



**Water Storage Investment Program: Decision for Utilizing Funding (Action Item)**

**Agenda Item at a Glance**

- The [Water Storage Investment Program](#), called “WSIP,” funds the public benefits of water storage projects. It is funded by Proposition 1, passed by voters in 2014, and Proposition 4, passed by voters in 2024.
- At this meeting, the California Water Commission, called “Commission,” will decide how to re-distribute \$526.3 million to projects within WSIP for use when projects complete statutory requirements.
- Commission staff recommends awarding funding to the Harvest Water Program and to wait to make a decision on the remaining funds until after hearing from the other projects.
- This is an action item. At this meeting, the Commission staff will present information to the Commission. Commissioners can ask questions of Commission staff, and they can direct staff to bring more information to the Commission at a future meeting. Tribes and the public will have an opportunity to make a comment to the Commission before the Commission discusses this agenda item and takes action.

**Introduction**

The California Water Commission (Commission) administers the Water Storage Investment Program (WSIP) to invest in the public benefits associated with water storage projects. Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1), codified at Water Code section 79750 *et seq.*, and Proposition 4, the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clear Air Bond Act of 2024 (Proposition 4) fund the State’s investment in the public benefits.

The Commission’s primary role with WSIP is to determine how to make approved bond funding available to the six projects that are part of WSIP, once each project meets the statutory requirements. Of the six projects currently in WSIP, one, the Harvest Water Program, has received final funding. The other five have not yet received final funding; they each have a maximum conditional eligibility determination (MCED), which is the amount of WSIP funding available for the Commission to award to the project when it meets all necessary statutory requirements.

Due to the recent passage of Proposition 4 and the withdrawal of the Los Vaqueros Expansion Project (LVE Project) from WSIP, \$526.3 million of WSIP funding is available for potential use – provided each project meets statutory requirements – by the remaining six WSIP projects. At this meeting, the Commission will consider options for utilizing the available funds from Proposition 4 and the withdrawal of the LVE Project. Any decision will not immediately award funds to projects that have not received a final funding award. Projects that have not received a final funding award are still working to complete the statutory requirements of Water Code section 79755. Any increase in potential funding for a project that has not received a final funding award will be added to the project’s MCED amount.

### **Summary of Issues**

To utilize the funding, the Commission may apply pro rata increases to existing projects’ award amounts or MCEDs. Alternatively, the Commission may open up a new solicitation to consider new and additional benefits from current projects and two other projects the Commission found feasible before the January 1, 2022 deadline. The Commissioners considered the options as an informational item at the February 2025 meeting. Commissioners generally favored options that provided inflationary adjustments for existing projects. The Commission did not indicate an interest in beginning a new solicitation process at this time. Given these parameters, three main options exist to adjust the award amount or MCEDs for existing projects.

1. **Act fast.** Give pro rata inflationary increases to each project now (either through an award of funds or augmentation of a project’s MCED).
2. **Collect more information.** Delay a decision until the Commission obtains more information on the status of each project.
3. **Some now, some later.** Use some of the available funds to give pro rata inflationary increases to each project’s MCED or award now and withhold the remaining available funds until the Commission obtains more information on the status of each project.

Regardless of which option the Commission chooses, it may award the Harvest Water Program a pro rata increase immediately, because that project received a final award in May 2023.

### **Option 1. Act fast**

*Give pro rata inflationary increases to each project now (either through an award of funds or augmentation of a project’s MCED).*

Option 1 combines the amounts available from Proposition 4 with the returned MCED from the LVE Project and applies it to each project on a pro rata basis. If the Commission opts to pursue Option 1, the dollar amounts indicated in the table below, in the column titled “Total Additional Funding Pro Rata,” will be added to each project’s final funding award or MCED. The table below also shows the current early funding amount for each project and the potential

additional amount each project could request if this option is chosen. Any additional early funding would be at the Commission’s discretion and would follow a formal request by each project at a regular Commission meeting.

**Table for Option 1: Act fast**

	<b>Current MCED/Award</b>	<b>Total Additional Funding Pro Rata</b>	<b>Resulting MCED/Award</b>	<b>Current Early Funding</b>	<b>Potential Additional Early Funding</b>
<b>Chino Basin</b>	\$215,265,405	\$53,847,839	\$269,113,244	\$10,763,270	\$2,692,392
<b>Harvest Water</b>	\$291,841,209	\$73,002,990	\$364,844,199	\$14,375,625	n/a
<b>Kern Fan</b>	\$89,123,415	\$22,293,890	\$111,417,305	\$4,456,170*	\$1,114,695
<b>Pacheco</b>	\$504,141,383	\$126,109,087	\$630,250,470	\$24,200,000	\$6,305,455**
<b>Sites</b>	\$875,396,369	\$218,977,138	\$1,094,373,507	\$43,769,818	\$10,948,857
<b>Willow Springs</b>	\$128,274,876	\$32,087,482	\$160,362,358	\$6,413,744	\$1,604,374
<b>Totals</b>	<b>\$2,104,042,657</b>	<b>\$526,318,426</b>	<b>\$2,630,361,083</b>	<b>\$103,978,627</b>	<b>\$22,665,773</b>

\*Amount shown comparison purposes only. The Kern Fan project does not currently have early funding, amount shown is 5% of current MCED.

\*\*The Pacheco Reservoir’s current early funding amount is less than 5% of current MCED; this amount reflects the increased early funding that could result solely from Prop 4 and LVE returned MCED.

**Option 2. Collect more information.**

*Delay a decision until the Commission obtains more information on the status of each project.*

With Option 2, before giving inflationary increases, the Commission could hear from all projects at Commission meetings to better understand their status, the viability of the projects’ public benefits, and their progress toward a final funding hearing. This process would take a minimum of six months. After hearing from all projects, Commissioners could decide to give pro rata shares of the available funds to only those projects that have demonstrated the viability of their public benefits and progress toward a final funding hearing. While the Commission can withhold inflationary increases from projects that are not demonstrating progress, it cannot use those funds for other projects unless a project drops out or is removed by the Commission.

**Option 3. Some now, some later.**

*Use some of the available funds to give pro rata inflationary increases to each project now and delay a decision for the remaining available funds until the Commission obtains more information on the status of each project.*

Option 3 combines the previous two options, allowing the Commission to give smaller, immediate pro rata inflationary increases up to a certain percentage of the total available funding, and to delay decision-making for the remaining available funding.

The table below illustrates inflationary increases using half of the available funds now. The dollar amounts indicated in the table below, in the column titled “Half of Available Funding,” would be added to each project’s final funding award or MCED. The table below also shows the current early funding amount for each project and the potential additional amount each project could request if this option is chosen. Any additional early funding would be at the Commission’s discretion and would follow a formal request by each project at a regular Commission meeting.

**Table for Option 3: Some now, some later (50/50 split)**

	<b>Current MCED/Award</b>	<b>Half of Available Funding</b>	<b>Resulting MCED/Award</b>	<b>Current Early Funding</b>	<b>Potential Additional Early Funding</b>
<b>Chino Basin</b>	\$215,265,405	\$26,923,919	\$242,189,324	\$10,763,270	\$1,346,196
<b>Harvest Water</b>	\$291,841,209	\$36,501,495	\$328,342,704	\$14,375,625	n/a
<b>Kern Fan</b>	\$89,123,415	\$11,146,945	\$100,270,360	\$4,456,170*	\$557,348
<b>Pacheco</b>	\$504,141,383	\$63,054,544	\$567,195,927	\$24,200,000	\$3,152,727**
<b>Sites</b>	\$875,396,369	\$109,488,569	\$984,884,938	\$43,769,818	\$5,474,429
<b>Willow Springs</b>	\$128,274,876	\$16,043,741	\$144,318,617	\$6,413,744	\$802,187
<b>Totals</b>	<b>\$2,104,042,657</b>	<b>\$263,159,213</b>	<b>\$2,367,201,870</b>	<b>\$103,978,627</b>	<b>\$11,332,887</b>

\*Amount shown for comparison purposes only. The Kern Fan project does not currently have early funding, amount shown is 5% of current MCED.

\*\*The Pacheco Reservoir’s current early funding amount is less than 5% of current MCED, this amount reflects the increased early funding that could result solely from half of total funds available.

Under this approach, \$263.2 million would be held until after the Commission hears from all projects at Commission meetings to better understand their status, the viability of the projects’ public benefits, and their progress toward a final funding hearing. After hearing from all projects, Commissioners could decide to give pro rata shares of the available funds to those projects that have demonstrated the viability of their public benefits and progress toward a final funding hearing. While the Commission can withhold inflationary increases from projects that do not demonstrate progress, it cannot use those funds for other projects unless a project drops out or is removed by Commission. The Commission could also opt to forego additional inflationary increases and instead pursue another means of utilizing the funding, such as opening a solicitation for new public benefits.

### **Commission Decision**

The Commission may consider a variety of factors when making a decision on utilizing available funding. Although five of the current, existing projects are not ready to approach the Commission for final funding awards during the 2025 calendar year, an adjustment to their MCEDs could provide financial certainty to each project as they interact with funding partners or rate payers. An increase in the Harvest Water Program's funding award would help fill the current funding gap indicated by SacSewer at the February 2025 Commission meeting. Providing adjustments to MCEDs could also open the possibility for projects to make requests for early funding for planning related activities. This funding is limited to five percent of the MCED. These funds, if the Commission awards them, could be sunk costs if a project does not move forward. Conversely, additional early funding could keep projects moving forward.

The Commission may also consider taking a closer look at the five projects with MCEDs in the coming months before making decisions on inflationary increases. None of the five projects anticipate coming to the Commission to seek a final funding award in 2025. The Commission could take a closer look at these projects over the coming months to better understand the projects' status, progress, and public benefits. The Commission could use these updates to set clear expectations of the projects and revisit the topic later in the year to make inflationary adjustments or consider other options.

The Commission may select one of the options presented by staff, select a different option, or defer a decision until a later date.

### **Staff Recommendation**

Commission staff recommends Option 2: Collect more information. By delaying a decision until the Commission obtains more information on the status of each project, the Commission will be able to ensure that it is increasing MCED amounts only for those projects that are making demonstrable progress and that have viable public benefits. This option can be done in six months' time, before any projects plan to seek a final funding award, and without hindering projects' progress. By taking time to hear from projects, this option provides the Commission the ability to gather critical information should it opt to exercise its discretion in removing projects from the program. Option 2 allows the Commission to be a judicious steward of public funds without sacrificing its support for viable projects and the important public benefits they will provide.

Staff recommends awarding the Harvest Water Program its full pro rata share of funding immediately, because that project has already met WSIP requirements, received a final award, and begun construction.

### **Background**

Through WSIP, the Commission will invest \$2.6 billion in the public benefits of water storage projects, consistent with the requirements of Proposition 1, Chapter 8. In July 2018, the

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Commission made Maximum Conditional Eligibility Determinations (MCEDs), which set the amount of Proposition 1 funding potentially available to each project, for eight projects. In 2020, the Temperance Flat Reservoir project withdrew from the Program. The Commission subsequently made adjustments to the seven remaining projects' MCEDs in 2021, which included a 2.5% inflation adjustment to all projects as well as an adjustment to two projects that did not receive a full MCED based on the original request. At that time, the Commission looked into the possibility of new projects and considered pursuing another solicitation. Through this process, the Commission screened new potential projects, and found two new projects feasible. These two new projects are not currently considered existing, approved WSIP projects, but they are eligible to become approved projects should the Commission open a new solicitation. In March 2022, the Commission decided not to pursue another solicitation and made a second adjustment of 1.5% to the remaining projects' MCEDs and made an adjustment to the remaining project that did not receive a full MCED equal to the original request amount.

At the time of application (2018), WSIP projects were required to use 2015 dollars when calculating costs. Annual inflation between 2015 and 2024 has been large relative to the previous decade. Commission economists calculate that project costs have inflated 53%, based on the inflation of land values and construction costs since 2015.

With the withdrawal of the LVE Project, there are six existing approved WSIP projects, and two feasible projects that could apply for WSIP funding if the Commission opens a new solicitation. No other projects may apply for WSIP funds. Of the six existing, approved projects, one project received a final award at the June 2023 Commission meeting. The five remaining WSIP applicants are working to complete the remaining statutory requirements. These include obtaining permits and completed environmental documents, executing contracts for the administration of public benefits, and completing contracts for non-public benefit cost share. Once these requirements are complete, each remaining WSIP applicant will return to the Commission for a final award hearing.

This agenda item is related to Goal One of the [Commission's Strategic Plan](#), which calls on the Commission to implement WSIP to achieve public benefits.

### **Meeting Overview**

Commission staff will present the Commission's options for utilizing available funding. The Commission will take comment from Tribal leaders and the public, discuss the information presented, and either select an option, defer a decision until a later date, or give other direction to staff.

This is an action item.

### **Contact**

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California Water Commission

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