Support and Investment in River Restoration: Funding Mechanisms in Federal Legislation

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(Views expressed herein are those of the authors and do not represent those of CRS)
Support and Investment in River Restoration: Discussion Overview

- CRS, and Congress’s Role in Restoration
- Observations on survey responses
  - Focus on funding challenges
- Options to address funding challenges
- Conclusions and Observations:
  - No investment without public and political support
  - Solid agreement and revenue stream likely increase success
What is CRS?

Congressional Research Service is a legislative branch agency

- CRS helps Members of Congress and their staff through each stage of the legislative process
- Provides balanced, unbiased, and non-partisan information.
Ecosystem Restoration and Congress

- Congress provides authority, appropriations, and oversight
- Several issues form the basis of discussion in the legislative realm
- Several questions on how to fund restoration initiatives
- CRS’s role
Selected Ecosystem Regions Considered for Analysis

PUGET SOUND
COLUMBIA RIVER BASIN
MISSOURI RIVER BASIN
UPPER MISSISSIPPI RIVER BASIN
KLAMATH RIVER BASIN
LAKE TAHOE
LOWER COLORADO RIVER BASIN
CALIFORNIA BAY-DELTA
PLATTE RIVER BASIN
GREAT LAKES
LONG ISLAND SOUND
CHESAPEAKE BAY
GREATER EVERGLADES
COASTAL LOUISIANA
## Survey Response Observations: Challenges in Maintaining Public and Political Support

### Executive responses:
- Tough economic times
- Ongoing litigation, regulatory hurdles
- Undermining of activities
- Changes in committee memberships
- Working on species that are not considered “useful” or “beneficial”

### Legislative context:
- Tough budgetary rules
- Laws may be challenged, overturned
- Shaky stakeholder approval = delays
- Leadership turnover, Committee changes
- Differing values, ideology, ecosystem benefits
Focus on Funding Challenges

- Ongoing Challenges
  - Diminishing budgets for existing projects
  - Stop and go funding – uncertainty
Legislative Funding Challenges

- Tough budget rules (cut-go)
- Change in “earmark” policy & application to authorizations
- Increased competition with basic infrastructure needs and other federal programs
Funding Considerations and Issues

Joint federal and state funding

Separate federal and state funding

Alternative methods: Beneficiaries pays

Issues

• What are options for cost-sharing?
• How is restoration defined?
• How can funding be tracked?
• Are we getting the biggest bang for our buck?
Three Restoration Funding Approaches

1. Authorization and annual appropriations: (e.g. CALFED, Everglades)

2. Authorization of special, appropriated, fund (e.g. Central Valley Project Restoration Fund)

3. Dedicated mandatory (permanently appropriated) fund (e.g. San Joaquin River Restoration Fund)
California Bay-Delta-CALFED

- State of California and Bureau of Reclamation
- 4 objectives
  - Ecosystem restoration
  - Water supply reliability
  - Water quality
  - Levee system integrity
- Balanced Progress
- California Bay-Delta Authority
- Crosscut Budget
CALSED Funding

Primarily based on Appropriations
(other agencies also support)
Pros/Cons of Appropriated Approach

**Pros**
- Provides congressional oversight of appropriations levels (may be con to others)
- Provides element of flexibility to address unforeseen or changing circumstances

**Cons**
- Does not provide long-term certainty
- Subject to changing administration and congressional priorities
- May undermine stakeholder commitment
1992 Central Valley Project Improvement Act (P.L. 101-575, Title 34)

- Reclamation and stakeholder funding (including state)
- Multiple objectives
  - Protect, restore, and enhance f&w resources
  - Increase water related benefits of CVP
  - Contribute to Delta protection
  - Provide operational flexibility and balance
- Set f&w on par with other uses
- Set fish doubling goal
- Established CVP Restoration Fund (CVPRF)
CVPRF

- Revolving Fund
- Receipts from water & power users and other statutorily defined fees
- Collections offset spending
CVPRF Mechanics

Reclamation collects funds - deposits in CVPRF in U.S. Treasury

DOI requests funding from Congress in form of annual appropriations

Congress approves appropriations from CVPRF
Reclamation distributes funds
CVPRF Revenue Sources

- Water & Power Mitigation and Restoration Payments (3407(c))
- Friant Surcharge (3406(c)(1))
- Transfer Revenues (3405(a))
- Pre-Renewal Fees (3404(c)(3))
- M&I Surcharges (3407(d))
- Tiered Water Revenues (3405(d))
- Non-federal Contributions (3407(a))

CVPRF $50 million cap

($30 million cap on W&P mitigation and restoration payments)

(1992 price levels)
CVPRF Revenues through 2008 (in millions)

- Water & Power Mitigation and Restoration Payments: $529.2
- Friant Surcharge: $114.3
- Transfer Revenues: $0
- Pre-Renewal Fees: $0
- M&I Surcharges: $0.009
- Tiered Water Revenues: $2.2
- Non-federal Contributions: $1.0

CVPRF: $647
($363 from water and $166 from power)
Pros/Cons of Revolving Fund Approach

- **Pros**
  - Offsetting collections appear to provide some stability
  - Capped and minimum contribution levels provide more certainty to stakeholders
  - Relatively budget neutral - avoid cut-go, etc.

- **Cons**
  - Technically, still subject to annual appropriations, thus some uncertainty
  - Unpopularity of new “fees”
  - Fees may not match project areas
San Joaquin River Restoration Fund

- Authorized under San Joaquin River Restoration Settlement Act (Title X of P.L. 111-11)
- Collects money from variety of sources
- Portion does not have to be appropriated (all becomes mandatory spending in 2019)
SJRR Fund Revenue Sources (authorized amounts, in millions)

- $20 from CVPRF (10009(c)(1)(A))
- $240 Accelerated Repayment Obligations (10009(c)(1)(B))
- ? Proceeds from Land & Water Sales (10009(c)(1)(C))
- $110+ State Cost-share and Other Non-Federal Funds (10009(c)(1)(D))

SJRR Fund
$440 (of which $240 is from repayment)
Balance is from other 3 “non-federal” sources (2006 price levels)
$288 available w/out further appropriation
(at least $110 earmarked for State cost-shared channel improvements)
Other SJRR Funding

In addition, $250 million more authorized for appropriation for restoration activities

Additional $50 million for certain construction activities
**Pros/Cons of Dedicated Fund**

- **Pros**
  - Provides more certainty
  - Benefits long-term planning
  - Allows commitment to long-term projects

- **Cons**
  - Budgetary hurdles to establish
  - Less oversight flexibility
  - May encourage spending inefficiencies
  - Subject to unforeseen circumstances (e.g. changes in consumption – i.e., HTF)
Other Potential Funding Options

• Federally capitalized “bank” or fund
  • Infrastructure banks
  • Revolving loan funds (e.g. EPA SRFs)
  • Deferred fund (e.g., Reclamation Water Settlements Fund)

• Trust funds based on user fees or taxes
  • Highway Trust Fund
  • Harbor Maintenance Trust Fund
Observations & Conclusion

• Public and Political support require constant communication
  • Economic and ecologic importance
  • Objectives achieved/Costs avoided

• Solid agreement and funding stream create more certainty and increased commitment

• No investment w/out support
Complexity of Growing Demands (e.g. Ecosystem and Species Needs)

### Summary Bay-Delta Standards

**Flow/Operational**

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**Water Quality Standards**

- Municipal and Industrial
  - All Export Locations: $\leq$ 250 mg/L (CI)
  - Contra Costa Canal: 150 mg/L for the required number of days

- Agriculture
  - Western/Interior Delta: May 15 day average EC
  - Southern Delta: 1.0 mg/L, 30 day running avg: EC 0.7 mg/L, 1.0 mg/L

- Fish and Wildlife
  - San Joaquin River Salinity: 14.0 mg/L
  - Suisun Marsh Salinity: 12.0 mg/L