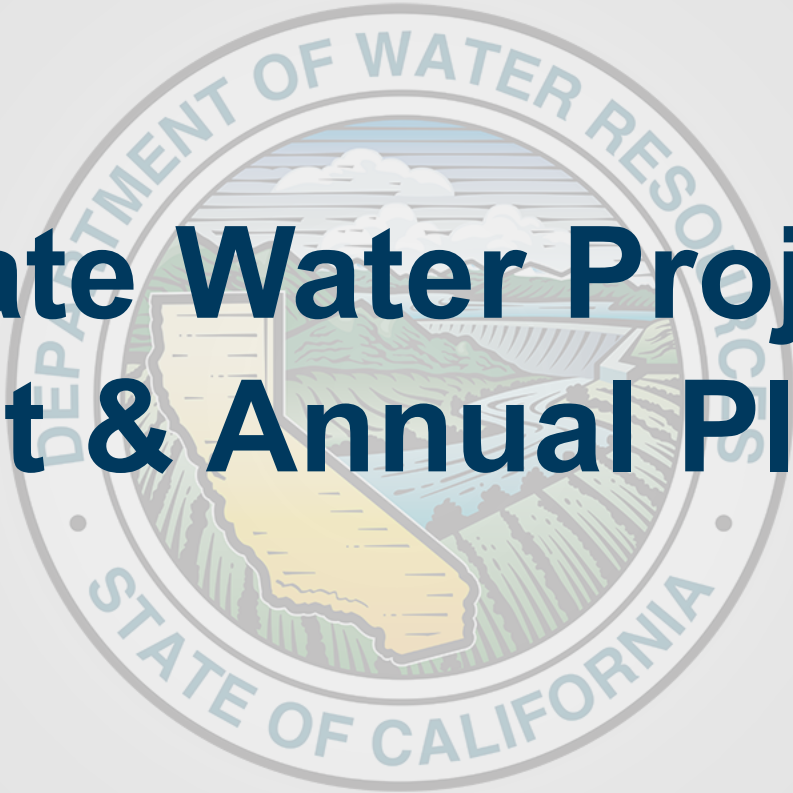


The seal of the California Department of Water Resources is a circular emblem. It features a central shield with a landscape scene: a yellow sun or field at the bottom, green hills in the middle, and a blue sky with white clouds at the top. The shield is set against a background of horizontal lines. The words "DEPARTMENT OF WATER RESOURCES" are written in a circular path around the top of the shield, and "STATE OF CALIFORNIA" is written around the bottom. Two small dots separate the top and bottom text on the left and right sides.

State Water Project Budget & Annual Planning

California Water Commission, August 19, 2026
Hong Lin, Financial Manager, State Water Project

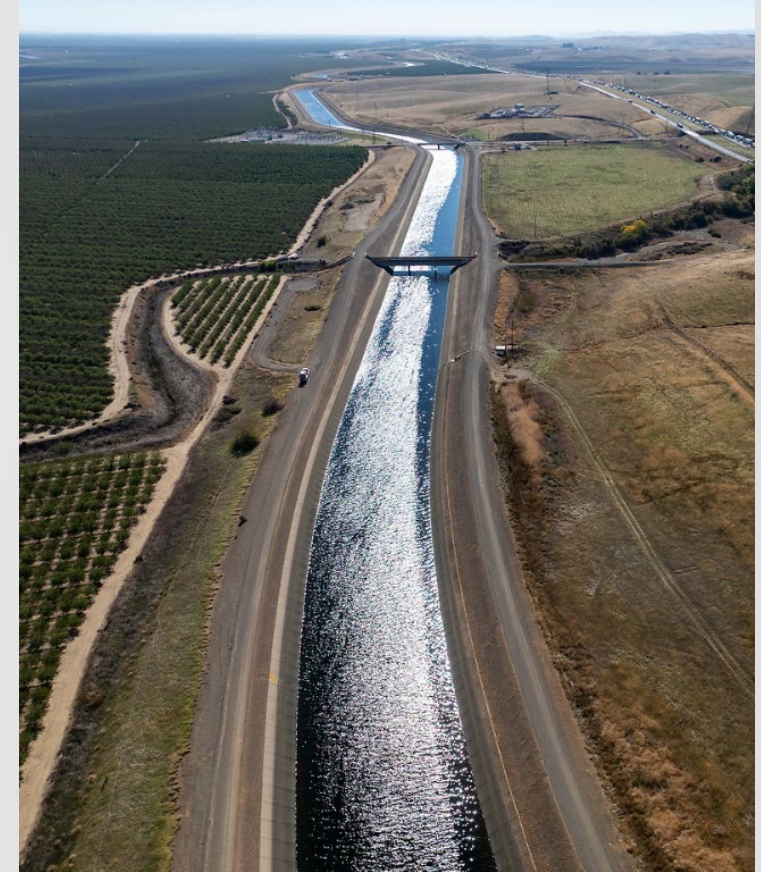
Topics

- Overview of the Department
- State Water Project (SWP) Funds, Revenue, and Budget Process
- SWP 2026-2027 budget
- Major Capital Improvement Projects
- Challenges and Opportunities



Overview of the Department of Water Resources

- The Department (DWR) is responsible for the planning, construction, and maintenance of the State Water Project (SWP).
- SWP operations are accounted for through enterprise funds established under the California Water Code.
- The Department operates the SWP on a statewide basis through centralized management and field operations.



State Water Resources Development System

- Public Service Enterprise Fund

- Operated by the State/DWR for the benefit of the public.
- Self-sustainability is a key characteristic.
- Funds are derived from the charges to State Water Project Contractors (29 public water agencies).
- Charges cover operating expenses and capital costs.



State Water Resources Development System

An Enterprise Fund of the State of California

Annual Comprehensive Financial Report
For the fiscal years ended June 30, 2025 and 2024



CALIFORNIA DEPARTMENT OF
WATER RESOURCES

State Water Project is a Multi-Purpose System

Water Supply & Power



Storage, Conveyance, Operation and
Maintenance, Regulatory
Compliance, Energy Cost

Other Purposes
(Non-Chargeable)



Flood Control, Recreation, Fish and
Wildlife Enhancement,



CALIFORNIA DEPARTMENT OF
WATER RESOURCES

SWP Operating Revenues

Statements of Revenues, Expenses, and Changes in Net Position

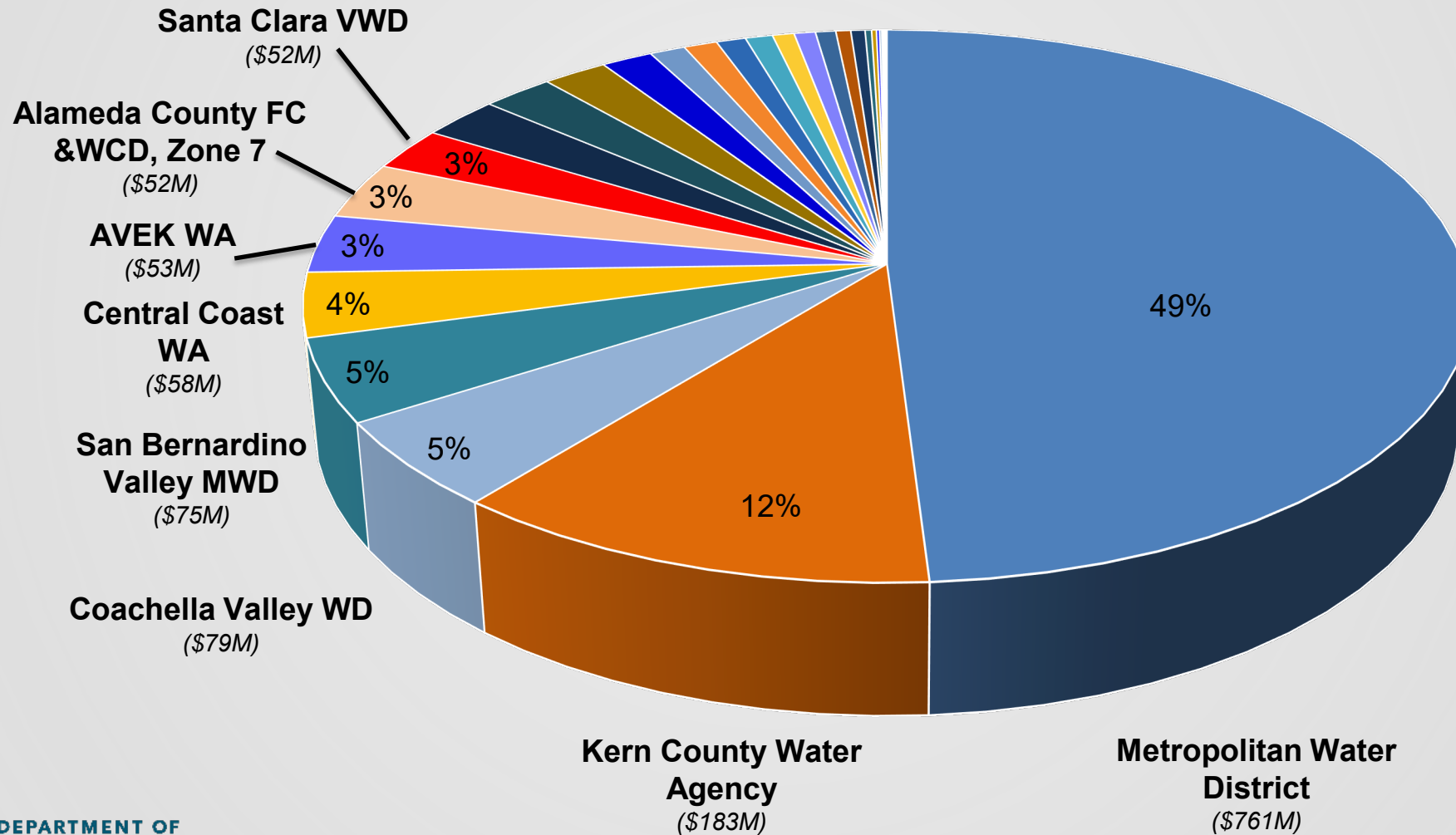
(amounts in thousands)

	Fiscal Year Ended June 30,	
	2025	2024
Operating revenues:		
Water supply	\$ 1,345,519	\$ 1,358,085
Power sales	97,266	149,166
Federal and State reimbursements	72,063	96,904
Total operating revenues	1,514,848	1,604,155

Water Supply revenues are provided by the SWP Contractors.



SWP Contractors' 2027 Charges



SWP Water Supply Contracts and Financing

- Water Supply Contracts dictate cost allocation and recovery.
- **Contract Extension Amendment** extended the contracts from December 31, 2035, to December 31, 2085, allowing issuance of long-term bonds.
- Tax-exempt bond “2026 Series A” (~\$552.7 million) issued in February 2026, with 30-year maturity.



SWP Budget Process

Two-Year Rolling Budget Process				
	Year 1 (2026)	Year 2 (2027)	Year 3 (2028)	Year 4 (2029)
CY26-27 Budget	Budget Year	Bill Year		
CY27-28 Budget		Budget Year	Bill Year	
CY28-29 Budget			Budget Year	Bill Year

- Calendar Year (CY) Basis and Multi-year Planning
- Billings (Statement of Charges) in advance
- Authorization of a two-year budget



Annual Budget Report

California Department of Water Resources
State Water Project
8th floor, 715 P Street
Sacramento, CA 95814



STATE WATER PROJECT ANNUAL BUDGET

CALENDAR YEAR 2023 & 2024

This budget report is prepared to inform the State Water Project Contractors the SWP operating budget for CY2023 and calendar year 2024.

California Department of Water Resources
State Water Project
8th floor, 715 P Street
Sacramento, CA 95814



STATE WATER PROJECT BUDGET REPORT (FINAL DRAFT)

CALENDAR YEAR 2024 & 2025

This budget report is prepared to summarize the State Water Project operating budget and CY 2025 cost planning.

February 1, 2024

California Department of Water Resources
State Water Project
8th floor, 715 P Street
Sacramento, CA 95814



STATE WATER PROJECT BUDGET REPORT

CALENDAR YEAR 2025 & 2026

This budget report is prepared to summarize the State Water Project CY2025 operating budget and CY 2026 cost planning.

February 3, 2025

California Department of Water Resources
State Water Project
8th floor, 715 P Street
Sacramento, CA 95814



STATE WATER PROJECT BUDGET REPORT

CALENDAR YEAR 2026 & 2027

This budget report summarizes the State Water Project CY 2026 operating budget, CY 2027 cost planning and Capital Projections.

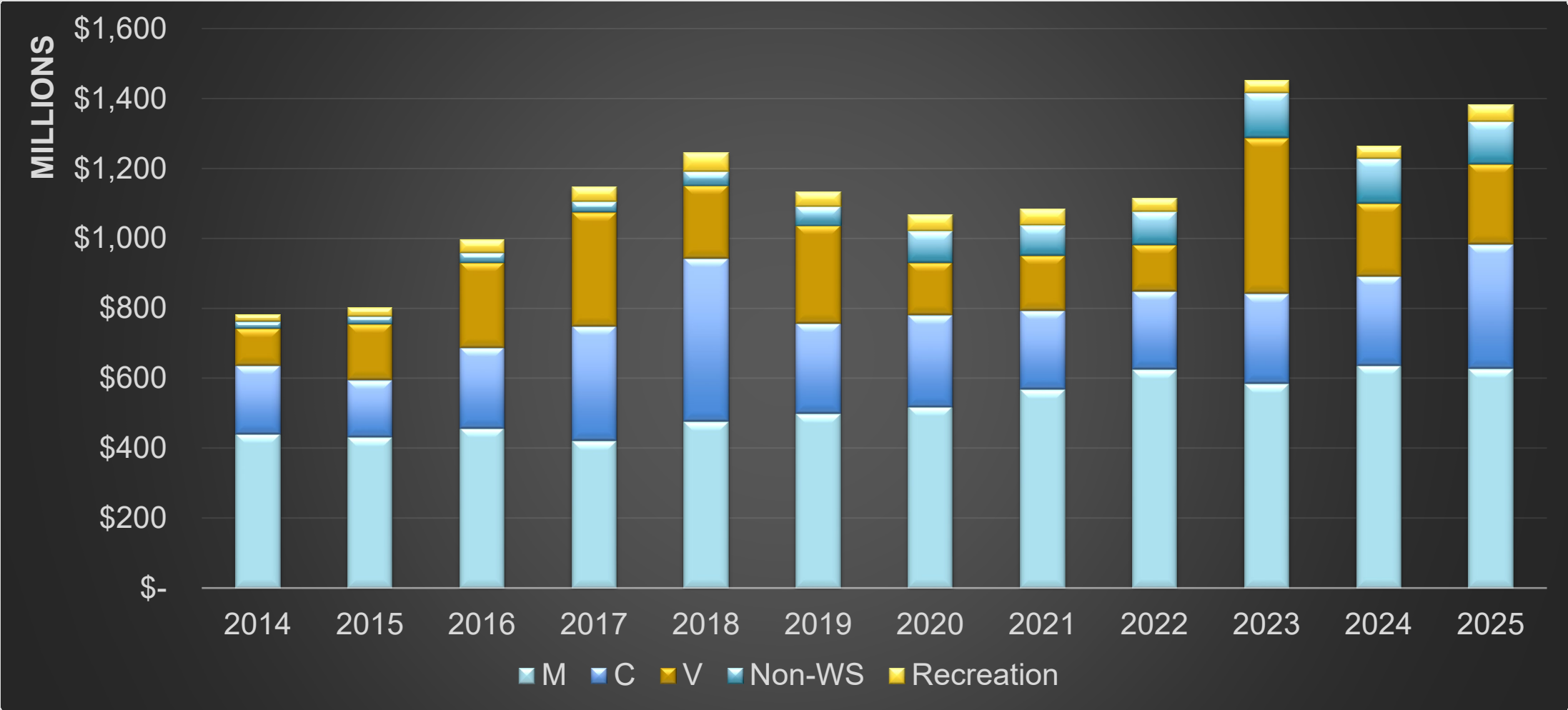
February 3, 2026

SWP Budgeting & Cost Projections

- SWP program/project costs are included
 - SWP personnel costs (DWR fully burdened labor)
 - SWP operating expenses and equipment costs (consultant, construction contracts etc.)
- SWP financing related costs
- Indirect costs (State pro rata)
- Statements of Charges (to SWP Contractors) only include reimbursable water supply and power related costs



SWP Historical Costs



M: Minimum (O&M), C: Capital, V: Variable/Power Cost
Non-WS: Non-reimbursable costs
Recreation, Fish and Wildlife Enhancement (RFWE) – Non-reimbursable costs



SWP 2026 Budget and 2027 Cost Planning

Table 1. SWP Two-Year Rolling Budget (CY2026 and CY 2027)

2026 BUDGET (\$ IN MILLIONS)

CATEGORY	*LABOR	*OE&E	**TOTAL
MIN	\$410	\$315	\$725
CAP	\$87	\$291	\$378
**Total	\$497	\$606	\$1,103

2027 COST PLANNING (\$ IN MILLIONS)

CATEGORY	*LABOR	*OE&E	**TOTAL
MIN	\$416	\$317	\$733
CAP	\$72	\$245	\$317
**Total	\$488	\$562	\$1,050

*Labor, Operation, Expenses, and Equipment (OE&E) are estimated breakdowns, and rounded to the nearest million.

**Total is the sum of labor and OE&E costs. The total budget includes direct billing programs (i.e. turnouts).



SWP Major Capital Projects

- California Aqueduct Subsidence Program (CASP)
- Oroville River Valve Outlet System (RVOS) Rehabilitation Project (Hyatt Plant)
- Big Notch (Yolo Bypass Salmonoid Habitat Restoration and Fish Passage)
- Fire and Life Safety Modernization Project
- Perris Dam Emergency Release Facility
- Physical Security Project



Golden Mussel Impact

- Facilities in and south of Delta are severely impacted by the invasive species.
- Damage infrastructure by fouling pumps, intakes, gates, and screens.
- Reduce SWP conveyance capacity, increase mechanical failure risks, elevate operation and maintenance costs.
- State Water Project Incident Command Team of 35 staff dedicated for the response.



Investment on Infrastructure Maintenance and Climate Adaptation



Oroville Water Control Manual Update & Forecast-Informed Reservoir Operations

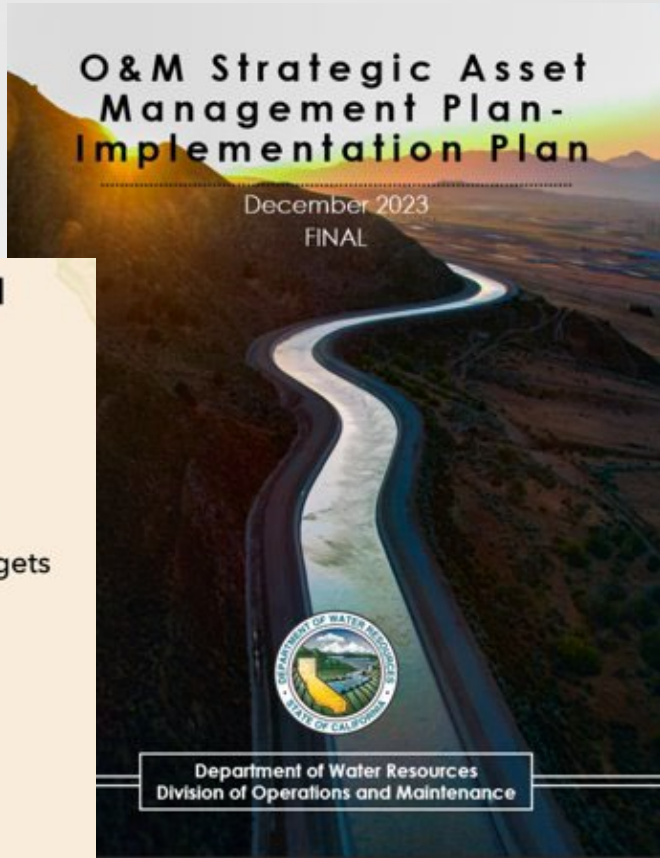


Operational and Management Measures

- Forecast-Informed Reservoir Operations
- Improved Forecasting
- Carryover Storage Targets
- Power Shaping
- Project-Level Climate Resilience Evaluation
- Enhanced Financial Management
- Outdoor Staff Safety
- Water Storage Investment Program Project Integration (WSIP)
- Enhanced Asset Management



Upper Watershed Meadow Restoration



O&M Strategic Asset Management Plan-Implementation Plan

December 2023
FINAL



Department of Water Resources
Division of Operations and Maintenance



Structural Measures

- Delta Barriers
- Delta Conveyance Project
- South of the Delta Storage
- California Aqueduct Subsidence Program (CASP)

Summary

- SWP benefits people and environment of California. SWP supports the economy of the State.
- DWR has implemented a structured asset management program to guide maintenance, rehabilitation, and long-term capital planning for the State Water Project.
- DWR's SWP resources are strained to support the Golden Mussel response to protect the SWP infrastructure and maintain SWP operations (water delivery and regulatory compliance).
- Investment to address subsidence and non-chargeable costs is needed from the beneficiaries (federal partners, general fund for recreation, fish and wildlife enhancement).



THANK YOU



CALIFORNIA DEPARTMENT OF
WATER RESOURCES