

Delta tunnel plan cost hammered at hearing

Jeremy B. White, Sacramento Bee, 2-13-14

Pointing to cost overruns with California's high-speed rail project, lawmakers on Wednesday pressed state officials on the funding sources and ultimate price tag for the governor's water tunnel plan.

"I'm very concerned about the ever-expanding cost," Assemblyman Jim Frazier, D-Oakley, said at the hearing's outset.

Frazier referred to an article in the San Jose Mercury News that puts the project's cost over 50 years at over \$50 billion – more than double the state's figure of \$24.7 billion – and added that "I tend to believe the higher number is probably the more accurate number."

Underscoring concerns about the project's scope and financial stability, Frazier announced after the hearing that he has introduced a bill requiring the Legislature's approval before construction could begin.

Along with a proposed bullet train that would traverse the Central Valley, the Bay Delta Conservation Plan has become a defining and bitterly contested centerpiece of Gov. Jerry Brown's agenda.

Even after the administration released a massive environmental review draft for the undertaking, questions have continued to swirl around how it will be paid for.

Water agencies will be on the hook to pay for massive twin tunnels that will funnel water from the Sacramento-San Joaquin Delta to users throughout the state, with water agencies repaying bonds issued by the California Department of Water Resources. The Bee reported in December that agencies would need to pour in an additional \$1.2 billion for preliminary planning and design efforts.

During Wednesday's hearing, an official from the California Department of Water Resources predicted that public water agencies will collectively cover "100 percent" of the construction cost.

"I think it will be very easy to attract the capital for this project," said Laura King Moon, the department's chief deputy director.

But legislators repeatedly sought guarantees that, should the price of the tunnels balloon beyond current estimates, the water agencies would remain responsible for the cost.

“There has to be some assurance that if you do go over,” said Assemblywoman Joan Buchanan, D-Alamo, “that it’s the responsibility of the water contractors to pick that up, and not the taxpayers in the state of California.

Since the agriculture industry takes a huge gulp out of California’s annual water use, water agencies that supply farms would likely bear a large share of the tunnel cost. Many Central Valley farmers don’t see much of an incentive to buy in, according to the University of the Pacific’s Jeffrey Michael.

“The costs are really nonsensical for agriculture compared to the benefits,” Michael, a professor of economics, said at the hearing.

And then comes the question of funding 150,000 acres worth of habitat restoration, a requirement intended to counterbalance the Delta plan’s water delivery component and achieve the aspired-to “co-equal goals” set out in the 2009 Bay Delta Reform Act.

Before they can certify the project’s compliance with the Endangered Species Act, federal and state officials must be confident the state has a solid funding plan for shoring up the Delta’s ecosystem.

Most of California’s contribution to habitat restoration is expected to flow from a yet-to-be-passed water bond. Lawmakers have floated multiple proposals to downsize the bond measure currently slated for the 2014 ballot, saying the \$11.1 billion bond is unlikely to win voter approval in its current form. Existing versions of the bond measure include some money for habitat restoration projects.

“Whether or not those (ecosystem restoration dollars) materialize in the form envisioned by BDCP is something of an open question,” said Anton Favorini-Csorba of the Legislative Analyst’s Office.

Meanwhile, members of Congress representing northern districts have challenged an assumption that the federal government will be able to produce an anticipated multibillion dollar infusion.

If that money does not come through, Frazier said, “there’s going to be a tipping point somewhere where you won’t be able to fund” the environmental component. In that case, Frazier asked, “who is the scapegoat?”

“That’s a possible outcome,” replied Bay Delta Conservation Plan project manager David Zippen. He pointed to other potential funding sources such as federal and state grants for habitat restoration.