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*The Immediate Federal and State Role in Addressing Uncertain Water Deliveries for
California and the Impacts on California Communities*

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U.S. House of Representatives
Committee on Resources

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Madam Chairwoman, members of the Committee: Good morning. I am Dan Nelson, Executive Director of the San Luis & Delta-Mendota Water Authority, and I appreciate the opportunity to appear before you today.

I would like to express our appreciation for your decision to conduct this hearing Madam Chairwoman. Another wake-up call on the adequacy of California's aging water infrastructure, and the institutions and regulations intended to govern it, has been given in the recent court order regarding the Delta Smelt. Focus on the court ordered impacts and the Bay Delta Conservation Plan and Delta Vision processes is warranted and timely.

The San Luis & Delta-Mendota Water Authority

The San Luis & Delta-Mendota Water Authority is a joint powers authority organized under California Law. Its 32 member agencies are water and irrigation districts that contract with the Bureau of Reclamation for the receipt of water from the Central Valley Project. These member agencies provide water for irrigation to approximately 1,100,000 acres of land within the western San Joaquin Valley, San Benito County, and Santa Clara County and water for municipal and industrial use throughout the same area. We also deliver water to approximately 100,000 acres of publically and privately managed wetlands within the region that are a crucial link in the Pacific Flyway.

The agricultural area served by the Authority's member agencies is among the most fertile, productive and diversified in the nation. Rich soil, a good climate, and innovative farming techniques have helped to place the area served by these agencies among the most productive farming regions in the nation. Farmers in this region produce over 50 different commercial fiber and food crops sold for the fresh, dry, canned or frozen food markets, domestic and export, with an average farm gate value of over \$2 billion dollars annually. Project water appropriated in the North and conveyed through the Delta supports California's vital and irreplaceable agricultural production, which supplies 50% of the nation's fruits and vegetables and 25% of it dairy products.

In addition, the Authority serves the Santa Clara Valley Water District, which is responsible for providing water to 1.8 million people and to the vital high-tech computer industry known as "Silicon Valley". This multi-billion dollar industry is critical to the economic health of California and the nation. Water conveyed to the wetlands supports the habitat needs of countless migratory waterfowl and boosts local economies through the recreational activities they provide.

The recent court order on 2008 operations of the federal Central Valley Project (CVP) and State Water Project (SWP) was yet another major blow to the water supply of our members and the state and rural economies that depends on that water. Our agricultural, municipal, industrial, and environmental endeavors all depend on adequate, reliable supplies of exported water. Our CVP water supply has never been in worse shape and consequently the activities it supports have never been at more risk.

Reductions Over the Last 15 Years Leading Up to the Court Order

To put the recent court order in historical perspective, it is necessary to point out that until 1991 deliveries to the Authority's member agencies were highly reliable. For a period of nearly forty years, from the early 1950s to 1991, water supplies for south-of-Delta CVP Ag service contractors were reduced only two times due to naturally occurring drought: in 1977, the driest year on record in California, and in 1990, the fourth year of the "Great California Drought". However, in 1991 a new era of Project operations began.

- 1991- The Sacramento River winter-run Chinook salmon was listed as a threatened species under the federal Endangered Species Act (ESA);
- 1992- The Delta Smelt was listed as a threatened species under the federal Endangered Species Act;
- 1992- The Central Valley Project Improvement Act (CVPIA) was passed by Congress and signed into law by former President George H. Bush. In part, CVPIA dedicated water for: 1) wildlife refuges; 2) fish and wildlife purposes; and 3) the Trinity River. The reallocation of this water has disproportionately impacted south-of-Delta CVP agricultural contractors;
- 1994- The Bay Delta Accord was reached. At the time, the Accord was hailed as a revolutionary agreement that would provide for the immediate protection and restoration of the Bay-Delta ecosystem and water supply reliability for water agencies that relied on exports from the Delta. As part of the Accord, south-of-Delta CVP Ag service contractors voluntarily committed up to 500,000 acre-feet of water for restoration of the Bay-Delta ecosystem. Under the Accord standards, south-of-Delta CVP Ag contractors were to expect that on average they would receive 75-80 percent of their existing contract amounts;
- 1997- Decision on Implementation of CVPIA section 3406(b)(2);
- 2000- Trinity River Record of Decision. Prescribed new flow criteria for Trinity River.

As the dust settled on the implementation of the ESA, CVPIA and the Clean Water Act, we found that approximately 3.5 million acre-feet of CVP water had been reprioritized for environmental purposes. Modeling of the regulatory impact showed that the CVP south-of-Delta Ag contractors could now only expect to receive 65-70 percent of their existing contract amounts under "normal" hydrologic conditions. To illustrate the magnitude of this rapid change, in the 40 years leading up to the first regulatory constraints our region experienced only 2 years of water supply shortage; in the 15 years since we have only had 3 years of full contract supply.

2007 Court Order on Delta Smelt

The recent court order, which narrowly focused on hypothesizes regarding the affects of the State and Federal Projects on Delta Smelt, imposed new and additional constraints on our abilities to operate. Initial modeling of the court order indicates an additional 15-30 percent reduction; this is on top of the 30-35 percent reductions already impacting south-of-Delta CVP Ag contractors.

The Delta Smelt court order is a big blow to all of our members, who have been proactive and visionary in their response to evolving water supply cutbacks since 1991. The court order has completely disrupted the precarious equilibrium that had been established and hits our farmers particularly hard as they have pretty much exhausted their water management tools in dealing with prior regulatory cutbacks.

We've Done What We've Been Asked to Do, And More

The farmers within the Authority region have proven to be incredibly proactive and adaptive. They have met the challenges of reduced water supply head on and are a model of efficient, productive agriculture. To meet the ongoing challenges of water supply cutbacks farmers, districts and the authority have quietly and methodically implemented several tools and strategies that have made this region arguably the most efficient farming region in the world.

Conservation – Tens of millions of dollars have been invested to conserve water so that it can be spread to as many acres as possible. Drip irrigation for permanent crops is standard and is also being implemented on a broad scale for row crops. At a district level, canals and ditches have been lined to reduce losses through seepage, low interest revolving loan programs have been implemented to encourage investment in conservation, and infrastructure improvements have been constructed to increase reuse.

Transfers – The California water market is alive and well within the Authority. Transfers among member districts and transfers from outside the authority area have become common place. Transfers are active at the farm, district and Authority regional level and the market has become fairly sophisticated. However, intra-regional water transfers do not increase regional water supply; rather, they maximize the efficient use of water spatially and temporally. Inter-region transfers are contingent upon Delta export pumping capacity, which has been virtually eliminated by the court order.

Crops – In order to be able to afford the investments in conservation and to be able to compete in the water market farmers have had to convert to high value vegetable and permanent crops. Trends over the last 15 years have shown a gradual and consistent conversion.

Groundwater – Unfortunately, groundwater in the region is generally spotty in both availability and quality. Monitoring programs have been implemented to track groundwater levels, drawdown, recovery rates and subsidence to determine sustainable yield and to maximize sustainable use.

Land Fallowing/Retirement – Unfortunately, even after aggressively implementing conservation, transfers, and groundwater programs there hasn't been enough water available to irrigate all of the 1.1 million acres within the Authority member agency boundaries. Around 150,000 to 200,000 acres each year have been idled either by farmers consolidating their supplies or through district programs. Land fallowing is what impacts the rural economy the hardest. Reduction in spending on agricultural staples such as labor, fuel, fertilizer, seed, materials and farm equipment ripple through these agriculturally based economies and cause hardship to the rural communities.

In 2008, under the court order for Delta Smelt additional lands will be fallowed. This is at a time when the rural economies are already depressed and existing unemployment in the region ranks with some of the highest in the nation.

Efforts to Address the Delta

The Authority has been involved in a wide variety of statewide forums and efforts to address Delta fishery, water quality and water supply issues going back to the late 1980's. Our experience began in the "three way discussions" in the late 80's and early 90's between representatives of the agricultural, urban and environmental communities. We were signatories to the Bay-Delta Accord in 1994 and were active participants in the development of the resulting CALFED ROD in 1999. We are currently active in the Bay Delta Conservation Plan (BDCP) and the Delta Vision processes.

We are looking at the Bay Delta Conservation Plan and Delta Vision processes as being critical to the long term Delta fishery, water quality and water supply issues. While the Delta Vision Process is a broad effort with a scope that includes an array of issues such as levees, land use policies, transportation infrastructure, etc; the BDCP is more focused on the long term ESA compliance issues in the Delta. We anticipate that the more detailed work under the Bay Delta Conservation Plan will compliment the implementation of the Delta Vision strategic approach as the two efforts gradually converge through 2008.

Federal and State Agency Roles

We face many challenges in addressing the needs of the Delta, both in the short-term and the long-term. The most immediate of these is for the Fish & Wildlife Service to complete preparation of a new biological opinion by the court ordered deadline of September 15, 2008. In order to ensure this deadline is met, the administration must commit to providing the financial and human resources necessary to prepare a quality opinion in a deliberate and timely manner.

With respect to the BDCP, state and federal engagement needs to increase to keep up with the accelerating pace of the plan's development. While state and federal participation in this process has been adequate to date, improved coordination and cooperation between agencies will be critical to the successful development of the plan. Without their close and consistent participation in this effort, the agencies will be ill prepared to timely make the necessary and informed decisions to implement the plan thereby risking its potential.

A glaring shortfall in the processes and regulations that are intended to address the Delta is the disproportionate attention and resources focused on the operations of the CVP and SWP. There is growing awareness that the decline of Delta native species is the result of many factors of which the declining population levels of individual native species are merely a symptom. However, even as evidence and acknowledgement builds that there are other complex factors driving the decline of the fish, the regulatory response has not expanded accordingly. Problems of invasive species, food deprivation, contaminants, predation, and unscreened in-Delta diversions are indisputable examples of stressors on the fish that have all but been ignored by the federal Fish & Wildlife Service, the State

Department of Fish & Game and other state and federal agencies. Without addressing the full range of stressors impacting the ecosystem we will never make the desired meaningful progress towards recovering these native Delta species.

There is a lot of work to be done by the federal and state agencies in a timely manner. This effort will require a combination of local, state, and federal funding to accomplish. Congress needs to ensure that federal participation is adequately supported.

Conclusion

In conclusion, the recent Delta Smelt court order is the latest in a series of regulatory water supply cutbacks to the CVP over the last 15 years. Its impacts to the rural economies are already being experienced. South-of-Delta CVP agricultural contractors have proactively responded and have become the most efficient food producers in the world. Notwithstanding these efforts large blocks of land will be idled and economic impacts will ripple through the already depressed rural communities and state economies.

In a world of common disagreement, there is now consensus that the status quo with respect to our approaches and management of the Delta and the water supplies that rely upon it are unsustainable. This understanding brings with it a unique and powerful opportunity to develop solutions that have otherwise been elusive in the past. In order to be successful, we need full engagement by federal, state, and local agencies. The decisions before us will be complex and difficult and the time for clear political leadership is now.