



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 27, 2012

### **H.R. 1837** **Sacramento-San Joaquin Valley Water Reliability Act**

*As ordered reported by the House Committee on Natural Resources  
on February 16, 2012*

#### **SUMMARY**

H.R. 1837 would amend the Central Valley Project Improvement Act (CVPIA) and the San Joaquin River Restoration Settlement Act to change water management plans and environmental restoration goals for the Central Valley region in central California.

Based on information from the Bureau of Reclamation and local water districts in California, CBO and staff of the Joint Committee on Taxation (JCT) estimate that enacting the bill would increase offsetting receipts (a credit against direct spending) by \$254 million and decrease revenues by \$33 million over the 2013-2022 period. Together, those changes would reduce future budget deficits by \$221 million over the next 10 years, CBO estimates. Because the legislation would affect direct spending and revenues, pay-as-you-go procedures apply.

In addition, CBO estimates that implementing the legislation would reduce discretionary spending for restoration activities associated with the San Joaquin River by \$190 million over the 2013-2017 period, assuming appropriation actions consistent with the authorization levels in the bill.

H.R. 1837 would impose intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) by preempting state laws and requiring or prohibiting some activities related to water management and wildlife preservation. Based on information from state and local agencies, CBO estimates that the cost for the state of California to comply with those mandates would not exceed the annual thresholds established in UMRA (\$73 million in 2012, adjusted annually for inflation). The legislation contains no private-sector mandates.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 1837 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars											2013-	2013-
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>													
Title II – San Joaquin River Restoration													
Estimated Authorization Level	0	-50	-50	-50	-50	-50	-50	0	0	0	-200	-300	
Estimated Outlays	0	-40	-50	-50	-50	-50	-50	-10	0	0	-190	-300	
<b>CHANGES IN DIRECT SPENDING</b>													
Title III - Early Repayment of Capital Debt													
Estimated Budget Authority	-232	-24	-24	-24	10	10	10	10	10	10	-294	-244	
Estimated Outlays	-232	-24	-24	-24	10	10	10	10	10	10	-294	-244	
Title I – Central Valley Project Reliability Act													
Estimated Budget Authority	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-10	
Estimated Outlays	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-10	
Total Changes													
Estimated Budget Authority	-233	-25	-25	-25	9	9	9	9	9	9	-299	-254	
Estimated Outlays	-233	-25	-25	-25	9	9	9	9	9	9	-299	-254	
<b>CHANGES IN REVENUES</b>													
Estimated Revenues <sup>a</sup>	*	-2	-3	-3	-4	-4	-4	-4	-4	-4	-13	-33	
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>													
Change in Deficit	-233	-23	-22	-22	13	13	13	13	13	13	-286	-221	

Notes: Components may not sum to totals because of rounding; \* = revenue loss of less than \$500,000.

a. For revenues, negative numbers indicate an increase in the deficit. Estimate prepared by staff of the Joint Committee on Taxation.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1837 will be enacted in fiscal year 2012. The bill would deauthorize \$300 million originally authorized to be appropriated for implementation of the San Joaquin River Restoration Settlement Act.

CBO estimates that enacting the bill would increase offsetting receipts (a credit against direct spending) by \$254 million over the 2013-2022 period. Additionally, staff of the Joint Committee on Taxation estimates that the legislation would lead to a decrease in revenues of \$33 million over the 2013-2022 period. Together, those changes in direct spending and revenues would reduce future budget deficits by \$221 million, CBO estimates.

## **Spending Subject to Appropriation**

Title II would require the bureau to cease all planning and construction activities necessary to implement the San Joaquin River Restoration Settlement Act (title X of Public Law 111-11). That act requires the bureau to restore about 153 miles of the San Joaquin River by improving channels and structures for the purpose of improving water flow and fish habitat and passage. Title II would replace those objectives with a different restoration program that would require the bureau to restore about 65 miles of the river and ensure certain minimum river flows. The bill also would deauthorize the salmon restoration program authorized in the San Joaquin River Restoration Settlement Act. Finally, the bill would deauthorize \$300 million originally authorized to be appropriated for restoration activities in the San Joaquin River Restoration Settlement Act. CBO expects that those funds will be provided in equal increments of \$50 million annually beginning in 2014. Based on that anticipated spending pattern, CBO estimates that H.R. 1837 would lead to a discretionary savings for San Joaquin restoration activities of \$190 million over the 2013-2017 period and \$300 million over the 2013-2022 period, assuming appropriation actions consistent with the bill.

## **Direct Spending and Revenues**

**Repayment Contracts and Acceleration of Repayment of Construction Costs.** Title III would authorize the bureau to convert water service contracts in the Central Valley Project (CVP) to repayment contracts if the contractor requests it. Under a repayment contract, the CVP customers would be required to accelerate the repayment of their share of the capital investment in the project. Water contractors could choose to pay the present value of their future contract payments (discounted at the 20-year constant maturity Treasury rate), either in one lump sum by January 31, 2013, or in equal installments by January 31, 2016. Based on the participation rates of water contractors in a similar program recently offered to contractors in CVP's Friant Division, CBO expects that a majority of CVP contractors would choose the lump-sum option. CBO estimates that the government would receive net accelerated payments from the contractors of \$244 million over the 2013-2022 period. Over the 2022-2030 period, payments of \$420 million would no longer be made under the bill's option to prepay contracts, CBO estimates.

CBO expects that those accelerated payments to the federal government would be financed with bonds exempt from federal taxation, which the staff of the Joint Committee on Taxation estimates would lead to a revenue loss of \$33 million over the next 10 years.

**Central Valley Project Water Reliability.** Title I would amend the Central Valley Project Improvement Act (Public Law 102-575) by changing several management features of the project. The bill would require the bureau to adhere to a specified timeline when reviewing requests to transfer water among Central Valley Project contractors. Under the bill, certain water transfers would be deemed to have met the requirements of some

environmental laws. CBO expects that those provisions and other changes in the bill would lead to more water transfers among contractors than expected under current law. We estimate that those additional transfers and other changes would result in additional offsetting receipts of \$1 million annually because water use would increase.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

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**CBO Estimate of Pay-As-You-Go Effects for H.R. 1837 as ordered reported by the House Committee on Natural Resources on February 16, 2012**

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	By Fiscal Year, in Millions of Dollars											2012-	2012-
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	-233	-23	-22	-22	13	13	13	13	13	13	-286	-221

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## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 1837 would impose intergovernmental mandates as defined in UMRA by preempting state laws and requiring or prohibiting some activities related to water management and wildlife preservation. The bill would require the state of California to change how it manages a state system for storing and delivering water. It also would prohibit the state from restricting existing water rights in an effort to protect any species affected by the operations of the water projects in the state. Similarly, it would prohibit restrictions on water rights that are designed to protect, enhance, or restore the value of public water resources. Finally, the bill would preempt several other state laws related to water management and wildlife preservation. Based on information from state and local agencies, CBO estimates that the cost for the state to comply with those mandates would not exceed the annual thresholds established in UMRA (\$73 million in 2012, adjusted annually for inflation).

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

The bill contains no new private-sector mandates as defined in UMRA.

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