Program we are undertaking is one of the most significant restoration programs in this country, and has implications well beyond California. The Bay-Delta is the largest estuary on the Pacific coast, and serves as a stop-over point for hundreds of migratory birds and water fowl. The estuary is also highly important for maintaining fish populations. In addition, this system provides the water supply necessary to support California's agricultural economy—an economy that produces 40% of the country's fruits and vegetables, as well as numerous other key crops that feed our nation. These are some of the most productive lands in the U.S.

Conclusion

This Committee has recognized the importance of the Central Valley to the health of California's economy and its diverse natural resource base. The CALFED Program is an innovative and unique approach to resolving complex resource issues that have burdened the State for decades. The Federal and State agencies are working together to develop solutions to these problems, along with the myriad of constituents who will be affected by this program—whether they are residents and landowners along the rivers, farmers or urbanites who receive water from the Central Valley, or fishermen who rely on healthy populations of fish. We have a great opportunity to develop and implement the most significant restoration program of our time. We can only accomplish this if we all work together—Federal and State agencies, Congress, local governments, and the myriad of private and non-government interests for whom we all work.

This concludes my statement. I would be pleased to answer any questions you may have.

TESTIMONY OF DOUGLAS P. WHEELER, SECRETARY FOR RESOURCES, STATE OF CALIFORNIA

Mr. Chairman and members of the Subcommittee, my name is Douglas P. Wheeler, Secretary for Resources in the Administration of California Governor Pete Wilson. Thank you for the opportunity to speak today on the role of the State of California in the CALFED Bay-Delta Program and to answer any questions that you have. This program and the improved management of the Sacramento-San Joaquin/San Francisco Bay Delta is one of Governor Wilson's top priorities, and we appreciate the subcommittee providing this opportunity for us to talk about the work we are doing.

BACKGROUND

Beginning with Governor Wilson's call for a comprehensive solution to California's water management and ecosystem issues in his Water Policy of 1992, in which he stated that "nowhere is there greater need for a comprehensive program than in the Delta," California has been working toward a long-term solution to the water-related problems of the State.

In June 1994, the State of California, through its Water Policy Council (which I chair), and the United States, through the Federal Ecosystem Directorate, reached an agreement to cooperate in resolving water quality, water supply, and endangered species issues of the San Francisco Bay-Delta. This Framework Agreement formed CALFED and charged this entity with developing the long-term solution to the problems of the Bay-Delta. Shortly thereafter, in December of 1994, CALFED, in cooperation with stakeholders and other interest groups, developed a plan ("the December 15th Accord ") that set Bay-Delta water quality standards and established guidelines for coordinated state/federal operations of the State Water Project and Federal Central Valley Project for a three year interim period.

The CALFED Bay-Delta Program was launched in June 1995 and began immediately to work with state and federal agencies and stakeholder groups to develop a comprehensive solution. This innovative, consensus-based approach has allowed CALFED to establish a level of trust and cooperation among stakeholders that is truly unprecedented in California.

Through extensive public meetings and workshops, CALFED has made great progress toward developing the long-term plan. This plan is being developed through a three phased process. During Phase I, the CALFED Bay-Delta Program evaluated the range of issues, problems, and actions related to the Bay-Delta estuary through a series of public meetings and workshops. At the conclusion of Phase I, the range of alternatives was narrowed to three for the purpose of environmental review. The CALFED Program is currently in the midst of Phase II, during which a preferred alternative will be selected from among the three and certified by the appropriate public entities. Phase III, implementation, is expected to begin in Fall of 1998 and will occur over a 20 to 30 year period.

STATE ROLE IN THE CALFED PROCESS

The State of California plays an important role in the CALFED process through the participation of its member agencies: the Resources Agency, which includes both the Department of Fish and Game and the Department of Water Resources, the California Environmental Protection Agency and its State Water Resources Control Board. Each of these agencies is charged with administering portions of Proposition 204 and are also members of the Governor's Water Policy Council.

As members of CALFED, these state agencies attend the many workshops, meetings, and public hearings through which the long-term solution is being developed. More specifically, the agencies attend meetings of the Ecosystem Roundtable (as observers), CALFED Program Coordination Team, the CALFED Management Team, and the CALFED Policy Team (co-chaired by myself and Bob Perciasepe, Assistant Administrator of the U.S. Environmental Protection Agency). Many of the important issues related to the CALFED Program, including coordination of the various programs under Prop 204, are also discussed at meetings of the Governor's Water Policy Council.

The California State Legislature also contribute toward reaching the comprehensive solution envisioned by the CALFED process. Many of our State Senators and Assembly Members participated in the crafting of Senate Bill 900, which placed Proposition 204 on the ballot in November of 1996. The California Legislature has continued to pay close attention to the progress of the CALFED Bay-Delta Program and has taken up some key issues during the current session, such as water transfers, in an effort to assist with the overall solution.

The most important contribution toward achieving a solution to the problems of the San Francisco Bay-Delta, however, has come from the citizens of California. The participation of stakeholders lies at the heart of the CALFED Program. Ranging from the Sierra Nevada Mountains to the Imperial Valley bordering on Mexico to the Los Angeles region in the south and, of course, the Great Central Valley, these stakeholders all recognize that the CALFED Program is critical to our State's well-being. The water which flows through the Sacramento and San Joaquin Rivers through the San Francisco Bay-Delta reaches over twenty million people in the State, roughly 2 out of every 3 citizens. This water flows to the farms of the Central Valley, to the high-tech factories of the Silicon Valley, and to the homes and businesses of Southern California. At the same time, the San Francisco Bay-Delta Estuary is critical to the ecological health of the State. Because of the ecological degradation that has occurred in the Delta since large-scale development began nearly one hundred fifty years ago, such prized fish as the Chinook Salmon and Steelhead Trout have been reduced to only a fraction of their former numbers. This level of degradation extends to many other species and habitats throughout the Bay-Delta system. Californians understand the importance of water to our economy and to the environment and the citizens of California acknowledged the importance of fixing the Delta to California's well-being when they passed Prop. 204 by a wide margin in November of 1996.

PROPOSITION 204

Proposition 204 was approved by 63% of the voters of California. The objectives of Prop 204 are to provide a safe, clean, affordable, and sufficient water supply to meet the needs of California's residents, farms, and businesses; develop lasting water solutions that balance economic and environmental needs; restore ecological health for fish and wildlife; protect the integrity of the State's water supply system; protect drinking water quality; and, protect the quality of life in our communities. Clearly, the goals of Prop 204 are synonymous with those of the CALFED Program.

Prop 204 provides $995 million towards a variety of ecosystem restoration and water management components in five categories. Some of the money provided by Prop 204 will serve to replenish existing programs, other funds will initiate new

programs—all of the money will contribute, directly or indirectly, to achieving a solution to the problems of the Bay-Delta. The following subaccounts of Prop 204 are expected to contribute directly to the solution reached by the CALFED Bay-Delta Program (the italic heading indicates the Accounts in which the funding programs are listed):

Delta Improvements Account ($193 MILLION)

Central Valley Project Improvement Act, ($93 million):

The CVPIA portion of Prop 204 includes funding to contribute the required State match for restoration projects undertaken by the U.S. Fish and Wildlife Service and the Bureau of Reclamation. These funds are to be allocated through the California Departments of Fish and Game and Water Resources for expenditure on projects outlined in the CVPIA. The Resources Agency will be coordinating these efforts with the CALFED Bay-Delta Program.

Category III, ($60 million):

The Category III Program was established as part of the December 15th Accord of 1994 for the purpose of carrying out ecosystem restoration for the Bay-Delta—in essence, a recognition that improvements to the Bay-Delta ecosystem should not be delayed until an overall plan is complete. To date, stakeholders have contributed approximately $22 million for 38 ecosystem restoration projects and an additional $10 million is anticipated in Fall of 1997. The $60 million contributed by the State of California in Prop 204 for Category III will be expended through the CALFED Process, including review by the Ecosystem Roundtable and the Bay-Delta Advisory Council, and approval by the CALFED Agencies. For a more complete explanation of this process, please see the description in the materials provided by Lester Snow, Program Manager of CALFED.

Delta Levees, ($25 million):

The Delta Levees funding will serve to improve the integrity of the levee system of the Bay-Delta and to carry out associated ecosystem restoration projects which result in a net benefit to aquatic species. The levee system of the Delta serves an important role in protecting important agricultural lands and wildlife habitat and maintaining water quality. The expenditure of these funds will occur through the existing State Delta Flood Protection Program (SB 34) and will be coordinated with the CALFED Program. During California's 1996 legislative session, several amendments were made to the Delta Flood Protection Program through Assembly Bill 360, including a requirement that the Program be implemented "consistent with the delta ecosystem restoration strategy of the CALFED Bay-Delta Program".

Delta Recreation Program, ($2 million):

The Delta Recreation Program is for the purpose of implementing projects to increase public opportunities for recreation in the Delta. Examples of this would include acquisition of fee title, development rights, easements, or other interests in land located in the Delta for the purpose of public recreation. The provision of greater recreational opportunities is consistent with and promotes the CALFED Program objectives. The California Department of Parks and Recreation will administer these funds and has proposed to direct $1 million to grants to non-profits and other public agencies and $1 million to Department projects.

CALFED Bay-Delta Program, ($3 million):

These funds contribute to covering the administrative costs of the CALFED Bay-Delta Program.

Water Supply Reliability Account ($117 million)

Water Conservation and Recharge, (S30 million):

The funds provided for water conservation and recharge will assist the CALFED process by contributing to the goals of the Water Use Efficiency Common Program (A strategy for addressing issues of water use efficiency will be included for all 3 alternatives of the Programmatic EIR/EIS. The other common programs of the CALFED Program are Ecosystem Restoration Common Program, Water Quality Common Program, and Levee System Integrity Common Program).

River Parkways Program, ($27 million):

The River Parkway Program subaccount is the only section of Prop 204 which is subject to appropriation by the State Legislature. These funds are available for acquisition and restoration of riparian habitat, riverine aquatic habitat, and other lands in close proximity to rivers and streams and for associated river and stream trail projects. Although these funds are available for use throughout the State, in his '97-'98 Budget Governor Wilson proposes expenditure of approximately $10 million on projects on the Napa, San Joaquin, and other rivers in the Bay-Delta system.

Sacramento Valley Water Management and Habitat Protection, ($25 million):

The Sacramento Valley Water Management funds are provided for the purpose of assisting local entities with water management programs, such as conjunctive use programs, and to implement ecosystem restoration projects. The specific projects to be undertaken under this program have not yet been identified, but the Resources Agency, the State Water Resources Control Board, the Department of Water Resources, and the stakeholder community are working cooperatively with the CALFED Program to ensure that these efforts are consistent with the long-term solution currently being developed.

Clean Water and Water Recycling Account, $235 million

Clean Water Loans/State Revolving Fund, ($80 million):

Small Community Grants, ($30 million):

Water Recycling, ($60 million):

Each of the above programs is administered by the State Water Resources Control Board for the purpose of assisting local governments with projects to improve local water quality, supply infrastructure, and recycling capabilities. The Board will utilize existing grant and loan programs to solicit and select loan and grant proposals. Although these funds will not be coordinated through the CALFED Program, each contributes to better management of California's water resources.

Agricultural Drainage Treatment, ($30 million):

The Agricultural Drainage Treatment Program will be implemented by the State Water Resources Control Board and will contribute toward implementation of the CALFED Water Quality Common Program.

Delta Tributaries Watershed Program, ($15 million):

The Delta Tributaries Watershed Program will contribute to several of CALFED's Common Programs, including the Ecosystem Common Program and the Water Quality Common Program. The State Water Resources Control Board will administer this program and has hosted several workshops in cooperation with CALFED and the Resources Agency to receive input from stakeholders on proposal selection criteria. The projects selected under this program will be for the purposes of ecosystem restoration projects, watershed management efforts, and fire management efforts and must be consistent with the efforts of the CALFED Program.

CALFED Bay-Delta Ecosystem Restoration Program, ($390 MILLION) (THIS ACCOUNT IS NOT BROKEN INTO SUBPROGRAMS):

The funds provided for this program will be available for implementing the Ecosystem Restoration Program Component of the CALFED Bay-Delta solution. The expenditure of these funds is contingent upon the certification of the Programmatic Environmental Impact Report and a Record of Decision for the Environmental Impact Statement (anticipated in Fall of 1998) and a cost-share agreement between the State of California and the United States for funding the CALFED solution to the problems of the Bay-Delta.

Federal/State Cost-Share Agreement Requirement

As mentioned above, the $390 million CALFED Bay-Delta Restoration Program funds must be accompanied by a cost-share agreement with the federal government before expenditure. The federal appropriations authorized in the California Bay-Delta Environmental Enhancement and Water Security Act also require a cost-share agreement. To this end, a working group consisting of three State and three federal representatives was formed and is currently in the process of developing this agreement. The agreement is expected to be completed within the next few months.

Conclusion

The State of California has a tremendous stake in the outcome of the CALFED process. Our future economic prosperity and the health of our environment hinge upon the development and implementation of a long-term solution that meets the needs of all stakeholders. In the short time since its formation, CALFED has made great progress toward this goal. At this point, funding to begin implementing Category III actions and to continue to develop the CALFED solution are critical. The State of California has demonstrated a commitment to provide the resources necessary to support the process through Proposition 204. We urge our federal counterparts to match this commitment with the full appropriation of the authorized $143 million.

Governor Wilson indicated the critical importance of this funding in his letter of March 31, 1997 to the House Appropriations Committee, stating, "This $143 million appropriations is my highest priority for the energy and water development appropriations bill." I ask that a copy of the Governor's letter be made a part of today's hearing record.

Thank you very much for the opportunity to speak today. I look forward to answering any questions the subcommittee may have.

March 31, 1997

The Honorable Joseph M. McDade
Chairman
Subcommittee on Energy and Water Development
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I regret that our schedules did not permit us to get together when I was in Washington last month. The reason I wanted to meet with you was to urge your support for full funding of the $143.3 million requested in the President's budget as the initial federal contribution toward the restoration of the San Francisco Bay-Delta. As you may know, the funds included in the President's budget were authorized by the Congress last year to partially match a $1 billion state bond issue for water supply and environmental protection approved by California's voters in November.

This $143.3 million appropriations is my highest priority for the energy and water development appropriations bill. With my active encouragement, the California Congressional delegation and the Republican leadership were instrumental in securing the authorization—now we need the appropriations. I can assure you of strong bipartisan support for Bay-Delta funding. The most important factor, however, is the breadth and strength of support from the stakeholders in California Environmentalists, farmers, and urban water users have all banded together in an unprecedented coalition to find a non-litigious solution to the water disagreements that have long plagued our state. They are working together cooperatively, along with the numerous state and federal agencies.

The federal authorization applies to the ecosystem spanning the Sacramento and San Joaquin River watersheds, an area that is the source of nearly half the nation's fruits and vegetables, as well as drinking water for 22 million Californians. Congress has funded work in other ecosystems, such as the Everglades and the Pacific Northwest forests. However, compared to these areas, the budget request for the Bay-Delta is very modest. This is true not only in absolute terms, but also on a per capita and per acre basis. The funding that I am asking you to provide contributes to accomplishing the environmental common elements of a range of comprehensive water supply and environmental alternatives that are being aggressively fleshed out by all parties concerned.

The Bay-Delta model for environmental progress is one that I am confident you can feel proud to support, and, in your role as chairman of the relevant appropriations subcommittee, I invite you to become a partner in our efforts.

I appreciate your consideration in this matter.

Sincerely,
PETE WILSON

cc:The Honorable Vic Fazio, Ranking Minority Member
California Congressional delegation

TESTIMONY OF ROBERT W. PERCIASEPE, ASSISTANT ADMINISTRATOR FOR WATER, U.S. ENVIRONMENTAL PROTECTION AGENCY

BACKGROUND

Good morning Mr. Chairman and members of the Subcommittee on Water and Power Resources. I am Robert Perciasepe, Assistant Administrator for Water in the U.S. Environmental Protection Agency (EPA). I have also been designated as the lead federal official in the joint federal-State CALFED Bay-Delta Program by the Secretary of the Interior and the Administrator of EPA, and am appearing here today on behalf of the federal Departments and Agencies that are members of what we have called "ClubFed," the coordinating group for federal participation in the CALFED process. I appreciate the opportunity to testify.

As you may know, the CALFED program is a partnership between the State of California and the federal government, charged with developing a long-term comprehensive plan that will restore ecological health and improve water management for beneficial uses of the Bay-Delta system. The original CALFED federal members

include EPA, the U.S. Fish and Wildlife Service, the Bureau of Reclamation, and the National Marine Fisheries Service. Collectively, these federal members are referred to as "ClubFed." We are now making this partnership forum even more effective by bringing in additional federal agencies as members of ClubFed: the U.S. Army Corps of Engineers; the Natural Resources Conservation Service and the U.S. Forest Service in the Department of Agriculture; the Bureau of Land Management and the U.S. Geological Survey in the Department of the Interior; and, the Western Area Power Administration.

The Bay-Delta, as the hub of California's water system and the largest and most productive estuary on the West coast, has for decades been the focus of competing interests—economic and environmental, urban and agricultural. Development activities such as hydraulic mining, dredging and channelization, flood control, unscreened water diversions, pollution, and large-scale water supply projects have contributed to the degradation of the Bay-Delta's ecosystem. This degradation resulted in many problems, including declining water quality, decreasingly reliable water supplies, deteriorating fish and wildlife populations, and a fragile Delta levee system. Perhaps more importantly, it also resulted in gridlock among the competing stakeholder interests—environmental, agricultural, and urban water users.

On December 15, 1994, federal Cabinet officials, key California officials, and leading stakeholders signed the momentous Bay-Delta Accord ("the Accord"). Though this Accord was indeed momentous in itself, its primary importance lay not so much in what it achieved at that time, as in the process it launched, and the promising future for the Bay-Delta it allowed all the interested parties to build.

The Accord was most important because it represented a recognition that a consensus-oriented process was the only route to fix the problems of the Bay-Delta, and that the California water wars were ultimately futile and pointless for everyone involved. The contestants in those wars recognized that every major party, acting alone, could stop the initiatives of every other major party. But no major party could achieve its core objectives alone, without the agreement of the others. That recognition was clearly true when the Accord was signed. Almost two and a half years later, the futility of efforts by some participants to go around that process in various ways makes it clearer than ever—the consensus-oriented route is the only route that will work for anyone, because it has to work for everyone.

Today, I would like to briefly discuss, from the standpoint of the federal "ClubFed" agencies, what we have achieved since the Accord was signed, and where we are going—both with respect to our involvement in the CALFED long-term process, and with respect to the funding authorization in the California Bay-Delta Enhancement and Water Security Act that the President signed last fall.

ACHIEVEMENTS UNDER CALFED AND THE BAY-DELTA ACCORD

The Accord defined water quality standards, set up coordinated water project management, created a program to improve aquatic habitat by non-flow actions, and established a long-term process for defining a plan of action to fix the problems of the Bay-Delta. The Accord also provided an atmosphere of greater near-term "certainty" in California water management for all stakeholders, that would enable the cooperative efforts to take root and grow. The Bay-Delta consensus process has produced much of this certainty, with benefits for water users, the environment, and the California economy. To sustain this progress, and get long-term solutions that provide lasting certainty, all CALFED agencies and stakeholders must continue to work within the consensus-oriented process.

•State Water Quality Standards: The State Water Resources Control Board adopted in May, 1995 a water quality plan for standards that reflects the Accord. EPA Region 9 approved the State standards on September 26, 1995. In contrast, efforts prior to the Accord to put water quality standards in place for the Bay-Delta had been unsuccessful. ClubFed members are working with stakeholders and the State to find ways to meet these standards that will also address the concerns of the agricultural and urban users of San Joaquin River water. We have made a great deal of progress in this effort and are hopeful of reaching an agreement that the State can finalize within the time frame specified in the Accord.

•More Reliable Water Allocations: Because of the Bay-Delta process, working through its joint federal-State Coordination Group, the Central Valley Project (CVP) water contractors have received more reliable allocations of the available water during the past two years. This demonstrates that, by working together, State and federal agencies can coordinate and more flexibly harmonize water allocations to habitat, farm and urban users of CVP water. Previously, user conflicts sometimes prevented contract allocations from being provided even when water was physically available. Recognizing that this is a greater challenge in drier years, the Interior

Department is working to develop a protocol for making these allocations, to provide greater certainty about how the allocation process will work.

This year's flooding experience also shows us the limits to any human problem-solving approaches dependent on the weather. When a single, huge rainstorm forces the massive release of stored water to prevent an immediate catastrophe, and is then followed directly by a prolonged, total, unseasonable drought, no human plumbing on earth can produce enough water for all purposes. We must note, in all humility, that we can only do the best we can with what nature gives us to work with.

•Support from the Financial Markets: Prior to the Accord, the financial markets sounded alarms about the effect that water policy uncertainty could have on California's municipal credit ratings. Standard & Poor's, among those previously concerned, found the Accord "....represents a major step in alleviating many of S&P's credit concerns." (*Credit Week Municipal,* 2/27/95).

Richard Rosenberg, Chairman and CEO of BankAmerica Corp., reaffirmed that a consensus process was essential to this progress, stating to the Water Education Foundation (of Sacramento, CA) on March 30, 1995 that the Accord is "a critical first step towards a new era of water management in the State.... we must deal with California water issues in California and include all Californians." Similarly, the Bay Area Economic Forum wrote on June 20 to Senator Feinstein that major changes to the Accord "would threaten to unravel the Bay-Delta Agreement and jeopardize the mutual trust that has developed among all of the different players." These initial reactions from the California financial community have proven to be both perceptive and prophetic about the most important benefits of the Accord. CALFED and its extensive stakeholder processes are the means by which we "include all Californians" in our Bay-Delta long-term planning and near-term decision-making. This has also enabled us to keep all participants, governmental and private sector alike, in the CALFED processes and at the table negotiating their differences, instead of taking outside routes in futile attempts to get a one-sided answer.

•Category III: The Bay-Delta Accord included a commitment to undertake non-flow ecosystem restoration activities to improve the health of the Bay-Delta ecosystem. This effort is commonly referred to as "Category III", and the Bay-Delta Accord estimated the costs of the non-flow ecosystem restoration activities to be $180 million.

Category III's central purpose was to get effective non-flow measures for ecosystem restoration into place while the CALFED process worked out long-term solutions. In other words, the Accord recognized the need to fund and carry out measures, in the short term, to address the variety of non-flow related factors that have contributed to the historical decline of the Bay-Delta's ecological resources. To date, the water user community has contributed almost $22 million to fund Category III projects—including $20 million from Metropolitan Water District, and smaller contributions from several San Francisco Bay Area water districts. The $22 million in stakeholder funding has leveraged funds from other sources such as the Central Valley Project Improvement Act (CVPIA), State and federal agencies, and non-governmental entities, to support $61.5 million worth of projects.

A working group of stakeholders and agency personnel identified Category III non-flow habitat improvement projects as appropriate for funding, and 38 have been or are being implemented to date. These projects, such as installation of new fish screens at critical water diversions and restoration of spawning habitat in important upstream tributaries, will substantially improve aquatic habitat. They will, as intended, be even more effective in conjunction with the CALFED ecosystem restoration activities.

I would like to provide just a couple of examples of projects that have been undertaken with Category III funds. Category III funds, in conjunction with several other sources, enabled the acquisition of the 4,356-acre Valensin Ranch to greatly expand the Cosumnes River Preserve and provide necessary wetlands and upland habitat. These funds were also used to install five fish screens for water diversions located in the Suisun Marsh, one of the largest contiguous brackish marshes in the U.S. Finally, Category III funds were used to restore a segment of Butte Creek to natural conditions by removing four unscreened diversion dams, enabling the unrestricted passage of salmon.

In designing the process to identify and move forward on Category III projects, the CALFED agencies were faced with the challenge of moving quickly to maximize near-term Category III progress before the start of long-term program, while working to build a consensus on difficult issues of Category III operation and financing. The CALFED agencies struck a pragmatic balance by establishing a formal mechanism (through the Ecosystem Roundtable) to provide direct stakeholder input on near-term restoration activities, including decisions on use of Category III funds.

Now we have the potential for a dramatic new infusion of funding. When California voters approved Proposition 204 last November, they made available $60 million in State funds to add to the existing pot. New federal funds appropriated under the authorization of the California Bay-Delta Enhancement and Water Security Act, can be explicitly available for use in Category III projects. The ClubFed agencies hope Congress will look favorably on the President's FY 1998 budget request for full funding under the Bay-Delta Act, to enable the federal government to match California's support and commitment reflected in its Proposition 204 funds for Category III purposes in Fiscal Year 1998. These new State and federal contributions add to the impetus for a wide range of stakeholders to support Category III financially, as the Bay-Delta Accord envisioned.

•ASolid Start on Building Long-Term Bay-Delta Solutions: As CALFED Executive Director Lester Snow's statement describes in more detail, we have created a joint State-federal CALFED Bay-Delta Program office, and staffed it using State and federal resources and personnel. A broad-based Bay-Delta Advisory Committee (BDAC) of stakeholders has been convened, and regularly counsels the State and federal agencies on aspects of the long-term solution. The CALFED Program has developed three major alternatives for the long-term solution addressing the Program's objectives—of water quality, water supply, ecosystem restoration, and levee stability. These alternatives are being evaluated in a Programmatic Environmental Impact Report and Statement (EIR/EIS). The expedited schedule calls for the CALFED agencies to identify a preferred alternative by September of this year and release the programmatic document for public review in November.

CALFED BAY-DELTA FUNDING REQUEST FOR FISCAL YEAR 1998

Last Fall, Congress passed and President Clinton signed into law the California Bay-Delta Enhancement and Water Security Act. This new law authorizes funding of up to $143 million per year for three years, which shall be "in addition to baseline funding levels . . . for currently authorized projects and programs . . . for the purpose of Bay-Delta ecosystem protection and restoration." The Bay-Delta Act states that this funding is the "initial federal share of the cost of developing and implementing" the Category III program and the "ecosystem restoration elements of the long-term CALFED Bay-Delta program."

The Bay-Delta Act also requires the Office of Management and Budget to submit, as part of the President's Fiscal 1998 budget, "an interagency budget crosscut" for Fiscal Years 1993 through 1998. This crosscut is to show levels of federal spending "on ecosystem restoration and other purposes in the Bay-Delta region, separately showing funding provided or requested" under both existing and this new Bay-Delta Act authority.

In his Fiscal Year 1998 budget, the President requested the full $143.3 million in new funding for Bay-Delta ecosystem restoration and Category III purposes that was authorized by the 1996 Bay-Delta Act. In his FY 1998 budget request, the President also met the statutory requirement for a budget cross-cut. The Bay-Delta cross-cut includes an estimate for the baseline of federal spending for "ecosystem restoration and other purposes" in the Bay-Delta of $70 million, a 250 percent increase over the FY 1993 funding level of $20 million. Let me clarify that this amount reflects federal agencies' pre-existing spending for Bay-Delta purposes. This baseline amount is in addition to the President's FY 1998 request for $143.3 million in new funding. In other words, the President's FY 1998 budget requests a total of $213.3 million for ecosystem restoration and other activities in the Bay-Delta.

CALFED's FY 1998 PROGRAM

Regarding the specific actions to be funded by the CALFED program, the Bay-Delta Act is not a great deal more explicit or detailed than that which is set forth in the brief quote cited above. We must therefore answer the question about the President's FY 1998 budget, "funding for what functions to accomplish what goals?"

The funding authorization in the Act itself refers to the ecosystem restoration elements of the long-term CALFED program. While that program is still under development, and the environmental review process on a preferred alternative is not scheduled to be completed until the latter half of 1998, CALFED has identified an FY 1998 program of activities that will be beneficial to each alternative being considered for the long-term program. Investment in these "no regrets" early actions is important to maintain momentum in preparation for the decades of work ahead on the long-term program, and will build support and commitment for implementing the full alternative chosen. Federal funding authorized under the Bay-Delta Act will also provide the necessary match for the State's funding under Proposition 204.

The CALFED FY 1998 program is part of a larger, five-year program of activities common to all three alternatives, drafted in consultation with stakeholders, with federal ClubFed agency staff closely involved in development and review at every stage. The program was framed to provide early implementation benefits and generate information valuable for adaptive management activities when the long-term Program is undertaken. While many early action projects are for ecosystem restoration, substantial activities are anticipated in each of the four long-term program elements, including water quality, levee vulnerability, and water supply.

Projects pursued for early implementation must: (1) have appropriate environmental documentation; (2) have no significant adverse cumulative impacts; and, (3) not limit the choice of a reasonable range of alternative or affect the selection of a preferred alternative. Under the President's FY 1998 proposal, the Secretary of the Interior will be required to approve plans outlining how funds appropriated under the Bay-Delta Act authorization will be spent.

The federal and non-federal funding total currently projected for the FY 1998 CALFED program of common actions is $260 million, of which about $143 million is proposed by the President's FY 1998 Budget request under the Bay-Delta Act. The majority of the $260 million is for ecosystem restoration actions, and the remainder is for actions under the other three program elements.

Cost-Share Agreement

We recognize that the CALFED agencies need to have a cost-sharing agreement in place by September, 1997. A high-level interagency group is developing an agreement which will meet the requirements of the Bay-Delta Act and Proposition 204. This agreement is intended to apply to interim activities (including those in the CALFED FY 1998 program) prior to the availability of a final programmatic environmental review document, as well as to the long-term program.

The agreement will also include a framework of principles for cost-sharing on the overall CALFED program. Because the longer-term process is not yet defined and will be described in conceptual terms, later amendments to the initial agreement are contemplated that will be consistent with the framework of principles and will define the long-term process as decisions are made on it.

Defining Projects and Actions—A New Way of Doing Business

I am sure that the Subcommittee's members recognize that this discussion has not addressed what is ordinarily a central focus of significant funding requests—that is, a detailed description of projects and actions for which the funding will be used. Lester Snow's testimony addresses this question at length.

I will simply summarize with a general description of how CALFED will proceed. The identification of projects and development of detailed project plans will involve the same processes of close interaction and consultation among Lester Snow's staff, CALFED agency staff, and stakeholders that have brought us where we are today on the CALFED FY 1998 Program and the CALFED long-term process. Final approval of projects will involve the same processes of discussion and agreement among all the CALFED agencies that have been successful to date and that have brought all of the panelists together to this table.

We recognize that this is not ordinarily how federal project spending gets defined. In the language I quoted above, Congress also recognized that—in the way that the Bay-Delta Act defined the purposes for which the funding was authorized. Essentially, funding was authorized for actions to be named later by the consensus-oriented CALFED process. In other words, Congress recognized the necessity for a literally extraordinary legislative response to what is an equally extraordinary partnership—CALFED.

We envision that the decisions on which agencies, or stakeholders, will undertake and pay for each activity will be made in the same process and on the same consensus terms that we have used to identify projects for the FY 1998 program. There is no allocation of funds among the federal agencies to be set before the fact. Rather, the allocations will follow the CALFED decisions on which department or agency has the most appropriate capability or experience to carry out a category of activities.

The fact that, as an EPA official, I am advocating for funding to be channeled through the actions of another federal department says a great deal about the different way in which we are doing business here. These are not federal or State projects, Interior or EPA projects we envision from the common program, although federal or State agencies will carry out many of them. Rather, they will be products of the CALFED federal-State partnership, which also includes stakeholders in a truly collaborative capacity.

CONCLUSION

Why Support The Bay-Delta Process? While we believe that this process for deciding on action projects is what Congress envisioned when it passed the Bay-Delta Act last Fall, we do not ask for your support solely on that basis, or solely from the confidence you can take from the record of the many CALFED achievements since the Accords were signed. It is fair for you also to ask, "why do we believe the CALFED process will continue to work as we move into Fiscal Year 1998 and beyond?"

Let me answer that question. First, the process is built on a strong, core partnership with the State. We, the federal and State signatories, jointly created that partnership in the Framework Agreement of June, 1994. We gave it substance and clear direction with the signing of the Accord. We continue to cement and augment it—by our contributions in staff, resources and work to Lester Snow's CALFED effort; by our steady and timely progress in assembling the long-term plan; and, by our continuing collaborative work on all the formal and informal Teams that make CALFED go. These efforts to date provide us with the trust and confidence that we can, and will, work through any problem in a cooperative, consensus-oriented way.

Second, ClubFed has provided for a degree of coordination among federal agencies that may well be unprecedented in a natural resources program of this magnitude. I am not saying we head off any problem before it occurs—I doubt that it is humanly possible to do that in any large organization—but no ClubFed agency makes major Bay-Delta decisions without consultation with and accountability to the rest of the team. By providing a common forum for regular interaction on these issues, ClubFed has improved our communication and coordination with each other, the State, and stakeholders on Bay-Delta matters and on other, related issues beyond Bay-Delta—proving that success can be infectious. The strong interest of the six new members of ClubFed in joining the partnership is powerful testimony to the effectiveness of ClubFed and the importance of the CALFED long-term effort.

Third, the strength of the CALFED process is rooted in the close and continuing involvement of all major stakeholder groups. Any government agency worth its salt, at any level of government, should have learned by now that you make the most durable and effective decisions by bringing in the people affected and finding out their needs, concerns, and thoughts about different ways of solving problems. Being listened to seriously, and being able to take a hand in guiding the overall effort, keeps all the players at the table, and compounds their investment in making the consensus-oriented process work. And as that investment by all of us keeps growing, the successes we achieve together—most recently in joining to support Proposition 204 and the Bay-Delta Act—bring us closer to the goal of a durable, long-term solution for the Bay-Delta.

Thank you again for your invitation to testify, and for your consideration of support for this path-breaking initiative.

STATEMENT PRESENTED BY DIRECTOR ROSEMARY KAMEI, SANTA CLARA VALLEY WATER DISTRICT

Mr. Chairman and Members of the Subcommittee, thank you for providing me an opportunity to submit this statement on the CALFED Bay-Delta Program on behalf of the Santa Clara Valley Water District, a member of the California Bay-Delta Water Coalition, and on behalf of the Bay-Delta Advisory Council. The coalition represents a diverse alliance of conservation interests, urban water suppliers, agricultural water users and business leaders working together on water policy issues in California.

1. STATUS OF THE CALFED PROCESS FROM THE URBAN WATER USERS' PERSPECTIVE

California's economy is one of the strongest in the world, and that strength is dependent on sufficient and reliable supplies of water. The San Francisco Bay-Delta Estuary supplies water to 20 million people and supports an $800 billion economy and job base. The San Francisco Bay Area is the No. 1 business location in the United States, and second in the world.

Santa Clara County, the Silicon Valley, is the single most important high-tech center in the U.S., being home to over 4,000 high-tech companies. The Silicon Valley receives one-third or over $1 billion of the venture capital invested in the United States annually, and employs over 230,000 people. The high-tech and manufacturing industries are the key to the future of the western region as America's gateway to

the Pacific Rim. These growing industries need a reliable source of high quality water to produce the products that fuel the economic engine. Santa Clara County is home to 1.6 million people and it constitutes 25% of the Bay Area's total population and economy. In an average year, half of the water supply to Santa Clara County comes from the Bay-Delta. A reliable and adequate supply of high quality water is of the utmost importance to the businesses and residences of the Silicon Valley.

The CALFED Bay-Delta Program is an unprecedented cooperative effort among federal, state and local agencies to restore the Bay-Delta. The Program is developing a long-term solution that equitably addresses water problems in four key and interrelated areas: water supply reliability, water quality, ecosystem health, and levee system vulnerability. As a member of the urban water users community and an active participant of the CALFED Bay-Delta Program, I am pleased with the progress of the Program and the degree to which the Program has promoted an open, consensus-building process in developing a long-term solution for the problems facing the Bay-Delta. The Program is on a very ambitious schedule but I think it is important for CALFED to continue with the momentum that has been generated. From the urban perspective, the CALFED process is on track to increase water supply reliability. This is absolutely critical to maintaining the quality of life not just in my area but throughout the state.

2. THE ROLE THAT THE BDAC IS PLAYING IN THE DEVELOPMENT OF A LONG-TERM PLAN FOR THE MANAGEMENT OF BAY-DELTA RESOURCES

The Bay-Delta Advisory Council (BDAC) is a federally-chartered stakeholder group which provides policy guidance to CALFED in its development of the long-term Bay-Delta solution. It is a 32-member council consisting of representatives from urban, agricultural, environmental, business, and fishing interests. It is the formal forum for stakeholders to discuss issues, understand the concerns from all of the interests that will be affected by the CALFED Bay-Delta Program, and provide recommendations to CALFED in developing balanced alternatives for addressing water problems in the Bay-Delta.

Since its creation from May 1995, BDAC has been engaged in providing input on the elements of the CALFED solution including: water use efficiency, water quality, storage and conveyance, levee stability, and the nexus between ecosystem restoration and flood management. There are also four BDAC sub-groups set up to address in more detail, policy issues related to program elements and other necessary and companion components of the CALFED package such as financing and assurances. These BDAC workgroups are also comprised of balanced representation from urban, agricultural, environmental, and business interests. In addition, BDAC has appointed a subcommittee, the Ecosystem Roundtable, to provide advice on near-term ecosystem restoration efforts.

3. THE NEED FOR THE FUNDING CURRENTLY REQUESTED IN THE PRESIDENT'S BUDGET

Although the CALFED program requires all parts of the long-term solution to move forward together, the CALFED agencies and stakeholder interests have recognized an immediate need to begin implementation of the ecosystem restoration element. Because the ecosystem restoration element is designed to serve as the foundation for all of the other program elements, immediate restoration action is necessary to achieve long-term water supply reliability and water quality benefits. There are ecosystem restoration projects and programs and water quality actions to improve ecosystem quality that can be undertaken now and will result in immediate ecological benefit. There are other projects that need to go forward now because of the considerable lead time necessary to produce species and habitat benefits.

The California Bay-Delta Water Coalition, including Santa Clara Valley Water District, strongly supports the Administration's budget request for funding the interim CALFED ecosystem restoration program. The Coalition believes it is critical that all of the parties to this process—federal, state, local and stakeholder interests—contribute financially to the CALFED Bay-Delta Program, and that full funding in support of the Administration's ecosystem restoration funding request is a crucial step in this regard.

4. OUR ASSESSMENT REGARDING THE PROCESS BY WHICH FUNDS—BOTH FEDERAL AND NON-FEDERAL—WILL BE ALLOCATED AMONG COMPETING POTENTIAL PROJECTS

In order to help prioritize and allocate federal and non-federal funds among similar but competing needs, CALFED agencies have created a Restoration Coordination Program to receive stakeholder input such as those from the Ecosystem Roundtable. The Ecosystem Roundtable is an advisory group appointed under the Federal Advisory Committees Act (FACA) and is a sub-committee reporting to the Bay-Delta Advisory Council (BDAC). The Ecosystem Roundtable is a balanced group representing the various interests involved in Bay-Delta issues and its mission is to advise CALFED on near-term ecosystem restoration project selection and coordination with other ongoing programs such as the CVPIA.

The project selection and funding prioritization process is being performed in a manner that fosters cooperative planning and implementation with all the federal, state, and local agencies and stakeholders. Prioritization is based on a rigorous evaluation of environmental needs, biological benefits, technical feasibility, cost effectiveness, potential environmental and third-party impacts, and consistency with CALFED goals for water quality, levee reliability, water use efficiency and water supply reliability. I believe that this Ecosystem Roundtable process is the most effective method for coordinating overlapping agency programs and for bringing in meaningful stakeholder involvement and buy-in.

STATEMENT OF LESLIE FRIEDMAN JOHNSON, DIRECTOR OF AGENCY RELATIONS, THE NATURE CONSERVANCY, CALIFORNIA REGIONAL OFFICE

Mr. Chairman and Members of the Subcommittee, thank you for providing me an opportunity to submit this statement regarding the CALFED Bay-Delta Program on behalf of The Nature Conservancy ("Conservancy "). The Conservancy is an international, non-profit land conservation organization dedicated to the long-term preservation of biological diversity. [1] The premise that underlies our work is that in order to safeguard imperiled species, we must protect and often restore their habitats. The Conservancy has been actively implementing ecosystem conservation and restoration projects at sites throughout the Bay-Delta watershed for nearly 20 years. Because we share CALFED's goal of restoring Bay-Delta ecosystem health, the Conservancy has been actively participating in the CALFED process since the Bay-Delta Accord was signed. We are also an active participant in the California Bay-Delta Water Coalition, and have signed on to the Coalition testimony submitted to you today under separate cover. For my individual statement I will focus on the specific questions you have asked me to address.

SUMMARY

As authorized in October 1996 by P.L. 104-333, Title XI, the California Bay-Delta Environmental Enhancement and Water Security Act, the Administration has included $143.3 million for the CALFED Bay-Delta Program in the Bureau of Reclamation's FY'98 budget request. The Nature Conservancy strongly supports this funding level request.

The San Francisco Bay-Delta and its watershed is a 500-square-mile region supporting an immense diversity and richness of aquatic and terrestrial species and habitats as well as substantial commercial and sport fisheries, several of which are on the verge of extinction. In addition, the estuary and its watershed support considerable wetland habitat for waterfowl that provides a large recreational hunting base. Simultaneously, the Bay-Delta Estuary serves as the primary water supply conveyance system for a massive agricultural economy and two-thirds of California's population. The conflict between these competing uses has produced significant environmental problems, which in turn have stalled efforts to improve water supply reliability for all interested parties. Similarly, the future viability of commercial and sport fishing on the West Coast is dependent upon solving these complex ecological problems.

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[1] For more than 45 years The Nature Conservancy has implemented our mission by focusing on local, on-the-ground conservation, utilizing the best available science, market forces, and partnerships with people and groups across the political spectrum. We currently have conservation programs in all 50 states and 17 other nations. The Conservancy has more than 900,000 individual members and over 1,385 corporate sponsors.

The Bay-Delta ecosystem also has important implications for other Western states. For example, this region provides critical nesting and wintering habitat for migratory waterfowl whose seasonal migrations along the Pacific Flyway reach from northern Alaska to the tip of South America. Moreover, a restored salmon fishery in California could benefit fisheries along much of the Pacific Coast and decrease the likelihood of additional listings under the Endangered Species Act (ESA).

STATUS OF THE CALFED PROCESS FROM THE ENVIRONMENTAL ORGANIZATIONS' PERSPECTIVE

First, I must point out that there is no single environmental perspective. The environmental community is made up of a diversity of organizations spanning the spectrum from small, local grass-roots groups to large, international corporations. Each of these groups has a slightly different focus ranging from comprehensive ecosystem restoration to local watershed projects to water conservation to reduction of point-source pollution. The CALFED-program, likewise, is actually multiple programs: interim, long-term, ecosystem restoration, water supply reliability, water quality and levee system vulnerability. As a result there exists an enormous range of perspectives depending on which group one polls regarding which specific program area.

Environmental and conservation organizations have demonstrated unprecedented commitment to the CALFED process. In the ten years I have been working on conservation issues in California I have never before seen anything approaching the level of environmental and conservation group involvement witnessed in the CALFED arena. To the best of my knowledge, every CALFED forum—including public workshops, the Bay Delta Advisory Council (BDAC), the Ecosystem Roundtable, BDAC work groups on finance, assurances, water quality, water supply reliability, and ecosystem restoration—is attended by at least one and often multiple representatives of the environmental community. In addition, a broad diversity of conservation and environmental interests has come together as the Environmental Water Caucus (EWC), a forum for sharing information and coordinating input to the CALFED Bay-Delta program. EWC, in turn, has established multiple work groups to focus on various CALFED program elements. Collectively this is a remarkable response from a community that is chronically understaffed and under- or un-funded.

Environmental and conservation groups are at the table because we believe it will take a comprehensive program on the scale of that undertaken by CALFED to effectively address the complex problems manifest in the Bay-Delta. The environmental community is clearly as fully engaged as any other interest group in developing a rational, consensus-based solution to Bay-Delta problems. It is also important to note that a commitment to the process does not imply a blanket endorsement of CALFED recommendations.

NEED FOR THE FUNDING LEVEL IN THE ADMINISTRATION'S FY'98 BUDGET: IMMEDIATE SPENDING ON ECOSYSTEM RESTORATION IS A PRIORITY FOR ALL CALIFORNIA

Although the CALFED program requires all parts of a long-term solution to move forward together, agencies and stakeholder interests have recognized the need to begin implementation of ecosystem restoration immediately. We believe this is important for several reasons. First, the ecosystem restoration element of the CALFED program is the foundation for all of the other program elements. With so many species in decline or on the brink of extinction, restoration of ecosystem health is widely recognized to be necessary to achieve long-term water supply reliability. Thus, while the CALFED agencies are developing several alternative long-term solutions, an aggressive ecosystem restoration program, by the agreement of all parties, will be common to all of the alternatives.

Second, commitment of significant funding—on the order of the current federal funding request—is a necessary precondition to stimulate development of ecosystem restoration projects on a scale sufficient to achieve restoration of ecosystem health. Uncertainty about the availability of funding has had a stifling effect on development of large-scale restoration projects. In an era of decreasing funding, agencies and private organizations alike have been reluctant to invest the effort or resources necessary to develop large-scale projects because they have lacked confidence that funding would be available to carry them out.

Federal funds will be used in conjunction with existing Proposition 204, Central Valley Project Improvement Act and other restoration program funds to support an array of urgently needed ecological improvements including, but not limited to:

*Restoration of tidal, shallow water, riparian, instream, wetland, and other habitats;
*Improved fish protection and management;
*Protection and enhancement of existing habitat;
*Expanded wetlands protection;
*Improved ecosystem water quality to support aquatic resources;
*Improved habitat management;
*Improved management of introduced species;
*Identification and addressing of other limiting factors that have impaired ecosystem recovery.

I would like to elaborate a bit by describing a few types of activity for which funding is urgently needed:

Emergency measures to prevent additional listings and/or extinction. A clear, and widely-supported priority for immediate funding is activity that immediately, directly and tangibly improves conditions for species approaching or on the brink of extinction. Activities that may meet this definition include screening unscreened water diversions, improving fish passage, and restoring habitat for listed and candidate species.

Experimental and demonstration projects. There are several highly-degraded habitat types central to the CALFED Ecosystem Restoration Common Program for which restoration technologies are still relatively unproved (e.g. Delta wetlands). Immediate development of large-scale experimental and demonstration restoration projects is a necessary step in the direction of restored ecosystem health.

Large-scale habitat restoration. Preliminary drafts of the CALFED Ecosystem Restoration Program plan have indicated a need to acquire, protect and/or restore large amounts of habitat. Again, dependability of funding is critical to development of a successful program. Without secure funding (or at least good prospects), agencies and private entities are much less likely to pursue such projects.

The CALFED process has significantly advanced the collective vision of ecosystem restoration in the Bay-Delta watershed; the requested federal funding will provide the means to begin seriously implementing that vision.

THE CALFED RESTORATION COORDINATION PROGRAM: A SYSTEMATIC, CONSENSUS-BASED APPROACH TO PROJECT FUNDING

As noted above, the Administration has included $143.3 million for the CALFED Bay-Delta Program in the Bureau of Reclamation's FY'98 budget request. As implementation occurs, it is anticipated that funds will also be transferred to other federal agencies participating in the CALFED Bay-Delta Program. The Nature Conservancy strongly supports this "one-stop" federal line item as an efficient and streamlined approach to funding the interim CALFED ecosystem restoration program.

I am going to leave it to the other panelists to describe the CALFED Restoration Coordination Program and the Ecosystem Roundtable, and will limit my comments to addressing how I believe this approach improves upon the status quo.

As mentioned above, the Conservancy has been implementing conservation and restoration projects in the Bay-Delta watershed for nearly 20 years. Over that period, developments in the field of conservation biology have led us and others to recognize that conservation and restoration of ecosystems, including the natural processes that sustain them, is more effective and sustainable than species by species conservation efforts. Ecosystem restoration of the magnitude required to achieve ecosystem "health" needs to be conducted on a large scale, and in a highly-coordinated fashion.

To date, there has been no coordinating framework to guide the actions of various state, federal, local and private interests. Due to limited resources, differing agendas and lack of coordination, these interests have historically pursued projects of relatively small scale in a manner that is fragmented, reactive, and often focused on narrow objectives (e.g. habitat acquisition for a single species without respect to ecosystem context or natural process function). While state, federal and local entities have indeed cooperated on many important and worthwhile projects, and are increasingly developing projects on an ecosystem scale, the various priorities, decision-making processes and institutional constraints unique to each agency or group often make cooperative efforts cumbersome.

The CALFED Restoration Coordination Program promises to be a vast improvement over traditional ecosystem funding programs in that CALFED, with input from stakeholders on the Ecosystem Roundtable, has developed a process to coordinate not only the expenditure of the requested federal funds, but also CVPIA Restoration Fund, Proposition 204 and other funding sources. We strongly support CALFED's role in coordinating this effort. Fragmenting the federal appropriation

among the various federal agencies or earmarking of specific projects would undermine the coordination already underway.

CONCLUSION

Thank you for the opportunity to appear before the Subcommittee to describe The Nature Conservancy's support of the CALFED Bay-Delta program and the Administration's FY'98 funding request. As we have described in greater detail above, ecosystem restoration is a necessary foundation for other elements of the CALFED program, and is critical to the long-term environmental and economic health of the West and the United States as a whole. The requested federal funding is urgently needed to move these ecosystem restoration efforts forward.

STATEMENT OF CALIFORNIA BAY-DELTA WATER COALITION

Mr. Chairman and Members of the Subcommittee, thank you for providing us an opportunity to submit this statement regarding the CALFED Bay-Delta Program on behalf of the California Bay-Delta Water Coalition. The coalition represents a diverse alliance of conservation interests, urban water suppliers, agricultural water users and business leaders working together on water policy issues in California. (Exhibit A is a list of Coalition participants.) The Coalition is currently focused on obtaining sufficient funds to ensure the success of the CALFED Bay-Delta Program. It is these funding issues that are the focus of the Coalition's testimony today.

SUMMARY

As authorized in October 1996 by P.L. 104-333, Title XI, the California Bay-Delta Environmental Enhancement and Water Security Act ("Bay-Delta Act"), the Administration has included $143.3 million in the Bureau of Reclamation's FY '98 budget request for the CALFED Bay-Delta Program. The California Bay-Delta Water Coalition strongly supports this funding level request.

California's economy is one of the strongest in the world, and that strength is dependent on sufficient and reliable supplies of water. Two-thirds of California's population is dependent on water from the San Francisco Bay-Delta Estuary, a 500-square-mile region supporting an immense diversity and richness of aquatic and terrestrial species and habitats as well as substantial commercial and sport fisheries, several of which are on the verge of extinction. In addition, the estuary and its watershed support considerable acreage of managed wetland habitat for waterfowl that provides a large recreational hunting base. Simultaneously, the Bay-Delta Estuary serves as the primary water supply conveyance system for a massive agricultural economy and millions of municipal and industrial consumers. The conflict between these competing uses has produced significant environmental problems, which have in turn stalled efforts to improve water supply reliability for all interested parties. Thus, restoration of the ecological health of the Bay-Delta Estuary and its watershed is the foundation of all efforts to improve water quality and supply reliability. Similarly, the future viability of commercial and sport fishing on the West Coast is dependent upon solving these complex ecological problems.

The Estuary and its watershed also have important implications for other Western states. For example, this region provides critical nesting and wintering habitat for migratory waterfowl whose seasonal migrations along the Pacific Flyway reach from northern Alaska to the tip of South America. Moreover, a restored salmon fishery in California could benefit fisheries along much of the Pacific Coast and decrease the likelihood of additional listings under the Endangered Species Act (ESA). It must also be recognized that water systems in the Western U.S. are highly interrelated. For example, because Bay-Delta ecosystem restoration will help bring long-term stability and security to California's statewide water system, the Administration's funding request is of substantial importance to other Colorado River Basin states and interests as well as the Republic of Mexico.

THE CALFED BAY DELTA PROGRAM IS THE CULMINATION OF YEARS OF EFFORT

The problems facing the Bay-Delta Estuary and its watershed have proven intractable for many years, due not only to the conflicts in the system, but also to the vast array of overlapping and often conflicting mandates of various federal and state agencies. In an historic effort to end the impasse, the federal government and the

state of California have entered into a joint venture to craft a long-term Bay-Delta solution that equitably addresses water problems in four key and inter-related areas: water supply reliability, water quality, ecosystem health, and levee system vulnerability. This venture includes all of the necessary federal and state agencies operating under a framework agreement and is referred to as "the CALFED Bay-Delta Program."

A joint Bay-Delta program staff has been put into place and has been given responsibility for developing the programmatic solutions. This effort has been underway for approximately 18 months. A central tenet of the program is the necessity for, and reliance upon, substantial and substantive input from stakeholders and other members of the general public. The Bay-Delta Program staff have established an extensive system of workshops and technical teams for developing concepts and solutions with the aid of those who work most closely with the systems at issue. Conservation groups, fishermen, urban and agricultural water users, waterfowl associations, the business community and others are actively involved in the solutions process along with the CALFED agencies and the Bay-Delta Program staff.

IMMEDIATE SPENDING ON ECOSYSTEM RESTORATION IS A PRIORITY FOR ALL CONCERNED

Although the CALFED program requires all parts of the long-term solution to move forward together, the CALFED agencies and stakeholder interests have recognized an immediate need to begin implementation of the ecosystem restoration element. The California Bay-Delta Water Coalition strongly endorses this policy for several reasons.

First, the ecosystem restoration element of the CALFED program is designed to serve as the foundation for all of the other program elements, because immediate restoration of the ecosystem is necessary to achieve long-term water supply reliability and water quality benefits.

Thus, while the CALFED agencies are developing several alternative long-term solutions, an aggressive ecosystem restoration program will be common to all of the alternatives.

Second, the federal funds will be used to fund an array of projects and programs that can be undertaken now and will result in immediate ecological benefit. Other projects need to go forward now due to the considerable lead time necessary to produce species and habitat benefits. Given that the ecological systems are complex, an adaptive management approach—one that allows for modification over time in response to new information—is essential.

Thus, there is a strong interest among all parties in providing early support for those restoration activities that are either (1) most likely to provide substantial ecological benefits or (2) will supply information that will guide future management and restoration activities. It is also widely accepted that restoration actions will in most cases require substantially greater time to result in either tangible benefits or meaningful new information than other elements of the CALFED program.

CALIFORNIA BAY-DELTA WATER COALITION: A KEY ROLE FOR STAKEHOLDERS

In recognition of the urgent need to lay this all important foundation, the Coalition came together during the summer of 1996 to develop and support an historic state bond measure, Proposition 204, the "Safe, Clean, Reliable Water Supply Act of 1996." Proposition 204 is a $995 million general obligation water bond containing approximately $600 million for Bay-Delta ecosystem restoration efforts. Of this, $60 million is immediately available for ecosystem restoration activities as part of a program referred to as "Category III," and $93 million is immediately available to fund the state's share of Central Valley Project Improvement Act (CVPIA) implementation costs. (Several other sections of the measure also provide immediate funding for related restoration efforts.) Proposition 204 also created a $390 million fund as the State's initial contribution to the final CALFED ecosystem restoration program. This fund will not be available until the entire CALFED program has been finalized, some time within the next two years. The measure passed with 63% voter approval, a clear indication of very high levels of state support for improvement of the Bay-Delta Estuary and its watershed and improvements to the water supply system.

The Coalition was also instrumental in building support for H.R. 4126, the California Bay-Delta Environmental Enhancement and Water Security Act (the "Bay-Delta Act"), a new authorization of matching federal funds to support the initial ecosystem restoration elements of the CALFED Bay-Delta Program. H.R. 4126 was en-

acted as Title XI of P.L. 104-333, the Omnibus Parks and Public Lands Management Act. An unprecedented level of bipartisan support (48 members of the California delegation co-sponsored the measure), as well as the support of the Clinton and Wilson Administrations, led to quick action in the 104th Congress. The Bay-Delta Act, drafted with Proposition 204 in mind, authorizes the "initial" federal share of both immediate Category III funding and the more comprehensive Bay-Delta ecosystem element. These federal funds will be used in conjunction with existing CVPIA and other restoration programs to support an array of urgently needed ecological improvements including, but not limited to:

*Restoration of tidal, shallow water, riparian, instream, wetland, and other habitats;
*Improved fish protection and management;
*Protection and enhancement of existing habitat;
*Expanded wetlands protection program;
*Improved ecosystem water quality to support aquatic resources;
*Improved habitat management;
*Improved management of introduced species;
*Identification and addressing of other limiting factors that have impaired ecosystem recovery.

DOI FY '98 BUDGET REQUEST IS APPROPRIATE AND NECESSARY

Consistent with the Bay-Delta Act, the Administration included $143.3 million as the first installment of the federal funds for ecosystem restoration activities being developed by the CALFED agencies for FY 1998. In addition, the Administration has committed to funding the remaining amounts, $143.3 million in each of FY '99 and FY '00. The budget authority of $143.3 million is included within the Bureau of Reclamation budget. As implementation occurs, it is anticipated that funds will also be transferred to other federal agencies participating in the CALFED Bay-Delta Program. The Coalition strongly supports this "one-stop" federal line item as an efficient and streamlined approach to funding the interim CALFED ecosystem restoration program.

The CALFED Bay-Delta program is unique. A major initiative to coordinate the legal mandates and spending of at least seven federal agencies, its decisions will affect a huge watershed and millions of water customers. It is also a partnership with a number of state agencies and coordinates closely with an independent stakeholder funding program. The Coalition strongly supports CALFED's role in such planning and spending efforts, as it is the only means to assure programmatic results that will satisfy all interests. Fragmenting the federal appropriation among the various federal agencies would undermine this critical goal and weaken the coordination already underway.

THE ECOSYSTEM ROUNDTABLE PROCESS PROVIDES FOR CRITICAL STAKEHOLDER INPUT

In order to establish near-term spending priorities for ecosystem activities and to coordinate state, federal, and associated expenditures, the CALFED agencies have created a Restoration Coordination Program which receives stakeholder input from the Ecosystem Roundtable. The Ecosystem Roundtable is a balanced group representing the various interests involved in Bay-Delta issues and its mission is to help CALFED with near-term project selection for Bay-Delta ecosystem restoration and coordination with other ongoing programs such as the CVPIA. The Roundtable was appointed under the Federal Advisory Committees Act (FACA) and the state equivalent to this statute.

The CALFED agencies and the Ecosystem Roundtable are using an objective, scientifically-based process to identify near-term priorities and fund actions to address those priorities. This process was developed based on the past experiences in administering the Category III program and the CVPIA Restoration Fund, and features extensive coordination with the CVPIA. It is a process that allows flexibility to respond to changing circumstances, to address local interests, and to learn from previous restoration actions.

Both Proposition 204 and the Bay-Delta Act anticipate that the Ecosystem Roundtable structure will serve as the primary decision forum for funds made available under these authorities, until a more permanent entity is developed by CALFED to take on this role.

The Coalition strongly supports the Ecosystem Roundtable process, not only as a rational and logical method of coordinating overlapping agency programs and spend-

ing, but as the most effective method for bringing meaningful stakeholder involvement—and buy-in—to a problem that has vexed California and many other western states for decades.

STATE & LOCAL COST-SHARING HAS ALREADY BEEN COMMITTED

The Coalition supports the use of matching funds for both interim and long-term ecosystem restoration efforts. As part of the 1994 Bay-Delta Accord, the stakeholders, together with the state and federal signatories, committed to funding a variety of restoration projects. Water users jump-started these efforts by providing an initial $22 million as seed money for immediate implementation of such projects (commonly called Category III). Another $10 million will he contributed this year. These funds have already been matched by approximately $7 million in local and private cost-share funds and are over and above user contributions to other on-going Bay-Delta restoration programs, including nearly $120 million contributed to the CVPIA Restoration Fund since 1992. In addition, as discussed in some detail above, the State of California is now committed to providing approximately $600 million through Proposition 204 for Bay-Delta ecosystem restoration purposes. Of this amount, more than $200 million is available immediately—prior to the completion of CALFED's long-term plan—as are all associated local, user, and stakeholder-contributed funds.

Consistent with these state and stakeholder commitments, Congress authorized, and the President has requested, funding to support the federal share of the Category III program and related restoration efforts in recognition of the significance of these immediate needs to the overall success of the CALFED Bay-Delta program. The Coalition believes it is critical that all of the parties to this process—federal, state, local and stakeholder interests—contribute financially to the CALFED Bay-Delta Program, and that full funding in support of the Administration's ecosystem restoration funding request is a crucial step in this regard.

Substantial state and stakeholder funds are already committed for the federal 1998 fiscal year regardless of whether matching federal funds are appropriated for that period. Thus, a formal cost-sharing agreement is not necessary to ensure that any federal appropriation is matched in FY '98. Nevertheless, the Coalition recognizes the general policy of the federal agencies to provide funding pursuant to cost-sharing agreements. Therefore, the Coalition supports the execution of an interim cost-sharing agreement for FY 1998 that facilitates the expenditure of all funds appropriated for the ecosystem restoration element of the CALFED Bay-Delta Program for the FY 1998 funding cycle.

CONCLUSION

The CALFED Bay-Delta Program is bringing state, federal, local and stakeholder interests together in an open and public process to make joint decisions about how to implement ecosystem restoration programs and monitor progress in order to ensure overall success. The CALFED Program has broad responsibility to plan and coordinate a comprehensive, long-term solution to restore the estuary and improve the reliability and quality of Bay-Delta water supplies. It is vital that restoration activities begin now.

Species throughout the Bay-Delta watershed continue to face a host of problems in some cases so severe that they remain candidates for listing under the ESA. Recovery efforts cannot begin without adequate funding. Many projects and programs have already been planned and are ready for implementation. Funding commitments are needed to move restoration activities forward.

Restoring California's Bay-Delta ecosystem is critical to the long-term environmental and economic health of the West and the United States as a whole. Federal support to match California's commitment to restoring the Bay-Delta ecosystem will help safeguard this national treasure for future generations and serve as a model for other regions in the area of ecosystem protection and restoration.

EXHIBIT A

California Bay-Delta Water Coalition Participants:

- Alameda County Water District
- Association of California Water Agencies
- California Urban Water Agencies
- California Waterfowl Association

•Calleguas Municipal Water District
•Central Basin Municipal Water District
•Central Coast Water Authority
•Central Valley Project Water Association
•Coachella Valley Water District
•Contra Costa Water District
•East Bay Municipal Utilities District
•Environmental Defense Fund
•Friant Water Users Authority
•Kern County Water Agency
•Long Beach Water Department
•Los Angeles Department of Water and Power
•Metropolitan Water District of Southern California
•Modesto Irrigation District
•Municipal Water District of Orange County
•Natural Heritage Institute
•Northern California Water Association
•San Diego County Water Authority
•San Francisco City and County Water Department
•San Joaquin River Exchange Contractors Water Authority
•San Luis & Delta-Mendota Water Authority
•Santa Clara Valley Water District
•Stockton East Water District
•The Nature Conservancy
•Tulare Lake Basin Water Storage District
•Turlock Irrigation District
•West Basin Municipal Water District
•Westlands Water District

TESTIMONY OF SUNNE WRIGHT MCPEAK, PRESIDENT AND CEO, BAY AREA COUNCIL

Mr. Chairman, members of the Subcommittee on Water and Power Resources, I am Sunne Wright McPeak, President and CEO of the Bay Area Council, a business-sponsored, CEO-led organization representing major employers throughout the nine-county Bay Area region of Northern California. The Bay Area Council, established more than 50 years ago, works to develop progressive regional public policies that promotes economic prosperity and environmental quality. The Bay Area Council is rooted in the entrepreneurial spirit with great respect for public leadership, such as you provide for the nation on a daily basis. Additionally, I serve as Vice-Chair of the Bay Delta Advisory Council which provides on-going advice to the CALFED Bay Delta Program. I am pleased to appear before you today to provide input from the Bay Area business community as well as a statewide business perspective with regard to the CALFED process.

Before I begin, I would like to provide one piece of historical context. In the late 1970's and early 1980's I chaired a group called the Committee for Water Policy Consensus, based in Contra Costa County, where I was then an elected Supervisor. One of the key concepts that I and my colleagues advocated was the notion that California should have "policy before plumbing." We strongly believed that before major projects were undertaken, comprehensive technical impact analyses should be carried out and policy debates undertaken, regarding the allocation or reallocation of our State's finite water resources in order to ensure the ultimate successful operation of the Federal and State water systems. At that time, the water community in general, and many of the constituencies involved, were concerned that such discussions would delay critically needed projects supported in various interest groups. However, in the absence of such comprehensive analyses and appropriate policies, agreements between parties on significant programs and projects were not forthcoming, resulting in political gridlock. Consequently, no major activities to either improve the ecosystem quality or improve water supply reliability were reached until the historic Bay Delta Accord of 1994.

Thus, I and many others are heartened by the fact that the CALFED process does in fact represent an effort to put "policy before plumbing." This is a major accomplishment, and one that is clearly bearing fruit.

From a business perspective, the CALFED process represents a critical component of California's infrastructure development for the 21st century. Like the highway system, whether it be roads or information, and the power grid, California's water supply infrastructure contributes to our continuing prosperity and helps ensure that the 7th largest economy in the world will continue to make its substantial contribu-

tion to the overall health of our national economy. As we all know, water is largely taken for granted except during the time of drought or flood. But the ramifications of not guaranteeing that the Bay Delta system continues to function in the future as both ecosystem and water supply hub are severe for California and the United States as a whole.

From the rugged Sierra foothills, to the fields of the Central Valley, to the Los Angels basin, to San Diego, and back to the Silicon Valley, a secure, reliable supply of high quality water cannot by overvalued. We in the business community regard the CALFED process as the only immediate opportunity to achieve a secure, reliable, and quality water supply for the jobs and the economy. We are committed to helping to resolve the water disputes that confront us, and we are committed to the CALFED effort as the venue to do so. Time is of the essence and we cannot let the CALFED process be derailed at the critical juncture.

The business community has not always been centrally involved in the water debate. In the past few years, however, the business community has begun to play a much more key role in the water policy debates in the state and we will continue to do so. As Mr. Perciasepe mentioned in his remarks, corporate CEO's across the state, major financial institutions such as Standard & Poor's, and organizations such as the Bay Area Council care deeply about the fate of California's water resource and understand the need to resolve the policy debates now. It is also important to note that the "business community" is not only comprised of the board rooms and shareholders; it is, ultimately, the employees and their families as well. Indeed, it is the people of California.

Future economic prosperity in California, which is an economic engine for the nation, and is dependent upon the water supply from the Delta. Contributing to that quality of life, and the ecological well being of the Bay-Delta system, must be restored in order to ensure stability in that supply. Environmental vitality, along with our economic vitality combine to make California unique and uniquely attractive to business and employees.

If we lose either our water supply reliability or our environmental quality, businesses will be less likely to stay, expand or locate here. Failure to follow through on the CALFED process will impair economic progress for the nation as well as California.

I am confident that the CALFED process will succeed in meeting these twin demands of water supply reliability for economic vitality and ecosystem restoration for environmental quality. And I am honored to serve as Vice-Chair of the Bay-Delta Advisory Council, contributing to this important process.

The role of the Bay-Delta Advisory Council is to provide advice to the CALFED Bay-Delta Program regarding its development of alternative comprehensive solutions to environmental and water management problems associated with the Bay-Delta system. We are also to provide policy advice on issues not necessarily included as a project in a solution alternative but that will need to be resolved before implementation can succeed, such as assurances that the program will be implemented tomorrow as it is designed today, and so on.

The CALFED process has listened to the advice of the BDAC, has responded and incorporated appropriate suggestions for improvement appropriately and is successfully meeting an extremely tight time line. All to its great credit. I look forward to an even more pronounced BDAC role as the alternatives are refined further.

With respect to the need for the funding currently requested in the President's budget, I cannot stress enough that the need is real, it is needed in FY '98, and it is imperative that it be forthcoming to evidence the federal government's acknowledgment that California's economic engine, if slowed or stopped, has an impact on the nation's economic well being. Furthermore, there is a federal responsibility to contribute to the ecosystem restoration effort both because the Delta is an ecological treasure of international significance and a wintering location for waterfowl along the Pacific Flyway, for which the United States has some treaty obligations.

Finally, with regard to the Ecosystem Roundtable process for recommending disbursements of state and federal funds for ecosystem restoration to the CALFED agencies, I am very comfortable that it is a workable, fair and practical process. It is open, has stakeholder involvement, and agency participation. It is developing criteria for early implementation project selection and will recommend priorities for near-term ecosystem restoration actions to the CALFED agencies.

Ultimately, the CALFED process has been and continues to be a success worthy of your Committee's support. It is an example of agency coordination, stakeholder participation and state and federal cooperation that is almost unprecedented. Fi-

nally, the most important fact to remember about CALFED is that it's working. In business, success speaks for itself.

STATEMENT OF RICHARD K. GOLB, EXECUTIVE DIRECTOR, NORTHERN CALIFORNIA WATER ASSOCIATION

Mr. Chairman, members of the Subcommittee, my name is Richard Golb, I am the Executive Director of the Northern California Water Association (NCWA). NCWA is a non-profit organization that represents 51 agricultural water suppliers that collectively irrigate 750,000 acres of farmland in the Sacramento Valley.

I appreciate the opportunity to testify on the status of the CALFED Bay-Delta Program from the perspective of California's agricultural water users, as well as on the role of the Ecosystem Roundtable, and the importance of the President's fiscal year 1998 budget request for the CALFED Bay-Delta Program.

California's agricultural water interests, including NCWA, have worked diligently to resolve the chronic water supply and environmental problems that have plagued the Sacramento-San Joaquin Delta and San Francisco Bay (Bay-Delta). NCWA participated in the development of the 1994 Bay-Delta Accord, the development of California ballot Proposition 204, and the CALFED Bay-Delta Program. NCWA's Chairman Tib Belza, and Vice-Chairman Don Bransford, both serve on the Bay-Delta Advisory Council, along with environmental, urban, business and other agricultural interests from throughout California. I also serve on the CALFED Ecosystem Roundtable.

THE STATUS OF CALFED BAY-DELTA PROGRAM—AN AGRICULTURAL PERSPECTIVE

California's agricultural water interests support the CALFED Bay-Delta Program and its objective, which is to develop and implement a plan to restore water supplies for California's cities, businesses and farms, and to restore fish and wildlife habitat in the Bay-Delta ecosystem. We also support the California Bay-Delta Water Coalition, and the Coalition's statement in support for full fiscal year 1998 federal funds for CALFED's short-term and long-term goals. Our support for the CALFED Bay-Delta Program is consistent with Governor Pete Wilson's 1992 water policy that advanced the principle that all of California's interests must move forward together—and that individual interests can not move ahead of the others.

Following this important theme, CALFED adopted a set of six solution principles that agricultural interests, like NCWA, strongly support. The principles are intended to guide CALFED's selection of a final solution to ensure it is equitable to all interests, that it does not result in redirected impacts to other regions or interests, and that it is a durable plan that will address California's economic and environmental needs. We believe the success of the CALFED Bay-Delta Program is imperative to ensure the long-term viability of California's agricultural economy.

THE ECOSYSTEM RESTORATION ROUNDTABLE

The Ecosystem Roundtable is a 19-member subcommittee of the Bay-Delta Advisory Council. The Roundtable, of which I am a member, is a representative work group comprised of California's environmental, agricultural, urban, fishing, conservation and power interests. Our mission is to assist CALFED staff in the evaluation of a proposed three to five year workplan that will identify environmental restoration needs and specific projects to address these needs. The Roundtable will review and recommend selected projects to the Bay-Delta Advisory Council for funding, and importantly, the Roundtable will also attempt to coordinate existing state and federal restoration programs in the Bay-Delta ecosystem. Our current goal is to provide recommendations on projects to the Bay-Delta Advisory Council this summer.

The Ecosystem Roundtable, thus far, is an accountable and balanced process. Clearly established scientific criteria have been adopted to ensure the merit of restoration projects that may be eligible for funding consideration, and CALFED's Solution Principles ensure that affected landowners are involved in project development

These restoration projects and programs will help CALFED meet two important goals. First, they will improve fish and wildlife habitat in the Bay-Delta's fragile ecosystem. Second, in fulfilling this goal, the program will provide long-term water supply certainty for California's agricultural and business communities.

THE PRESIDENT'S FISCAL YEAR 1998 BUDGET REQUEST

Congress, in 1996, passed the California Bay-Delta Enhancement and Water Security Act, authorizing $430 million for environmental restoration activities in the Bay-Delta. Signed by President Clinton, and combined with California voters support for Proposition 204, this law authorized $143 million for each of the fiscal years 1998, 1999 and 2000. The first installment, President Clinton's fiscal year 1998 budget request of $143 million, is included in the Department of Interior's budget for the Bureau of Reclamation. The President's budget documents commit to requesting the additional authorized $143 million installments in fiscal years 1999 and 2000. The full appropriation of $430 million is critical to ensure that CALFED successfully addresses California's water supply and environmental problems.

Congressional support for the President's request for $143 million will allow CALFED to begin work on important long-term restoration projects that will provide significant water supply reliability benefits for California's agricultural and urban needs. The funding also will ensure that restoration projects that currently have state and federal approval, and a local cost-share, will not be delayed due to lack of federal support or funds. For example, state and federal agencies have recently encouraged water users on the San Joaquin and Sacramento rivers, and in the Delta, to protect juvenile salmon by installing fish screens on their diversions. Many agricultural water suppliers have initiated these projects and are now in the design stages with construction possible this summer and next year, provided federal funds are available through the CALFED Bay-Delta Program.

Overall, these projects, as well as other fish passage projects on tributary streams, such as construction of fish ladders, will immediately benefit species of concern, including the federally listed winter-run Chinook salmon, as well as the spring-run Chinook salmon. At the same time, this funding ensures greater certainty for irrigation supplies to area farmers, and increases the opportunities, under appropriate circumstances, for water transfers.

Thank you again for the opportunity to provide testimony before the Subcommittee. I would be pleased to answer any questions you may have at this time.

TESTIMONY OF MR. W. ASHLEY PAYNE, ASHLEY PAYNE FARMS

Mr. Chairman, Members of the Committee, my name is Ashley Payne. I am a farmer and I reside in Yolo County, California. My family farms about 8,000 acres in Yolo and Sutter Counties, and we grow primarily rice, tomatoes, wheat, safflower, corn and alfalfa.

Iappreciate the opportunity to testify today before your subcommittee, particularly from the perspective of a landowner who has property in the CALFED habitat acquisitions target area. I want to stress from the outset that my experience in dealing with the federal government on a major land acquisition in the Delta may be unique. My involvement with the federal land acquisition process has been with the U.S. Army Corps of Engineers, and the Corps' efforts to acquire Little Holland Tract, an island in the delta that my brother, William, and I own. This is not necessarily the experience that other landowners, who plan to participate in the CALFED land acquisition process, will have. But it does provide, I believe, some lessons from which the CALFED land acquisition program can benefit.

First, a little background on the property in question. Little Holland Tract is a 1,630 acre island that borders the Sacramento Deepwater Ship Channel in southeastern Yolo County. The island forms part of the funnel through which water moves from the Yolo Bypass, a massive feature of the Sacramento River Flood Control Project, to the Sacramento-San Joaquin Delta and the San Francisco Bay. In essence, Little Holland Tract, along with Liberty Island to the west, serves as the cork at the end of the Yolo Bypass.

In 1981, my brother and I sold the island to a Spanish farming operation. In December 1983, after a small portion of the levees that protected the island were breached and the Spanish firm was unable to secure financing to repair the levees, the property reverted back to my brother and I.

In October of 1991, my brother and I entered into an agreement with the California Department of Water Resources (DWR) for the sale of water from Little Holland Tract. The property has senior appropriative water rights that permit the diversion of up to 1,450 acre feet of water per year. Part of the agreement with DWR included a payment from DWR of $75,950 to pay for the cost of repairing the breached levees, de-flooding the island and releasing the flood water from the island to the Delta, making it available for the 1991 Emergency Drought Water Bank.

On February 12, 1992, the Corps of Engineers issued a "cease and desist" letter to my brother and I, claiming that we had restored the levees without the necessary Section 404 permits. The Corps rejected our position that repair of the levees was subject to Nationwide Permit 3. After months of unsuccessful negotiations, the Corps forced my brother and I to breach the repaired levees and inundate the island. The Corps subsequently denied our after-the-fact section 404 application and to date we have not been able to farm our property. Today, it remains partially flooded and subject to tidal influences.

Given the position of the Corps, we sought and received the help of our Congressman, Vic Fazio, in an effort to win passage of legislation directing the Corps to acquire Little Holland Tract and providing the Corps with the necessary funds to carry out the acquisition. The first funds to acquire the property were appropriated in fiscal year 1995. In fiscal year 1996, Congress provided the balance of the funding as well as the statutory direction to acquire the property. The only condition that had to be met under the legislation was that the Assistant Secretary of the Army for Civil Works had to make a determination that the acquisition was in the federal interest. In January 1996, the Corps made that determination, citing the enormous environmental benefits of maintaining the property in a flooded state and directed that the island be acquired.

Today, however, it appears that we are still a long way from final acquisition of the property by the Corps. The Corps has appraised the property and offered my brother and me, $735,000 for the island. This is far less than the fair market value of the property. In 1984, the island appraised at $1,800,000. In 1992, a private appraisal that I commissioned during some discussions with The Nature Conservancy, valued the property at $2,500,000. In 1995, the Congress made up to $3,300,000 available for the acquisition. And, in 1996, the Corps' reconnaissance study on the property valued the property at $2,900,000, if it were still farmable.

A couple of reasons for the low appraisal have emerged. First, federal appraisal standards preclude the use of anything but private-to-private sales when selecting comparables to determine the fair market value of a parcel. Federal appraisal guidelines do not permit the use of transactions that involve a non-profit, like The Nature Conservancy or Trust for Public Lands, for example. Nor do they allow the use of real estate transactions that involved another level of government, such as the State of California, which has made significant acquisitions in the Delta.

Second, the Corps is not very sophisticated in its understanding of the value of water rights. During our recent discussions with the Corps, representatives of the agency acknowledged that the Corps had not assigned any value whatsoever to the appropriative water rights associated with Little Holland Tract. It is a transferable water right. It is a senior water right. I have requested and been granted the right to move the point of diversion for that water right twice since my brother and I repossessed the property. Yet, the Corps assigned no value to the appropriative water right tied to the property.

Senior appropriative water rights similar to those associated with Little Holland Tract have sold recently for $1,500 per acre foot. That would place the value of the water rights alone at $2,200,000. But the Corps, until just recently, has refused to investigate the value of the water rights or whether the Corps or any other federal agency would have any use for them. During a meeting two weeks ago, my attorney asked a representative of the Corps' real estate division if anyone from the Corps had bothered to talk to the Bureau of Reclamation about the value of the water rights. He also asked if the Corps had bothered to determine if the Bureau or any other agency within the Department of the Interior might have an interest in the acquisition of the water rights from Little Holland Tract. The answer he received from the Corps was, "No."

Third, the Corps' real estate division seems to operate in somewhat of a policy vacuum. For example, and, again, this focuses on the water rights issue, the Corps real estate division has maintained that the Corps does not want the water rights from the property, even if they have some value. We recently asked the Corps' representatives to the CALFED process if, from their perspective, the Corps would have an interest in acquiring the water rights from Little Holland. The answer was an unqualified, "yes," but the real estate division of the same agency had never solicited the views of their colleagues, who reside just a few floors away in the same building.

Finally, the Corps tends to be very cautious in the values it assigns to wetlands and the environmental resource benefits of the property. The environmental benefits of maintaining and enhancing wetlands at Little Holland Tract are well documented. The Corps has done an entire reconnaissance study on the value of the wetlands and wildlife habitat at Little Holland. According to the U.S. Fish and Wildlife Service, "The property is clearly valuable wetland habitat." This is the same tidal

marshland that has been nearly wiped out in the delta and that CALFED is trying to restore. Little Holland Tract supports migrant and resident waterfowl as well as shorebirds. In a flooded state, the island provides valuable habitat for the listed Delta smelt and winter-run chinook salmon. And, the island also provides habitat for the listed giant garter snake. Despite these high wetland and wildlife values, the appraisers that I have consulted suggest that the Corps has significantly underpriced the value of this habitat and has not adequately distinguished between wetland habitat of varying quality. Instead, the Corps appears to value all inundated land equally regardless of the quality of the habitat.

As you can imagine this has been a very frustrating experience. Here we have a prime piece of property from a wetlands and wildlife perspective, the Congress has instructed the Corps to acquire the property, including the water rights, and the funds have been appropriated. Yet, fifteen months after the Corps confirmed that the acquisition was in the federal interest and directed that the property be acquired, the sale has still not closed.

Land acquisitions, like Little Holland Tract, don't occur in a vacuum in the Valley. The landowners in the region know the tough time that we have had dealing with the Corps of Engineers. The fact that I am dealing with the Corps of Engineers and that land acquisitions under CALFED will probably occur through the Bureau of Reclamation or USFWS, is often lost on my neighbors. All they know is that the federal government has acted with a heavy hand in dealing with the acquisition of Little Holland Tract. They see delays and low appraisals. And, that is not the kind of environment that encourages the kind of willing buyer-willing seller market that will be needed for the CALFED land acquisition to be successful.

Again, my situation may be unique. Part of the solution to my specific situation may be to work more closely with the Department of the Interior. We have had informal discussions with the Bureau of Reclamation's Mid-Pacific Region about working with the Corps of Engineers to facilitate the acquisition of Little Holland Tract. One proposal calls for the property to be deeded to the Department of the Interior. The Bureau of Reclamation would assume responsibility for the water right under California water law. It could dedicate the water to instream flows or some other need of the agency. The U.S. Fish and Wildlife Service, for its part, would take responsibility for managing the island as part of one of the wildlife refuges in the area. We are pursuing this option.

To summarize, there are four key lessons out of the Little Holland Tract experience that may be relevant to the Committee:

(1) First and foremost, it is important which agencies are given responsibility for carrying out the land acquisition program. Certainly, the Corps of Engineers should not have a role in this part of the CALFED program. They lack the expertise, and, in particular, they lack any knowledge of water rights, which is going to be a key component of the fair market value of any property acquired as part of the CALFED land acquisition program. In my view, the Bureau of Reclamation should have the lead in this process. They have a better understanding of the value of water rights and landowners are used to dealing with them.

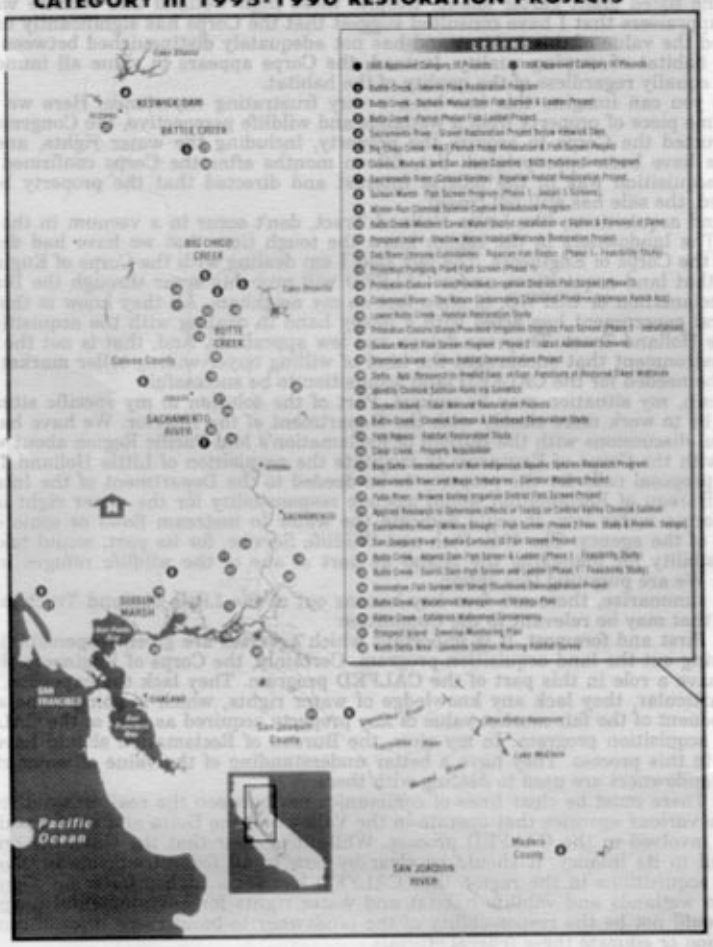
(2) There must be clear lines of communication between the real estate divisions of the various agencies that operate in the Valley and the Delta and the federal officials involved in the CALFED process. While it is clear that the CALFED process is still in its infancy, it should be clear by now to all federal officials involved in land acquisitions in the region that CALFED has set a high priority on acquiring prime wetlands and wildlife habitat and water rights for environmental purposes. It should not be the responsibility of the landowner to build these lines of communication or educate these federal officials.

(3) A concerted effort must be made to ensure that the federal government is able to quickly and efficiently determine the fair market value of property, particularly those properties that have prime wetlands and wildlife values, and then complete the transaction in a timely manner. The capacity to act quickly will vastly improve the willing seller opportunities in CALFED's habitat acquisition program. Most landowners do not have the perseverance that I do to stay with a process like this. Most would never step forward to participate in a program of land acquisition unless they were convinced that they would be treated fairly. The near-term success of the CALFED land acquisition program hinges on shortening the learning curve and having some early, painless land acquisition successes.

(4) Federal appraisal standards should be modified to allow the use of sales involving non-profit organizations and governmental agencies. The Delta and the islands within the Delta are very unique and the primary sales of late involve either non-profit organizations or governmental agencies. Automatic exclusion of these recent sales results in appraisals that do not reflect the current value of the land and water rights.

Thank you for this opportunity to testify.

CATEGORY III 1995-1996 RESTORATION PROJECTS



McCOLLUM ASSOCIATES

April 14, 1997

The Honorable John Doolittle
Member, U.S. House of Representatives
Committee on Resources
1324 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Doolittle:

Thank you for your invitation to appear before you and the other members of the Subcommittee on Water and Power. I appreciate the opportunity to convey to you my thoughts on the question of funding for CALFED activities in the Sacramento/San Joaquin Delta.

I first became involved in Delta issues in 1983 through my work as Deputy Secretary of the California Resources Agency and later as Chief Deputy Director for the Department of Fish and Game. As you might imagine, Delta concerns became a large portion of my duties in both of these offices. While I am no longer involved in an official capacity, I continue to be involved in Delta issues through my work as a consultant, representing various landowners who have interests in the Delta. This later role is the basis of my comments for the April 17, 1997 hearing before your committee.

My specific comments regarding the proposed funding for the CALFED process are short and simple. However, before I make them, I would like to provide a short background that will explain what lead me to offer my comments in the first place.

I represent a landowner who owns a 1,200-acre island near Stockton, California. Medford Island has historically produced grain crops typical to the area; crops that also support the landowner's other primary interest of providing habitat for thousands of wintering waterfowl and other wetland related species. Like many other farmers in the Sacramento-San Joaquin Delta, my client faces the economic reality of having to evaluate the agricultural future of Medford Island, and to make some hard decisions. Rather than giving in and converting to

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higher economic value agricultural crops, my client, about four years ago, chose to work toward transforming the island from an agricultural asset to an asset based upon its value as wildlife habitat. The economic incentive to do this is created by committing most of the island to a wetland/riparian mitigation bank. Through this market driven mitigation banking approach, several landowners across the state have benefitted financially by changing land use strategies in this manner. In addition, some areas of the island are now committed to the federal wetland reserve program, and about 200 acres are being developed as seasonal wetland under programs administered by the State of California and the U.S. Army Corps of Engineers.

While pursuing this objective, it became obvious to us that Medford Island could play a more significant role in the Delta. By combining the private sector initiative of a mitigation bank with a publically funded project expansion, we envisioned creating a public/private partnership that created significant improvements to wildlife habitat while the landowner and the public both benefit financially on a project that otherwise would not be affordable. The project was designed to create a model financial tool that contributes to the overall habitat needs of the Delta, relying heavily on private sector incentives. In fact, everyone who has visited the island over the past four years; other landowners, environmental groups, biologists, agencies, and politicians, observed first hand what we are attempting to accomplish and support the value of our efforts.

Medford Island is the ideal model. It is in the heart of the Delta. Standing on its shores, one can actually observe portions of the San Joaquin River currents change direction when the water diversion pumps are turned on at the Tracy pump station. If the island were reconfigured (this was initially proposed to us by CALFED) through the use of set back levees, thousands of juvenile fish could seek refuge along the island rather than be funneled into the pumps at Tracy. This has clear implications for both instream issues, including delta smelt and salmon populations, and upland issues, including support for waterfowl habitat and endangered upland species.

As an example, Venice Cut, a small island adjacent to Medford Island was breached several years ago. Today, that island provides excellent rearing and escape habitat for delta smelt and salmon in a system that has precious little of this habitat due to extensive levee and riprap facilities along the Delta system. When the diversion pumps are on, the fish have little choice than to go with the flow into the pumps themselves. If more levee side habitat existed, the fish would be provided an alternative refuge. Further, if significantly more fish are produced in the expanded habitat created through such a program, a program that has the support of

local landowner interests who benefit financially from it, it can become an important component of the final Delta restoration plan. If, ultimately, enough rearing and escape habitat is established through this process, the percentage of fish destroyed at the pumps will diminish, potentially allowing the pumps to remain in operation over a longer period. Fern Island, another adjacent island that is part of the Medford Island project, can be breached in the same way creating acres of tidally influenced riverine habitat.

Why do Delta landowners support this concept? One of the long-standing concerns of the Delta landowner is the preservation of their way of life in the Delta. Initiatives that eliminate or drastically reduce farming, by whatever means, are a threat. Proposals that reduce existing wildlife habitat, especially fishing and waterfowl habitat, are a threat. Many proposals over the past several decades appeared, in many minds, to be biased too far in either direction. The Medford Island project is a landowner initiative that preserves the best of each interest. Some islands, such as Medford, are sinking into the Delta. This creates a very expensive levee maintenance dilemma for farmers who are experiencing declining profitability with their operations. If left unchecked, the levees will eventually fail, destroying landowner assets and potentially destroying water quality in the entire Delta. These situations can be resolved by selling the easements on the island for habitat, creating, through the banking process, a permanent, privately financed, levee maintenance endowment fund, and retaining the hunting and fishing privileges enjoyed by the landowner for generations. Thus the landowner receives compensation for his asset and continues to use the land for recreation. Because this is a voluntary program, farming can be maintained in areas where it is still profitable, as it should. Grain crops, especially, are critical to survival to waterfowl that use the area as a stopover every year. Agriculture is critical to the local economy and wholesale changes would destroy the livelihood of many in the region.

Further, if Delta habitat is restored to a reasonable stage, or at least a guaranteed plan is implemented that ensures preservation of agriculture and wildlife habitat, I believe landowners will support continued, perhaps even expanded water transfers out of the Delta.

Why do environmental interests support the concept? Low farm profits will force farmers to switch to truck crops and vineyards that, unlike grain crops, provide little habitat for wildlife. Other landowners will attempt to develop their property for urban or water associated recreational uses. Still others will go bankrupt, leaving their levee system to whatever fate may arise at the time. Continued island subsidence combined with a lack of adequate funding will result in failing levees. Indiscriminate levee failures will flood islands, compromising the integrity of the entire Delta system. This will allow significant salt intrusion into the

Delta and destroy the massive freshwater habitat. This is a possible scenario if no actions are taken over the next 20 to 50 years. While there are a few environmental interests who may welcome a brackish water, tule-clogged system, this is not the goal of most mainstream environmental groups. They understand that working with the landowners to improve the current system is the only practical way to assure quality wildlife habitat is conserved. Many environmental interests will also support, with certain habitat guarantees, water transfers out of the Delta.

Why should regulatory agencies support the concept? Re-engineering an island with setback levees and creating riverside habitat and managed seasonal wetlands is an expensive proposition. By working with willing landowners in the manner suggested, the costs of such activities can be reduced significantly. Through the use of mitigation banks and other private sector incentives, the landowner is compensated for his land and efforts without being "kicked-off" the land, regulatory agencies gain the assurances they require for long term conservation of the land (with the landowner's enthusiastic support) and public funds can be spent on actual habitat creation. Expanding the project to include such attributes as shaded riverine aquatic habitat or setback levees, often using the cost-saving, on-island facilities of the landowner, is simply more affordable.

Given the above discussion, it is obvious that Delta landowners, and I now must speak only for my landowner clients, support public funding for the CALFED process. The concept of CALFED is sound. However, it is the above discussion that provides the foundation for a caveat. The federal and state funds should be spent with the participation of all stakeholders, including Delta landowners. Despite two years of attempts to work with CALFED and with Category III, and after offering numerous responses to their requests to modify our project scope, my clients do not feel that they were given an opportunity to participate as a stakeholder. Rather, if the appropriation process of CALFED's Category III funds is any guide, the prioritization process for funding projects and programs is a very closed one. Outreach to Delta landowners is very weak, at least if our experience is indeed representative of the process.

To be specific, I would like to use the Medford Island project as an example. When representatives of CALFED heard of our project, we were invited to submit our proposal for funding under Category III. The project received enthusiastic support from literally every state and federal agency, local agencies, environmentalists, other Delta landowners, and relevant non-governmental organizations in the Delta. While the project was given serious consideration by some CALFED representatives, it was ultimately rejected, or at least

delayed indefinitely. However, after substantial expenditures in project design costs and two years of negotiations with a few individuals associated with the CALFED process, there never was the impression that the process had a specific or consistent goal, or that there was a systematic, public-friendly approach to evaluating all the competing project proposals. It was difficult even finding out who served on CALFED. Even after numerous, and high level requests to address one of its scheduled meetings to explain our vision, we were not provided an opportunity to do so. When our project was rejected, we were given very simplistic reasons that did not make much sense given the expressions of support and encouragement we had throughout the process. In fact, there was never even the courtesy of any contact from those responsible to tell us that we had been rejected, or why. We always initiated the contact. This in spite of a project designed specifically to meet almost all of the defined CALFED "core objectives" for habitat restoration and preservation. When we saw the resulting list of approved projects, it was our impression that they consisted primarily of a series of long unfunded agency projects that, once the money was spent, benefitted no obvious systematic or ecosystem approach to solving global habitat problems in the Delta.

Subsequent to this process, the owners of Medford Island reverted to their original goal of simply creating a mitigation bank and we are now completing the negotiations and selling wetland habitat credits to other developers. The Fern Island portion of the project could still be separated out and proposed to CALFED as a new project to address instream issues, if my clients had reason for renewed confidence in the process.

Irrespective of these problems, the Delta needs to be fixed. CALFED is, in our opinion, in an excellent position to facilitate the fix. Our request is simply that the landowner perspective be more adequately addressed. Any solution that does not have general support of Delta landowners will, in our opinion, fail, irrespective of how much money is spent. And, success in the Delta does not mean buying landowners out, which is often the primary mentality of agencies. It means giving them a way to stay connected with the land, and with their past.

The funds the Subcommittee is considering for appropriation to the CALFED process should be appropriated. However, on behalf of my clients, I suggest that the appropriation be accompanied by the following suggestions:

- CALFED should formally appoint Delta landowner representatives to the CALFED process; the landowners must have greater ownership in the process.

- CALFED should increase its efforts to communicate to the local public its agenda, goals, and decision-making;

- Before funds are expended, CALFED should develop a spending plan that includes an ecosystem approach to conserving and expanding wildlife habitat, encourages continued agriculture, and provides ecosystem-level solutions to water transfer conflicts;

- CALFED should create a more formal and accountable project proposal review process, encourage more public input, and provide clearer access to CALFED for submission and discussion of project proposals; and,

- CALFED should ensure that a close working relationship with Delta landowner interests is firmly established, including making the funding of private/public projects a priority.

Thank you, again for the opportunity to provide these comments to your deliberations. I can assure you that my clients and I will do everything we can to assist the various interests to achieve what is our common goal - to find equitable and long-lasting solutions to preserving the health of the Delta's wildlife and water quality, providing economic stability to landowners and industry, and provide sustainable, precious water throughout our state.

I welcome you to call upon me any time if you have questions or comments.

Sincerely,

Michael McCollum

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SUMMARY OF RECOMMENDATIONS

The funds the Subcommittee is considering for appropriation to the CALFED process should be appropriated. However, on behalf of my clients, I suggest that the appropriation be accompanied by the following suggestions:

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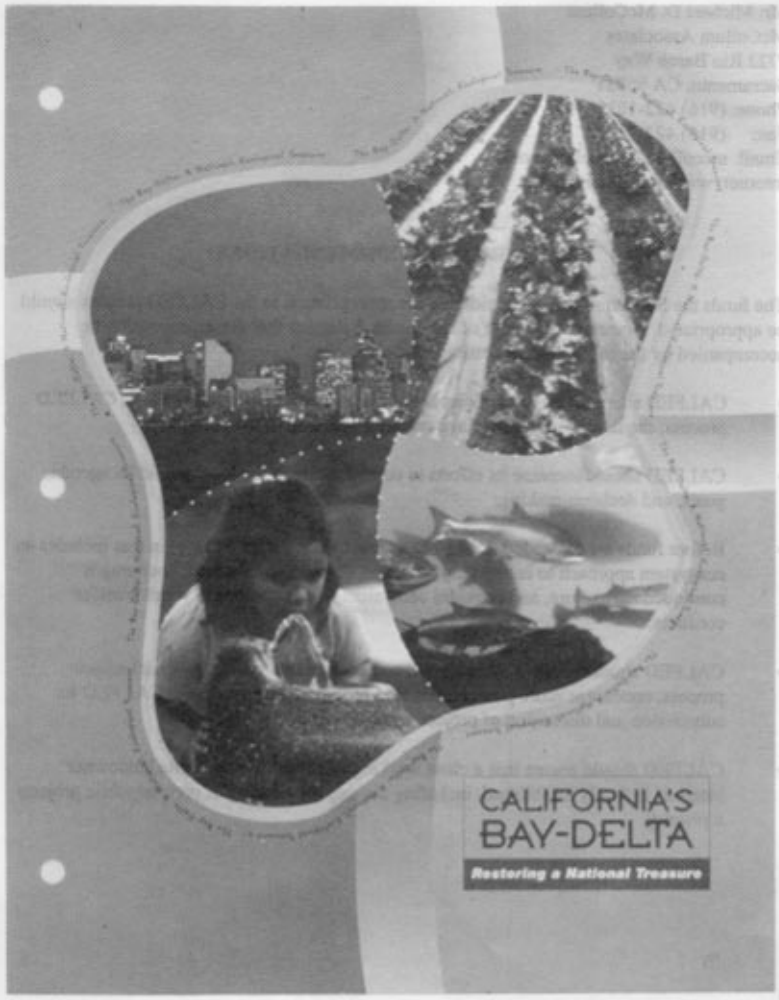
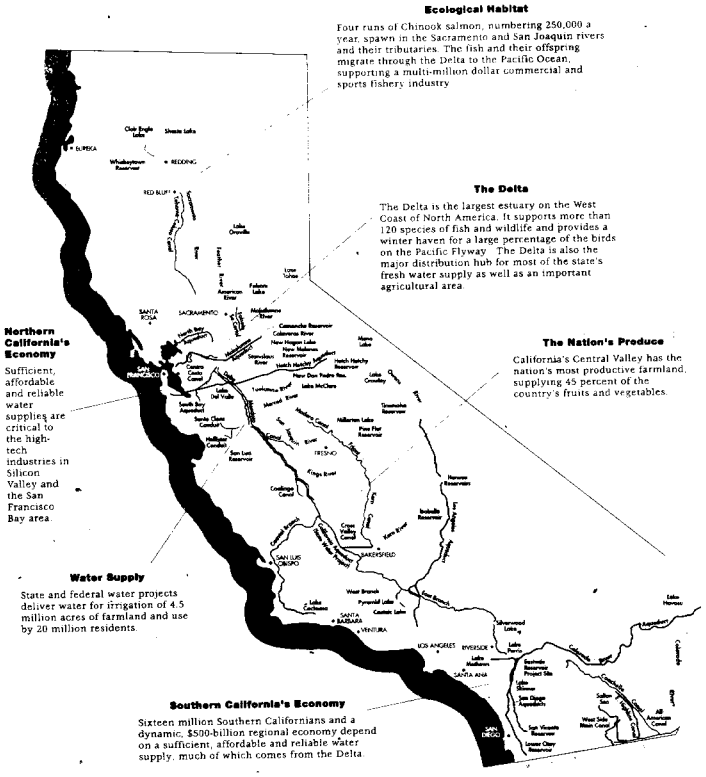

CALIFORNIA'S
BAY-DELTA
Restoring a National Treasure

California Water...
Ecosystem Health for a Strong Economy



Ecological Habitat

Four runs of Chinook salmon, numbering 250,000 a year, spawn in the Sacramento and San Joaquin rivers and their tributaries. The fish and their offspring migrate through the Delta to the Pacific Ocean, supporting a multi-million dollar commercial and sports fishery industry.

The Delta

The Delta is the largest estuary on the West Coast of North America. It supports more than 120 species of fish and wildlife and provides a winter haven for a large percentage of the birds on the Pacific Flyway. The Delta is also the major distribution hub for most of the state's fresh water supply as well as an important agricultural area.

Northern California's Economy

Sufficient, affordable, and reliable water supplies are critical to the high-tech industries in Silicon Valley and the San Francisco Bay area.

The Nation's Produce

California's Central Valley has the nation's most productive farmland, supplying 45 percent of the country's fruits and vegetables.

Water Supply

State and federal water projects deliver water for irrigation of 4.5 million acres of farmland and use by 20 million residents.

Southern California's Economy

Sixteen million Southern Californians and a dynamic, $500-billion regional economy depend on a sufficient, affordable and reliable water supply, much of which comes from the Delta.

The Bay-Delta: A National Ecological Treasure

California's Sacramento/San Joaquin Bay-Delta estuary is an ecological resource of national importance in a serious state of decline. In October 1996, Congress and the President recognized the significance of restoring the estuary and authorized $430 million for ecosystem improvements in the Bay-Delta. President Clinton included the first of three $143 million annual installments in his proposed 1997-98 budget for the Department of Interior's Bureau of Reclamation.

When appropriated by Congress in spring 1997, this money will help fund an ambitious state and federal initiative — the largest ever of its kind — to improve the Bay-Delta's health and, at the same time, provide water supply reliability for a growing population. The success of this initiative, known as the CALFED Bay-Delta Program, will not only determine the course of California's future but will significantly affect the economic and environmental outlook for the nation:

- The Bay-Delta's unique habitat supports more than 120 species of fish and wildlife, in addition to serving as a major stopover for migrating waterfowl on the Pacific Flyway. Its waters also harbor a large portion of the West Coast's spawning fish populations.
- More than two-thirds of California's 32 million residents, from San Francisco to San Diego, rely on the Bay-Delta for a portion of their drinking water.
- Fresh water from the Bay-Delta system irrigates 4.5 milion acres, supporting nearly half of the nation's fruits and vegetables.
- Water from the Bay-Delta fuels California's $800 billion economy, which is the seventh largest in the world.

Federal money for the Bay-Delta will fund an array of critically needed ecological improvements: habitat restoration, watershed protection, restoration of spawning gravel, fishery enhancement, water quality improvement and pollution prevention. Many of these projects have been identified and are only lacking the funds for implementation. Other projects will require longer lead time but must begin now. The funds will also assist in meeting fishery enhancement goals throughout the West and help fulfill the nation's environmental treaty obligations under the North American Waterfowl Plan with Canada and Mexico.

What Can Congress Do?

Congress can ensure that these critical ecological improvements are made by providing adequate federal funding for Bay-Delta restoration. Specifically, members of the House and Senate Budget and Appropriations Committees can fully appropriate the President's $143 million budget request for the Bay-Delta through the Budget Resolution, 602(a) allocation. In addition, because Bay-Delta improvements will be implemented over many years, and because a number of agencies and interests will be involved in determining how the funds can best be spent, federal funding should be placed in a trust fund administered by the Bureau of Reclamation with all spending decisions made by CALFED.

The Dilemma: A Vital Ecological Resource at Risk...

Fed by runoff from the Sierra Nevada Mountains, California's two largest rivers, the Sacramento and San Joaquin, meet just south of the city of Sacramento to form the 738,000-acre Sacramento/San Joaquin Bay-Delta estuary.

The Bay-Delta historically was home to a vast array of habitats supporting a wide variety and abundance of fish, birds and wildlife. But as the state's population grew, activities such as dredging, dam construction, pollution, flood control systems, filling wetlands, introduction of exotic species, fishing and water diversions have degraded the Bay-Delta's ecological health.

During the 1980s and early 1990s, these factors, combined with a seven-year drought, pushed some fish populations to the brink of extinction, culminating in the listing of the winter-run Chinook salmon and the Delta smelt under the federal Endangered Species Act (ESA). Several other species are proposed for listing.

...and an $800 Billion Economy at Risk

Regulations resulting from ESA listings of Bay-Delta species have reduced the amount of water available for diversion to agricultural and urban uses, threatening the state's economy. In 1994, Standard & Poor's warned municipal bond investors that the unreliability of California's water supply threatened to undermine the bond ratings of several major California water agencies, potentially increasing the cost of new capital projects for public agencies throughout the West and increasing the cost of doing business throughout the state.

In addition, poor water quality impacts 20 million Californians and threatens the state's high-tech and manufacturing industries, which need high quality water to produce the products that fuel a growing economy and provide jobs. These industries are the key to the future of the West Coast as America's gateway to the Pacific Rim.

Finally, unreliable water supplies jeopardize California's agricultural output, which supplies nearly half the nation's fruits and vegetables. California's average per-acre crop value is five times the U.S. average and annual farming revenues hover near $20 billion. Efforts to maintain the reliability of the Bay-Delta's water supply are crucial not only to California but to the entire nation.

Today, everyone agrees that the Bay-Delta is broken. It no longer meets the needs of fish and wildlife, cities or farms.

IT'S NOT JUST A LOCAL ISSUE . . . THE WHOLE NATION BENEFITS FROM A HEALTHY BAY-DELTA

"In this budget, I am proposing the funds to . . . expand our work with states, localities, private groups and others to restore such sensitive ecosystems as . . . California's Bay-Delta area between San Francisco and Sacramento."
President Bill Clinton

"California stands at a critical crossroads. We can take advantage of the window of opportunity created by Proposition 204 and the federal commitment of matching funds, or we can maintain the status quo which will lead to uncertain water supplies and devastating economic and environmental impacts."
Governor Pete Wilson

"Passage of [illegible] for California's water [illegible] improving water quality and reliability."
California Secretary of State Bill Jones
co-leader of Proposition 204 Campaign

"California's economy is one of the strongest in the world, and that strength is highly dependent [illegible] clean and reliable supplies of water, which in turn depend on a healthy Bay-Delta ecosystem."
California Senator Jim Costa
author of Proposition 204

Historic Accord Ushers in CALFED Bay-Delta Program

The Bay-Delta Accord, signed in December 1994, led to the creation of the CALFED Bay-Delta Program, a formal state and federal planning partnership charged with developing a long-term plan for Bay-Delta management and restoration. The program is a model for resources management nationwide because it functions on the premise that water supply and ecosystem problems are interrelated and must be solved simultaneously. CALFED's members consist of the following resource agencies:

State California Resources Agency, Department of Water Resources, Department of Fish and Game, California Environmental Protection Agency, State Water Resources Control Board.

Federal U.S. Department of Interior, Bureau of Reclamation, Fish and Wildlife Service, Environmental Protection Agency, National Marine Fisheries Service.

With the input of a 34-member Bay-Delta Advisory Council representing diverse public interests, CALFED is developing alternatives aimed at striking a fair balance between competing beneficial uses of the Bay-Delta's resources. To this end, the CALFED Program has adopted four main objectives for its activities in the Bay-Delta:

- Ecological restoration
- Improvement of water supply reliability;
- Improvement of water quality; and
- Protection from natural disasters.

THE CALFED ALTERNATIVES

1 **Reoperate the existing Delta water system** so that water diversions for the Bay Area, San Joaquin Valley, and Southern California could be increased in late fall and early winter, when environmental impacts are minimal.

2 **Create a through-Delta system,** with enlarged channels in the eastern portion of the Delta to improve flows and minimize environmental impacts from water supply operations.

3 **Build a "dual" conveyance system,** with some export water moving through the Delta and some being diverted into a new canal. Benefits include more flexibility in supplying water, improved drinking water quality and fewer impacts on fish.

Water Storage Options

A variety of options will be assessed — in the ground, in reservoirs, upstream and downstream of the Delta. Each conveyance system would have an optimal amount of storage to meet overall CALFED goals of an improved ecosystem, improved water quality, and more reliable supplies. In general, the alternative storage amounts range from one to six million acre-feet.

Common Programs *(Included in all three alternatives)*

Water Use Efficiency

This component would support development of locally-based water conservation and management programs to ensure that existing water supplies are used wisely.

Ecosystem Restoration

The goal of this program is to return the Delta to a self-sustaining ecosystem by restoring habitat, improving water flows, and better coordinating existing environmental programs.

Water Quality

A variety of actions to reduce pollutants entering the estuary from urban and agricultural sources, the water quality plan would improve drinking water quality for people and benefit fish species.

System Integrity

Much of the state's agricultural and urban water supply could be jeopardized if levees protecting the Delta islands fail. This program would stabilize and maintain the levees.

CALFED's Progress

For the last year and a half, CALFED has been refining its list of solution alternatives through an open public process. Its development of a short list of three alternatives in fall 1996 marked the completion of Phase I of the CALFED Program. (*See the CALFED Alternatives on page 3.*)

Beginning with Phase II in September 1996, CALFED has been analyzing the three alternatives in a Programmatic Environmental Impact Report/Statement (EIR/EIS). This analysis will yield a preferred alternative that best meets the program's four objectives. Phase III, which will begin in late 1998, will include site-specific environmental review of individual elements of the preferred alternative.

Ecological Restoration a Priority

Though the CALFED program is a long-range planning process, all parties agree that ecosystem restoration is an immediate priority. Immediate restoration of the ecosystem is necessary to accomplish water supply reliability and water supply benefits.

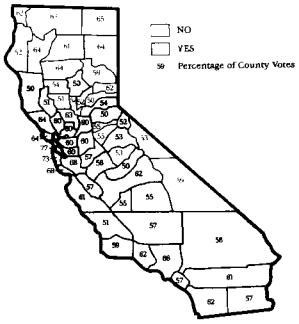
Funding CALFED's Bay-Delta Restoration Activities

California Steps Up to the Plate

In November 1996, Californians overwhelmingly (63%) passed Proposition 204, the Safe, Clean, Reliable, Water Supply Act of 1996. Proposition 204 will provide nearly one billion dollars to help restore the Bay-Delta ecosystem and provide funding for water supply, water quality, recycling and flood control projects throughout the state. The legislation that placed Proposition 204 on the ballot (Senate Bill 900) was the result of months of consensus-oriented discussions among urban and agricultural water users, environmental interests and the business community.

Proposition 204 contains more than $600 million for ecosystem restoration activities in the Bay-Delta. While this is a substantial contribution, CALFED has estimated that the cost of implementing a long-term comprehensive solution will range from $4-8 billion. As a result, a federal contribution must be a component of any comprehensive financial strategy developed for the Bay-Delta.

PROPOSITION 204 - WATER BOND



Congress and the President Support Funds for the Bay-Delta

In October 1996, recognizing the national importance of the Bay-Delta, Congress authorized $430 million for Bay-Delta restoration efforts as part of the Omnibus Parks and Public Lands Management Act of 1996 (H.R. 4236). This federal money was contingent upon passage of California's Proposition 204. The authorization received bipartisan support from California's Senate and Congressional delegation as well as from the leadership of both

KEY PROVISIONS TO H.R. 4236

Program Funding

Authorizes $430 million ($143.3 million annually in 1998, 1999, 2000) for ecosystem protection and restoration relating to the Category III non-flow-related habitat program and the initial implementation of CALFED's ecosystem restoration plan. (Category III measures address factors other than water exports affecting the Bay-Delta.)

Treatment of Funds

Authorized funds shall be in addition to the baseline funding levels established for currently authorized projects under the Central Valley Project Improvement Act and other authorized federal Bay-Delta ecosystem restoration programs.

Long-term Solution

Participation in the long-term solution shall be based on the equitable allocation of program costs among beneficiary groups that the CALFED program shall develop.

Activities

The federal government shall initiate consultations with the State of California to expeditiously execute the cost-sharing agreement required by Proposition 204.

Budget Crosscut

The Office of Management and Budget will prepare an interagency crosscut budget for Bay-Delta related programs as part of the President's Fiscal Year 1998 Budget.

Effective Date

Title XI takes effect with passage of California Proposition 204 (Occurred Nov. 5, 1996).

STAKEHOLDERS SUPPORT COST-SHARE OPPORTUNITIES

As part of the Bay-Delta Accord, the stakeholders committed to share in the funding of restoration projects. Water users jump-started restoration efforts by providing an initial $22 million as seed money for immediate implementation of 38 projects (commonly referred to as Category III).

Durham Diversion Dam Fish Screen and Fish Ladder

Improves the upstream and downstream passage of adult and juvenile spring-run chinook salmon and steelhead by constructing a fish ladder and fish screen at Durham Dam on Butte Creek.

Prospect Island Restoration

Provides spawning and nursery habitat for delta smelt and possibly nursery habitat for chinook salmon fry and older juveniles.

Chinook Salmon Captive Broodstock Program

Rears federally endangered winter-run chinook salmon under controlled conditions until the salmon become reproductive.

Lower Butte Creek Project

Ensures enhanced fish passage and the availability of water to both farmers and managed wetlands operators for winter flooding of their fields to provide habitat for migrating waterfowl and other farming activities.

Houses, including House Speaker Newt Gingrich. In February, President Clinton requested that the first of three $143 million installments for the Bay-Delta be included in the 1997-98 budget.

If appropriated by Congress this spring, these federal funds would augment any existing agency funding for the Bay-Delta. This baseline of funding includes projects and programs authorized under the Central Valley Project Improvement Act of 1992 and other federal programs for Bay-Delta ecosystem protection and restoration.

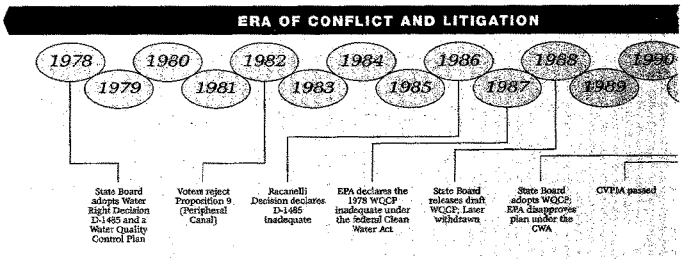
Federal Involvement in Ecosystem Restoration is Nothing New

The federal government has helped finance many environmental restoration initiatives across the nation. In each of these cases, Congress found that a valid federal interest existed to justify public financing. As an ecosystem of national importance, California's Bay-Delta merits a similar financial commitment from the federal government. Such funding, combined with state and water user support, will help ensure the successful implementation of a Bay-Delta solution.

$325 Million for the Columbia River Basin

In 1980, the Northwest Power Act established the Northwest Power Planning Council (NPPC). The NPPC is an eight-member board appointed by the governors of the Pacific Northwest states to guide the actions of the Bonneville Power Administration (BPA). The Bonneville Power Administration (BPA), along with other Columbia River interests, has addressed Endangered Species Act (ESA) listings in the Columbia watershed by pursuing a cooperative, integrated approach to wildlife and habitat restoration.

This approach includes the most expensive salmon recovery plan in the ESA's history. The Clinton administration has aided the effort by limiting the costs borne by the BPA to $435 million and supporting the creation of a Fish Recovery Contingency Fund. With an infusion of $325 million from the federal government, the Fund will cover the costs of recovery actions above the contribution limit established for the BPA.



Nearly $1 Billion for the Northwest Forest Plan

President Clinton has proposed a Forest Plan designed to balance economic and environmental benefits through regional ecosystem management in Oregon, Washington and Northern California. In 1995, $350 million in federal funds was administered through the coordinated efforts of 12 federal agencies. Fiscal year 1996 expenditures totaled $318 million, while another $391 million is proposed for fiscal year 1997.

The Landmark Chesapeake Bay Program

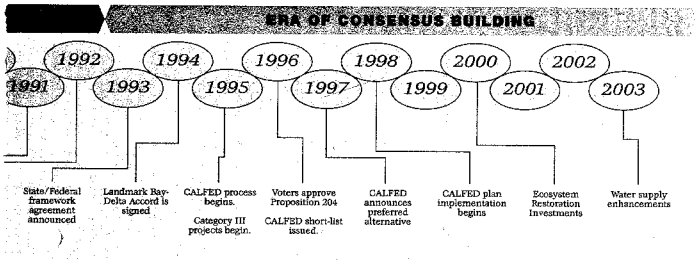
The largest estuary in the United States, the Chesapeake Bay was also the first to be targeted for restoration and protection. Under the Chesapeake Bay Agreement of 1983, the cooperative planning of federal, state and local agencies and organizations serves as a model for habitat research and restoration.

The partners in the Bay Program are the states of Maryland, Pennsylvania, Virginia, the District of Columbia, the Environmental Protection Agency, and the Chesapeake Bay Commission (a tri-state legislative advisory commission). In 1994, federal agencies committed to managing the Chesapeake Bay watershed as a cohesive ecosystem and working closely with the states and other parties to achieve the goals of the Chesapeake Bay Agreement.

More Than $1 Billion for South Florida Everglades Restoration

In 1993, the Secretary of the Interior urged a higher level of coordination among federal agencies to oversee restoration actions in the South Florida Everglades. In September 1993, the Interagency Task Force on the South Florida Ecosystem was formed. Now called the South Florida Ecosystem Restoration Task Force, the group consists of high-level representatives from each of the involved federal agencies. The Lieutenant Governor of Florida and representatives of Indian tribes also serve on the Task Force.

In the 1996 Farm Bill, Congress committed $200 million to South Florida Everglades restoration efforts. An additional $100 million in revenue from the sale or exchange of federal lands was also committed. Combined with state matching funds, this resulted in $600 million available for South Florida restoration. This amount is in addition to federal agency budgets for South Florida restoration efforts, which increased from $104 million in 1996 to $136 million in 1997. The budget also proposed $100 million per year for four years to establish the "Everglades Restoration Fund."



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(510) [illegible]
www.house.gov/bill[illegible]

Congress of the United States
House of Representatives

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE:
SUBCOMMITTEE ON TRANSPORTATION
COAST GUARD AND MARITIME TRANSPORTATION
COMMITTEE ON SCIENCE
SUBCOMMITTEES:
ENERGY AND ENVIRONMENT
BASIC RESEARCH
LEGAL REFORM TASK FORCE
HUMANITARIAN LEGACY

September 25, 1996

Senator Trent Lott
Majority Leader

Senator Mark Hatfield
Chairman, Appropriations Committee

Senator Ted Stevens
Appropriations Committee

United States Senate
Washington, D.C. 20510

Dear Senators Lott, Hatfield, and Stevens:

We write to urge that legislation we have introduced, H.R. 4126, the California Bay Delta Environmental Enhancement and Water Security Act, be included in the FY 1997 Continuing Resolution currently being drafted. This bill, in conjunction with California State Proposition 204, will dramatically improve the San Francisco Bay-Delta habitat, and will create a comprehensive and lasting solution to California's water quality and water supply demands.

H.R. 4126 will authorize $430 million for fiscal years 1998 through 2009 for ecosystem protection and restoration in the San Francisco Bay-Delta region. These funds will represent the three-year federal match of state funds allocated in accordance with state Proposition 204. This bill is embraced by all stakeholders, including the Environmental Defense Fund, the Natural Heritage Institute, the Nature Conservancy, and the Save the San Francisco Bay Association. The success of this environmental effort can be verified by the bipartisan co-sponsorship of forty-six California members.

We understand the daunting task you face in creating a Continuing Resolution in the next few days. However, we cannot afford to miss this opportunity to pass the sound environmental policies embodied in H. R. 4126 prior to recessing in the coming days. We thank you for your consideration, and look forward to working with you on H. R. 4126.

Sincerely,

ORIGINAL SIGNED BY:

Congressman Bill Baker
Congressman Frank Riggs
Congresswoman Andrea Seastrand
Congressman Steve Horn
Congressman Sonny Bono
Congressman C. Christopher Cox
Congressman Wally Herger
Congressman Tom Campbell
Congressman Ken Calvert
Congressman Ron Packard
Congressman William Thomas
Congressman George Radanovich
Congressman Brian Bilbray
Congressman Jerry Lewis
Congressman Duncan Hunter
Congressman Randy Cunningham
Congressman Dana Rohrabacher
Congressman Jay Kim
Congressman Howard McKeon
Congressman David Dreier
Congressman Robert Dornan

VIC FAZIO
TENTH DISTRICT
CALIFORNIA
DEMOCRATIC CAUCUS - CHAIRMAN
DEMOCRATIC STEERING
COMMITTEE
HOUSE OVERSIGHT
APPROPRIATIONS COMMITTEE
SUBCOMMITTEE
ENERGY AND WATER DEVELOPMENT
LEGISLATIVE

Congress of the United States
House of Representatives
Washington, D.C. 20515-0508

PLEASE RESPOND TO:
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WOODLAND, CA 95695-2600
916-666-5521
332 PINE STREET, 4TH
SACRAMENTO, CA 95814-5012
916-329-9619

September 26, 1996

The Honorable Tom Daschle
Senate Democratic Leader

The Honorable Dick Gephardt
House Democratic Leader

The Honorable David Obey
House Appropriations Committee

The Honorable Robert Byrd
Senate Appropriations Committee

Dear Senators Daschle and Byrd, Congressmen Gephardt and Obey,

During your ongoing negotiations regarding the Omnibus Appropriations bill for 1997, we would like to highlight the need for inclusion of the CALFED authorization for clean-up of the Bay-Delta estuary.

This authorization bill, H.R. 4126, is a carefully crafted legislative initiative with broad bipartisan support in the state of California. It will provide $430 million over three years for environmental restoration of one of the state's most vital natural resources.

Established in May, 1995, the CALFED Bay-Delta program is a cooperative effort among state and federal agencies and the general public to ensure a healthy ecosystem, reliable water supplies, good water quality, and stable levees in California's Bay-Delta. The Bay-Delta provides drinking water for about 22 million people statewide, irrigates 45% of the nation's produce and contains almost 80 percent of the state's commercial fisheries.

On the November California ballot, Californians will vote on Proposition 204 which will provide the state's $995 million share of the cost of the proposed Bay-Delta project. It is critical that congress demonstrate the federal commitment to protecting this pivotal ecosystem on which the entire state of California depends.

We are pleased to have strong White House support for the inclusion of the authorization in the Continuing Resolution. We urge your strong support for this legislative initiative as well.

Sincerely,

ORIGINAL SIGNED BY:

Congressman George Miller
Congressman Calvin Dooley
Congresswoman Zoe Lofgren
Congressman Matthew Martinez
Congressman Esteban Torres
Congressman Vic Fazio
Congressman Gary Condit
Congressman Sam Farr
Congressman Anthony Beilenson
Congressman Bob Filner
Congresswoman Juanita McDonald
Congressman Robert Matsui
Congressman Xavier Becerra
Congressman Ronald V. Dellums
Congressman George E. Brown, Jr.
Congressman Pete Stark
Congresswoman Lynn Woolsey
Congresswoman Jane Harman
Congressman Henry Waxman
Congressman Howard Berman
Congressman Tom Lantos
Congresswoman Nancy Pelosi
Congressman Julian Dixon
Congresswoman Maxine Waters
Congresswoman Anna G. Eshoo
Congresswoman Lucille Roybal-Allard

DIANNE FEINSTEIN
CALIFORNIA

United States Senate
WASHINGTON, D.C. 20510-0505

September 20, 1996

The Honorable Trent Lott
Major Leader
United States Senate
SR 487
Washington, Dc 20510

Dear Senator Lott:

I am writing to ask your assistance in helping pass a measure before the end of the Session which would authorize Congress to appropriate up to $143 million per year for FY 98, 99, and 2000, as the federal share for restoring the Bay-Delta estuary in California. As you are probably aware, the federal government operates the Central Valley Project (CVP) in California, the largest water project in the State. While it has brought untold agricultural benefits, it also caused environmental damage to the Bay-Delta estuary, from which water is drawn for export to the central and southern portions of the State.

This November, Proposition 204 is on the California ballot, which would authorize issuance of almost $1 billion in bonds to implement long term solutions to the problems facing the estuary. This ballot measure was developed as part of what has become known as the CAL-FED process, a unique partnership between the state and federal governments, supported by urban, environmental, and agricultural interests, that was created to bring the Bay-Delta estuary into compliance with the Clean Water Act, the Central Valley Project Improvement Act, and the Endangered Species Act. The legislation I am asking you to support would authorize the federal share for projects in Proposition 204, and would only go into effect if that proposition is passed.

Passage of this legislation and of Proposition 204 provide an unprecedented opportunity for a long term, consensus-based resolution to the myriad issues over the allocation of water that have been a bone of contention in California throughout this century. Restoring the health of the Bay-Delta estuary not only will provide California with the stable water supply it needs to sustain its economy. It also offers benefits to the entire West, because it will restore anadromous fish populations that are in jeopardy not only in this estuary, but also in the Columbia-Snake River Basin and in the Colorado River Basin.

I look forward to working with you in passing this bill, possibly as part of the Continuing Resolution. Thank you for your consideration of my request.

Sincerely,

Original signed by
Dianne Feinstein

10

BARBARA BOXER
CALIFORNIA

COMMITTEE ON ENVIRONMENT AND PUBLIC AFFAIRS

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

COMMITTEE ON THE BUDGET

United States Senate

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FRESNO, CA 93721
(209) 487-5109

September 19, 1996

The Honorable Mark O. Hatfield
Chairman
Committee on Appropriations
United States Senate

Dear Senator Hatfield:

I am writing to ask for your support for authorizing language in the proposed omnibus appropriations bill that can lead to a dramatic improvement in the environment and water quality in California

I understand that it is very late in the session to bring you a request of this magnitude. However a broad coalition of urban, agricultural and environmental water interests who hold the key to long term resolution of water conflicts in my state have asked for my help.

I am asking for language that would authorize $143.3 million beginning in Fiscal Year 1998 for three years, for a total of about $430 million, to provide Federal funding to complement the implementation of this coalition's plan, known as the California Bay-Delta Environmental Enhancement and Water Security Act. These funds would be used for environmental restoration purposes as approved under the so-called "CAL-FED process" which includes the stakeholders as well as the State of California and the Federal government. I cannot overstate the importance of this agreement as well as the significance it will have for California's longterm economic and environmental health. This measure complements a $995 million State of California bond issue that will appear on this November's California ballot. Enactment of this authorization by Congress will send a strong signal to California's voters that the Federal government will be a partner in this landmark agreement.

I strongly urge your active support of this important request.

Sincerely,

Original signed by

Barbara Boxer
United States Senator

GOVERNOR PETE WILSON

November 21, 1996

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

As your Administration continues to work on your fiscal year 1998 budget, I write to urge you to fully fund the new $143 million authorization for ecosystem restoration in the San Francisco Bay/Delta, which you recently endorsed when you signed both the Omnibus Parks Bill and the FY 1997 Omnibus Appropriations bill.

This ecosystem restoration measure enjoys unprecedented bipartisan support, including virtually the unanimous support of the California Congressional delegation and a grassroots coalition of environmentalists, farmers, and urban water users. It is an important step toward an ambitious long-term environmental and water supply improvement program for California.

The people of California have done their part, approving by a sweeping majority a $995 million bond measure, Proposition 204, which is the state's down-payment on a long-term effort to improve environmental quality and water supply in California. The Bay/Delta provisions you signed into law must now be funded to maintain the state/federal partnership that began with the signing of the Bay/Delta Agreement.

While the interagency nature of this project makes it critical that your budget consider funding for each of the agencies that are currently partners with California in this effort (the National Marine Fisheries Service, U.S. Fish and Wildlife Service, Bureau of Reclamation, and Environmental Protection Agency), as well as for other agencies that plan on becoming signatories to the agreement, it is important that you indicate that these funds be spent in a coordinated fashion under the auspices of the interagency and intergovernmental CALFED group.

This project will likely be the single most important environmental project in California as we head into the next century. I, and all Californians, look forward to seeing your continuing support expressed in the FY 1998 budget. Full federal participation is essential to avoid another expensive, time-consuming, and unproductive round of conflict over water in California.

With the passage of Proposition 204 as evidence, Californians sent a clear message that they want all levels of government to get on with solving the problem.

Thank you for your attention to this matter. We look forward to working with you.

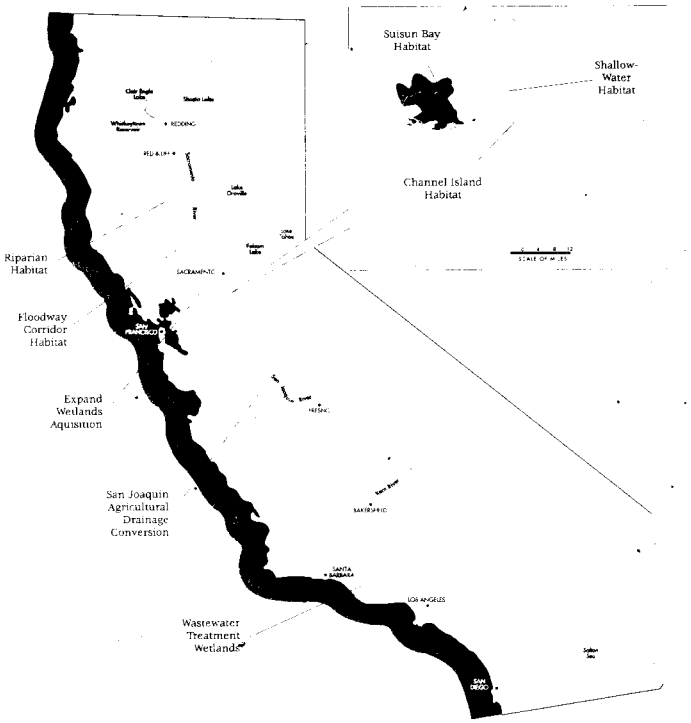
Sincerely,

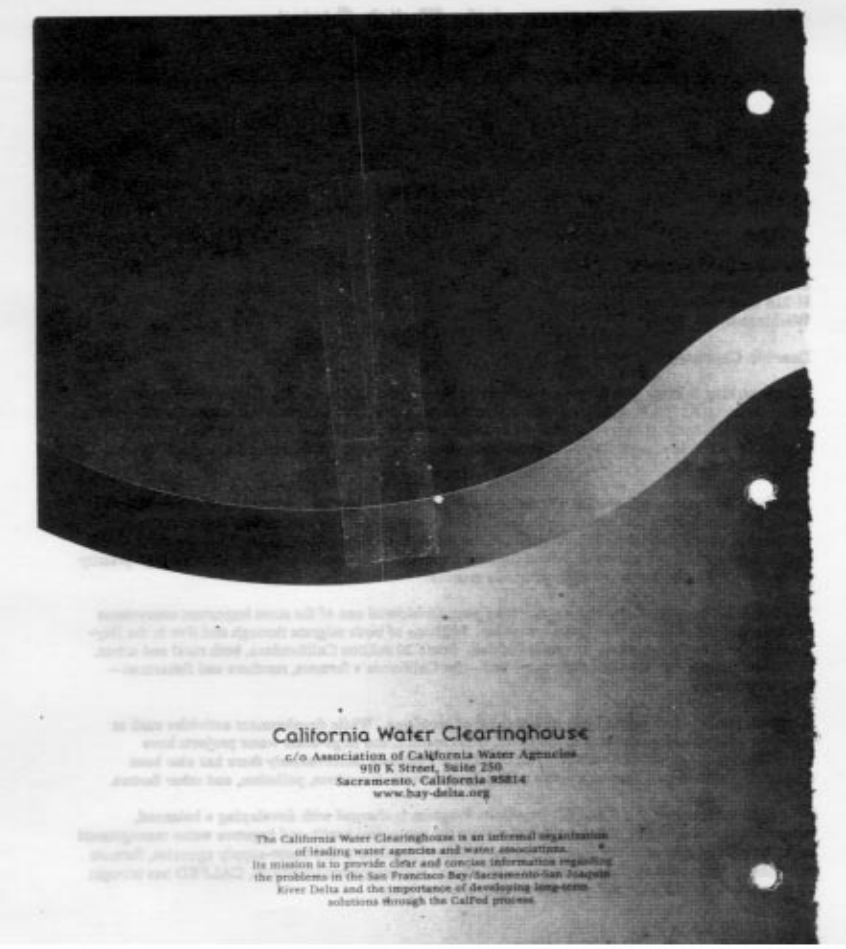
ORIGINAL SIGNED BY

Pete Wilson

cc: California Congressional Delegation

CALFED's Proposed System-Wide Ecosystem Investments





California Water Clearinghouse

c/o Association of California Water Agencies
910 K Street, Suite 250
Sacramento, California 95814
www.bay-delta.org

The California Water Clearinghouse is an informal organization of leading water agencies and water associations. Its mission is to provide clear and concise information regarding the problems in the San Francisco Bay/Sacramento-San Joaquin River Delta and the importance of developing long-term solutions through the CalFed process.

Congress of the United States
Washington, DC 20515

February 25, 1997

Chairman Bob Livingston
House Appropriations Committee
H-218 Capitol Building
Washington, DC 20515

Dear Mr. Chairman:

We are writing to thank you for your assistance in passing the California Bay-Delta Environmental and Water Security Act (H.R. 4126) -- as authorized within the FY 1997 Omnibus Appropriations Bill (H.R. 3610) and the Omnibus Parks and Public Lands Management Act (H.R. 4236) -- and to ask for your support for the federal contribution of local, state and federal funds for the restoration of California's Bay-Delta Estuary.

President Clinton has requested $143 million in his FY 1998 budget for the first of three installments of funds, as authorized by this measure. In light of this, we urge that you accomodate this important initiative in your FY 1998 602(b) allocation to the Energy and Water Development Subcommittee. We further request that you make full federal funding for this unique state-federal partnership a high priority for the committee in this year's appropriations process.

The San Francisco Bay-Delta Estuary has long been considered one of the most important ecosystems not only in California, but also the entire nation. Millions of birds migrate through and live in the Bay-Delta Estuary, as do more than 53 species of fish. Some 20 million Californians, both rural and urban, rely on this estuary for much of their water and -- for California's farmers, ranchers and fishermen -- their livelihoods.

However, the Bay-Delta Estuary faces a number of problems. While development activities such as dredging, channel improvements in the Delta, flood control, and large-scale water projects have contributed to the safety and well-being of California's citizens, unfortunately there has also been degradation of the ecosystem as a result of unscreened water diversions, pollution, and other factors.

Now in its second year, the CALFED Bay-Delta Program is charged with developing a balanced, comprehensive and lasting plan intended to restore the ecological health and improve water management in the Bay-Delta system. Composed of state and federal regulatory and water-supply agencies, farmers and fishermen, consumers, businesses, economists and environmental advocates, CALFED has brought all interests to the table in the development of this action plan.

Chairman Bob Livingston
February 14, 1997
Page 2

As part of its commitment to the CALFED process, California voters in November overwhelmingly approved Proposition 204, authorizing nearly $1 billion dollars in state spending on the Delta and related measures to protect our state's water supply. This unprecedented initiative, combined with anticipated support at the federal level, can be a model for other states in the area of ecosystem and watershed protection.

As members of the California delegation, we appreciate your interest and thank you, in advance, for your support.

Sincerely,

George Miller

Bill Thomas

Brian P. Bilbray

Ellen Tauscher

John T. Doolittle

George E. Brown, Jr.

Bonnie Bono

Tom Lantos

Bob Filner

Doris Matsui

Anna Eshoo

Frank Riggs
Robert L. Matsui
Tom Campbell
Howard L. Berman
Ronald V. Dellums
Joe Baca
Stephen Horn
Lynn Woolsey
Walter Capps
Brad Sherman
Jay Kim
Nancy Pelosi
Matthew G. Martinez
Wally Herger
Mel Watt
Howard Berman
Lucille Roybal-Allard
Maxine Waters
Sam Farr
Jerry Lewis
Gary Ackerman
Henry A. Waxman
Gary Ogden
Loretta Sanchez

cc: Speaker Newt Gingrich
Rep. David Obey, Ranking Member, Committee on Appropriations
Rep. Joe McDade, Chairman, Energy and Water Development Subcommittee

Signatures on Feb. 25 Bay-Delta Letter

Republicans

George Radanovich
Jerry Lewis
Bill Thomas
David Dreier
Wally Herger
Frank Riggs
John Doolittle
Ken Calvert
Sonny Bono
Brian Bilbray
Stephen Horn
Jay Kim
Buck McKeon
Tom Campbell
Jim Rogan

Democrats

Julian Dixon
Nancy Pelosi
Gary Condit
Cal Dooley
Robert Matsui
George Miller
George Brown
Henry Waxman
Sam Farr
Tom Lantos
Howard Berman
Zoe Lofgren
Matthew Martinez
Lucille Roybal-Allard
Pete Stark
Bob Filner
Anna Eshoo
Ron Dellums
Jane Harman
Maxine Waters
Xavier Bacerra
Juanita Millender-McDonald
Lynn Woolsey
Brad Sherman
Ellen Tauscher
Loretta Sanchez
Walter Capps

GEORGE P. RADANOVICH
19TH DISTRICT, CALIFORNIA
COMMITTEE ON BUDGET
WORKING GROUP
ECONOMIC AND REGULATORY REFORM
COMMITTEE ON RESOURCES
SUBCOMMITTEES
WATER AND POWER RESOURCES
NATIONAL PARKS, FORESTS AND LANDS
ENDANGERED SPECIES ACT TASK FORCE

U.S. House of Representatives
Washington, DC 20515-0519

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Statement
by
The Honorable George Radanovich
before the
Subcommittee on Water and Power
on
April 17, 1997

Thank you, Mr. Chairman, for your interest in federal funding for the CALFED Bay-Delta program. Let me state from the outset that I am pleased to support this program, as it seeks to address the outstanding water quality and water supply issues in the Central Valley of California.

As you know, Mr. Chairman, I am a strong supporter of the CALFED Bay-Delta process. For too long, California water interests have been fighting against one another in the courts, and in the halls of both the Congress and the Statehouse instead of working together to address California's water needs. The signing of the Bay-Delta Accord in December of 1994, and -- as we will hear today -- the unprecedented level of stakeholder support for the process marks the beginning of a new chapter in the history of California water policy -- one of compromise and cooperation. I am pleased that we are part of this unprecedented effort, which will serve as a model for future projects in California and throughout the nation.

It is important to note that the wide ranging support for CALFED has emerged out of necessity. As you know, the San Francisco Bay-San Joaquin Delta Estuary has long been considered one of the most important ecological regions in the State of California. Millions of birds migrate through and live in the estuary, as do more than 53 species of fish. Some 20 million Californians, both rural and urban, rely on this estuary for much of their water and -- for California's farmers, ranchers and fishermen -- their livelihoods.

As you can imagine, the demands on the Bay-Delta system -- though critically important -- have taken their toll on the ecosystem. In spite of this, efforts to restore the ecological health and improve water management in the Bay-Delta system have been met with resistance as competing interest groups have typically fought with each other to hold on to their "piece of the pie." That is, until very recently.

Recognizing that they were achieving limited success in resolving the serious water shortage issues in the Central Valley, the stakeholders of the system decided to put aside their differences and work together to adopt a cooperative, long-term solution to the problem. This effort has culminated in CALFED -- a conglomerate of state and federal regulatory and water-supply agencies, farmers and fishermen, consumers, businesses, economists and environmental

advocates. As we see today, the CALFED Bay-Delta program has brought all interests to the table in the development of a comprehensive plan to restore the fragmented Central Valley ecosystem, while at the same time developing additional supplies of water and providing certainty to agricultural and urban users. The effort to restore the Bay-Delta estuary -- I believe -- is the single most important issue for our state. If properly implemented, it is likely to become the most critical element of the long-term resolution to the water shortage problems in the state.

The goals of the CALFED program are simple: improvement of water supply reliability; improvement of water quality; ecological restoration; and increased protection from natural disasters. The initial federal contribution to this effort is reflected in the passage of the California Bay-delta Environmental Enhancement and Water Security Act of 1996 (P.L. 104-333, Title XI). While it is true that this measure authorizes federal funding primarily for ecosystem restoration efforts, it is important to remember that this is only one component of a broader, more comprehensive federal, state, local and privately funded plan not only to improve the environment, but also to provide a long-term water supply for California's agricultural, urban, and business interests.

The federal funds authorized for FY 1998, FY 1999 and FY 2000 -- $143 million per year -- will be used to address some of the immediate environmental needs in the Bay-Delta estuary. These priorities have been recognized by all of the participating interests as necessary to ensure the initial environmental and water quality benefits intended in the CALFED process. It is these common elements that will bind not only the long-term solutions to our water problems, but also (and perhaps more importantly) the participants who have committed themselves to the completion of the entire Bay-Delta process. With all that is at stake, it is important that the federal government continue its commitment to this process by providing its current share of funding.

As everyone here is aware, the federal government in not alone in providing the resources necessary to ensure the success of CALFED. We are just one piece of the puzzle. Water users have already contributed $22 million towards this effort, along with a promise for an additional $10 million this year. These funds have been matched by $7 million in local and private cost-share funds. Finally, the State of California, through Proposition 204, is committed to providing $600 million for Bay-Delta ecosystem restoration purposes.

In November 1996, Californians overwhelmingly passed Proposition 204, the Safe, Clean, Reliable Water Supply Act of 1996. Proposition 204 will provide a total of nearly one billion dollars -- through a general obligation bond measure -- to help restore the Bay-Delta ecosystem and also provide funding for water supply, water quality, recycling, and flood control projects throughout the state. Taken together, the passage of Proposition 204 and the quick authorization of the Water Security Act demonstrates both the importance and the necessity for the successful implementation and completion of CALFED.

As we will hear today, a portion of FY 1998 funds for this initial phase of CALFED is committed to the acquisition of private lands. This being the case, it is imperative that we have a better understanding exactly what process is being set forth to acquire these lands. Mr. Chairman, I share your concern that any private land holdings recommended for acquisition under the CALFED process be purchased on a willing seller-willing buyer basis only. As with all other aspects of the Bay-Delta program, this entire effort will succeed only if all of the interests represented here today not only are at the table, but also are comfortable with each and every decision being made. Private property owners must be treated fairly every step of the way, and I am committed to working with you to ensure that this is the case.

Thank you, again, Mr. Chairman, for providing the Committee with an additional opportunity to address this important issue. While CALFED is not perfect, it is far and away better than the traditional polarized atmosphere that has surrounded past debates over how best to allocate California's critical water supply. Never before in the long and sometimes sordid history of California water has there been as broad a level of support as exists today for the CALFED Bay-Delta process. I can not emphasize this point enough.

I look forward to hearing the testimony of the witnesses today and to the continuation of the bipartisan effort to restore the California Bay-Delta Estuary. In addition to my opening statement, I would like to include in the record a letter, signed by 42 members of the California delegation, in support of full federal funding for the Bay-delta restoration effort for FY 1998.