



STATE WATER CONTRACTORS



Advancing policies and actions that protect, modernize and maintain affordability of the State Water Project and its vast public benefits.





“The SWP serves as the state’s primary water distribution system by providing an affordable source of high-quality water to 27 million Californians, including approximately 75% of California’s disadvantaged communities. It also irrigates 750,000 acres of agricultural land that in turn feeds the state and nation.”

INTRODUCTION

Founded in 1982, the State Water Contractors (SWC) is an association of 27 public water agencies serving more than 27 million Californians and 750,000 acres of farmland across the state. SWCs are responsible for 100% of the capital, operation and maintenance costs of the State Water Project, regardless of water deliveries from the Department of Water Resources (DWR) and despite the vast public benefits it provides to all of California. The SWCs stand behind a simple “beneficiaries pay” concept: those who benefit from the SWP infrastructure should cover the cost of ongoing operation and maintenance.

However, legal, regulatory and legislative actions have stacked up over time and threaten to undermine the capability, capacity

and affordability of the SWP to deliver water. The cost to maintain and upgrade California’s primary water delivery infrastructure, meet regulatory requirements, defend the system against ongoing litigation, and meet new and increasing legislative mandates on water use and storage have taken a collective toll on SWC efforts to maintain water affordability.

As the steward of California’s primary water source and its enormous public benefits, the SWCs seek the leadership of the current and future administrations, federal and state policymakers, and industry leaders to address the issues outlined in this policy document to ensure water supply reliability and affordability for California water users.

“The value of the SWP system cannot be overstated — it sustains the fourth-largest economy in the world. If its service area were its own nation, it would rank as the eighth-largest economy in the world.”

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OUR POLICY PRIORITIES INCLUDE:

- 1. Protect & Maintain Water Affordability**
- 2. Repair & Modernize Water Infrastructure**
- 3. Improve Operational Efficiencies**
- 4. Support Statewide Electric Grid Reliability**
- 5. Secure Flows For The Environment**
- 6. Collaborate on Science-Based Decision-Making**

REPAIR & MODERNIZE WATER INFRASTRUCTURE

1.1 Appropriately Fund & Prioritize Timely Subsidence Repair

BACKGROUND

California's state and federal water conveyance systems offer an unparalleled public benefit throughout the state by efficiently moving water to homes, farms, wetlands and businesses, which in turn supports substantial economic activity and overall quality of life. California's aqueducts not only move SWP and Central Valley Project (CVP) water, but they also facilitate water transfers throughout the state, provide mechanisms to move water into Central Valley communities, support groundwater recharge projects, secure the sole water supply for 60% of all San Joaquin Valley wetlands and help fill reservoirs. The implementation of the Sustainable Groundwater Management Act (SGMA), California's signature groundwater management and restoration legislation, will also require substantial reliance on imported surface water supplies, and it is the SWP and CVP aqueducts that will deliver that water.

Decades of land subsidence throughout the San Joaquin Valley has resulted in significant damage and disrepair to state and federal aqueduct systems and other critical infrastructure, including the California Aqueduct, San Luis Canal, Delta-Mendota Canal and the Friant-Kern Canal. Infrastructure damage caused by subsidence reduces the capacity of conveyance systems to

deliver water. DWR estimates that the capability of the SWP to deliver water through the state's system could be reduced by as much as 87%¹ within the next two decades if subsidence repairs are not made quickly.

Historically, the SWCs have operated within a "beneficiaries pay" concept for the SWP. However, recognizing that the SWP provides ample public benefits and that the vast majority of ratepayers did not cause any of these impacts, the cost to address subsidence must be shared as much as possible by state and federal funding mechanisms.

Without repairs to key water delivery structures, California's resilience to climate change will be significantly reduced, and the water supply for tens of millions of Californians, including disadvantaged communities throughout the state and the vast majority of California's agricultural production, will be further threatened. According to DWR, if subsidence repairs are not quickly made to the SWP system, average deliveries throughout the state could decline by 400,000 to 1.5 million acre-feet under moderate and extreme scenarios, the equivalent of one and a half full Folsom reservoirs each year.

1. Department of Water Resources, State Water Project Delivery Capability Report 2023 Addendum: Impacts of Subsidence (2025)



STATE WATER CONTRACTOR POLICY POSITIONS

1. Significantly larger and sustained funding commitments from California and the federal government must be directed to prevent disruption to California's primary water delivery systems.
2. The state budget should recognize subsidence as an urgent need and allocate an ongoing dedicated funding stream for repairs.
 - Advocate for the allocation of at least \$50 million in Proposition 4 funding during 2026 to DWR for ongoing and near-term subsidence repair on the San Luis Canal.
 - Advocate for the annual Greenhouse Gas Reduction Fund (GGRF) proceeds to be directed to capital projects to repair and address water conveyance subsidence on the California Aqueduct, San Luis Canal, Friant-Kern Canal and Delta-Mendota Canal for a period of 20 years. This would facilitate greenhouse gas emission reductions and benefit disadvantaged and low-income communities.
3. Pursue federal funding to support the cost of repairs.
4. Support additional investigation into groundwater pumping and other causes of subsidence, including oil and gas drilling near the California Aqueduct, and support potential action to fully halt all causes of land subsidence in the Central Valley.

REPAIR & MODERNIZE WATER INFRASTRUCTURE

1.2 Advance the Delta Conveyance Project

BACKGROUND

California is facing more intense weather extremes — fluctuating between heavy rains and floods and severe drought. This is straining our 60+ year-old water delivery system, which was built to capture slow snowmelt in the spring for deliveries in the summer. According to the DWR, up to 23% of SWP supplies could be reduced² from climate change alone. The SWP infrastructure in the Sacramento-San Joaquin Delta hasn't had a significant upgrade since it was built in the 1960s. Modernizing this infrastructure with the Delta Conveyance Project (DCP) is California's most important, cost-effective and climate-resilient strategy for improving water capture and storage. There are no other feasible alternatives to this project — the production from nine large-scale ocean water desalination plants would be needed to replace this water.³

When intense storms or rapid snowmelt occur in Northern California, the DCP would allow the state to move and store a portion of it for use in dry years. For example, during the atmospheric rivers of 2024, the project could have captured enough additional water to supply nearly 10 million people for an entire year.⁴

The DCP has undergone years of refinement, incorporating extensive community engagement and environmental review to minimize local impacts. The current design features a single underground tunnel that avoids the central Delta and has a

construction footprint over 50% smaller than prior concepts. The project includes state-of-the-art fish screens and other environmental safeguards to protect the Delta ecosystem and water quality for in-Delta users. The Design and Construction Authority, formed specifically to cost-effectively design and construct the project, continues to develop refinements to minimize impacts and reduce costs, which are proposed to be paid solely by State Water Project contractors, not California taxpayers nor the state budget.

In addition, the project will be operated consistent with senior water rights, water quality standards and Endangered Species Act (ESA) permit standards. There would be no impacts to upstream reservoir operations. These requirements ensure that water reliability and environmental protection are paramount when collecting and storing excess flows.

Delays to the project caused by misinformation and opposition have only increased costs and prolonged California's vulnerability to water shortages. Moving forward with the DCP is essential to protecting the reliability of the SWP. Without modernization, the system remains at risk of failure from earthquakes, levee breaches and climate-driven variability, jeopardizing the reliable delivery of water to communities, farms

2. California Department of Water Resources, *Final Water Project Delivery Capability Report* (2024)

3. Department of Water Resources, *Delta Conveyance Project Benefit-Cost Analysis* (2024). <https://water.ca.gov/News/News-Releases/2024/May-24/Benefits-of-the-Delta-Conveyance-Project-Far-Exceed-Costs>



“According to the United States Geological Survey, there is a 72% chance⁴ of a major 6.7 magnitude or greater earthquake in the San Francisco Bay Area by 2043.”

and businesses across the state.

According to the United States Geological Survey, there is a 72% chance⁵ of a major 6.7 magnitude or greater earthquake in the San Francisco Bay Area by 2043, which could impact the system of levees in the Delta through which our state water supplies move. In 2024 alone, and without any significant earthquakes, there were two near-breached levees in the Delta, underscoring the fragility of these vulnerable earthen structures' ability to protect water supply for two-thirds of all Californians. The 4th largest economy in the world requires a reliable water supply. DCP facilities will be designed and constructed in a manner to withstand anticipated earthquakes in the vicinity of the Delta without incurring significant damage, protecting water delivery capabilities from such an event.

4. Department of Water Resources, *The Delta Conveyance Project in Practice* (2025)

5. USGS, *Earthquake Outlook for the San Francisco Bay Region 2014-2043* (2016)

STATE WATER CONTRACTOR POLICY POSITIONS

1. Support efforts that would streamline the approval of the DCP and resolution of ensuing litigation, allowing DWR to advance this critically needed climate adaptation project expeditiously.
2. Support the efficient completion of the State Water Board's Change in Point of Diversion hearing and permit issuance as well as the completion of the Delta Stewardship Council's Certification of Consistency appeal process — critical actions to keep the project on schedule and reduce further costs.
3. Support continued engagement with local communities and Tribes to ensure that community and environmental impacts are considered throughout the construction process.
4. Support strategies that secure outside funding mechanisms, where feasible.

IMPROVE OPERATIONAL EFFICIENCIES

Improve Delta Operational Rules

BACKGROUND

Current operational rules in the Delta do not allow for the full capture of high runoff from large storms. Even when all water quality and environmental management obligations have been met, critical water supplies flow to the ocean rather than being captured for future use. Until construction of needed infrastructure can be funded and completed, water supply reliability can be improved through adjustments to Delta water operations that respond to hydrologic conditions and operational risks to fish species.

To help offset impacts from operational constraints, Governor Newsom issued an executive order (EO N-16-25)⁶ directing DWR to take all feasible action to capture and store excess flows resulting from winter storms. The Executive Order also directed the Water Board, CNRA and CalEPA to identify and remove obstacles to capturing excess flow. Measures like these should become permanent so that the system can be adaptively managed, in real time and based on science. To ensure these actions are effective and affordable, any new permit terms should be completely justified.

To ensure that SWP operational improvements result in improved water supplies, the requested time extension for SWP water rights needs to be approved. DWR holds water right permits to divert, redivert and store water at its SWP facilities in the

Bay-Delta watershed. The water right permits issued by the State Water Resources Control Board (Water Board) include time periods within which DWR would fully develop its beneficial use of water and any associated construction projects. DWR diligently pursued the development of its beneficial use of water, including construction projects; and has yet to fully develop its water use due to circumstances beyond its control, including the rate of development of its place of use; multiple state and federal regulatory requirements, including many years long complex multiple party regulatory processes; climate change; and the time required to permit and construct projects. DWR's petition has been stuck in an administrative process since 2009 and it has yet to be processed. The SWP is important to the water supply reliability of the state and DWR's petition needs to be approved as expediently and efficiently as possible.



6. Office of the Governor, Executive Order N-16-25 (January 2025)



STATE WATER CONTRACTOR POLICY POSITIONS

1. Support adaptive management actions and science-based decision-making that build upon 2024 permit conditions from the California Department of Fish & Wildlife (DFW), National Marine Fisheries Service (NMFS) and U.S. Fish & Wildlife Service (FWS) decision-making into ongoing operational permits.
2. Support an expedient and efficient process for the State Water Board to approve an Extension of Time for the SWP's water rights.



IMPROVE OPERATIONAL EFFICIENCIES

Assist in Reducing Flood Risk and Implementing the Sustainable Groundwater Management Act

BACKGROUND

The SWP reduces flood risk by operating the Oroville Dam, the tallest earthen dam in the United States, to protect millions of people and over \$40 billion in property. Using forecast-informed reservoir operations (FIRO), the SWCs can predict weather extremes, coordinate operations and move high flows. The SWCs pay the full cost to operate and maintain Oroville, which is approximately \$200 million annually.

Underground storage is an affordable way to gain increased storage capacity in California, which is a critical component of climate resiliency and the implementation of the Sustainable

Groundwater Management Act (SGMA). The SWCs are committed to working with other parties to identify and implement opportunities to store water in the ground while protecting our supplies.

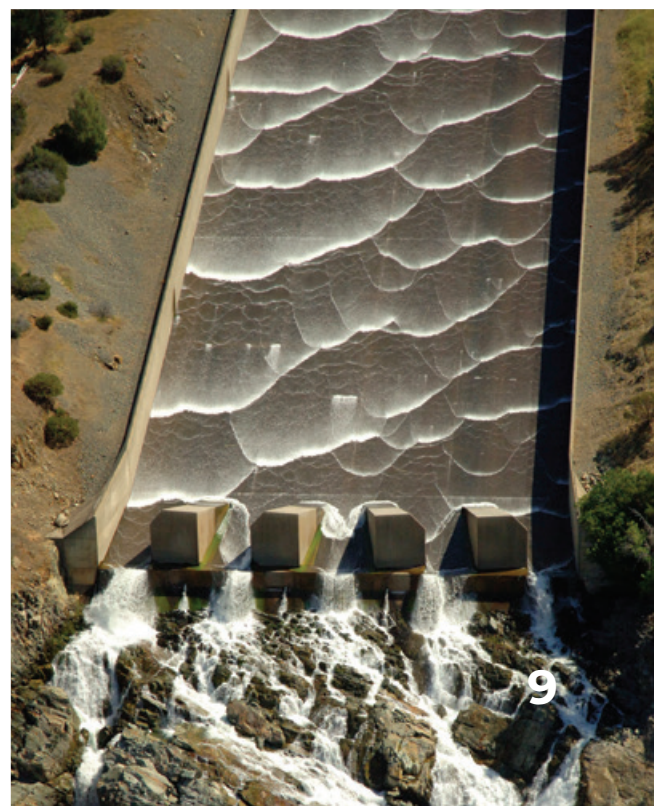
The SWP has not received any flood control funding since the 1980s, when the US Army Corps of Engineers (Corps) provided a combined \$70 million over 20 years for flood protection. The SWCs are working with DWR and the Corps to evaluate current flood control benefits and identify potential federal funding that could be applied to ongoing Oroville operations and maintenance costs.





STATE WATER CONTRACTOR POLICY POSITIONS

1. Continue support for expanding forecast informed reservoir operations (FIRO) and forecast-coordinated operations at Oroville and New Bullards Bar reservoirs to better manage high flows on the Feather and Yuba Rivers.
2. Update the Corps operations manual to reduce flood risk and water waste, and re-establish financial engagement from the Corps for the flood risk reduction components of Oroville Dam's ongoing operations and maintenance costs.
3. Partner with groundwater agencies to achieve flood risk reduction while avoiding impacts to the SWP.
4. Support the use of Proposition 4 funds to implement necessary infrastructure and contractual arrangements between water users to reduce flood risk and increase underground storage.



SUPPORT STATEWIDE ELECTRIC GRID RELIABILITY

Compensate SWCs for the Flexibility and Reliability of SWP Operations

BACKGROUND

The SWP is the fourth largest generator of clean hydropower in California, accounting for 14% of the state's hydropower generation.⁷ The SWP is also the largest single-entity consumer of power in California due to the energy needed to move water throughout the state and over the Tehachapi Mountains to Southern California. Given its large presence on the energy grid, the SWP has the capability to adaptively manage water operations to benefit statewide grid reliability and help the state meet its clean energy goals by shifting pump load to absorb solar energy during the day, reducing curtailment.

Since 2020, the SWP is called upon most years by the California Independent System Operator (CAISO) to keep the lights on and prevent rolling blackouts by shifting its load out of peak hours and increasing hydrogeneration.

Additionally, DWR helps the state meet its renewable energy goals by shifting SWP pump loads to absorb solar energy during the day, allowing for the continued buildout of California's green energy infrastructure. Currently, CAISO market rules and rate structures do not reflect the flexibility and reliability benefits provided by the SWP — resulting in a cost-shift to water ratepayers.

Finally, legislation passed in 2022 (SB 1020, Laird)⁸ requires 100% of the SWP energy load be served by renewable or zero-carbon resources by 2035, 10 years ahead of the rest of the state. The incremental cost to meet the accelerated renewable energy goal is estimated to cost SWCs approximately \$2.5 billion, even further exacerbating cost pressures on the SWP and its water customers to produce benefits for the entire country, if not the world.

CAISO energy purchases and related costs are one of the fastest growing pressures on the SWP water rates, ranging between \$150–\$300 million a year, depending on hydrology. That figure is only expected to rise over time.

7. State Water Contractors, *At the Forefront of California's Efforts to Fight Climate Change* (2023)

8. California State Legislature, *Senate Bill 1020* (2022)





STATE WATER CONTRACTOR POLICY POSITIONS

1. Work with stakeholders and market participants to implement CAISO initiatives such as changes to the transmission access charge that recognize and compensate the SWCs for the reliability and flexibility benefits the SWP provides to the market.
2. Support funding that enhances reliability and flexibility for the SWP to respond to grid conditions.
3. Support updates to existing law to improve clarity and consistency with recently enacted legislation (AB 825, 2025) that will help the SWP transition to 100% renewable and zero carbon emission resources more affordably by 2035, saving water ratepayers millions of dollars.
4. Support state commitment of funding for restoration of Oroville Pumped Storage facilities to further support the energy grid.

SECURE FLOWS FOR THE ENVIRONMENT

4.1 Advance the Healthy Rivers and Landscapes (HRL) Program

BACKGROUND

The Water Board is required to periodically update the Bay-Delta Water Quality Control Plan (Bay-Delta Plan), which establishes water quality objectives for the watershed. Since 2009, staff has been working to update the Bay-Delta Plan, and it is nearly ready for adoption by the Water Board. However, procedural delays continue to impede progress.

The draft Bay-Delta plan currently includes two pathways to implement the plan objectives: 1) flow only, and 2) flow combined with habitat restoration through the Healthy Rivers and Landscapes Program (HRL). The HRL proposal is a suite of funding, environmental flows and habitat

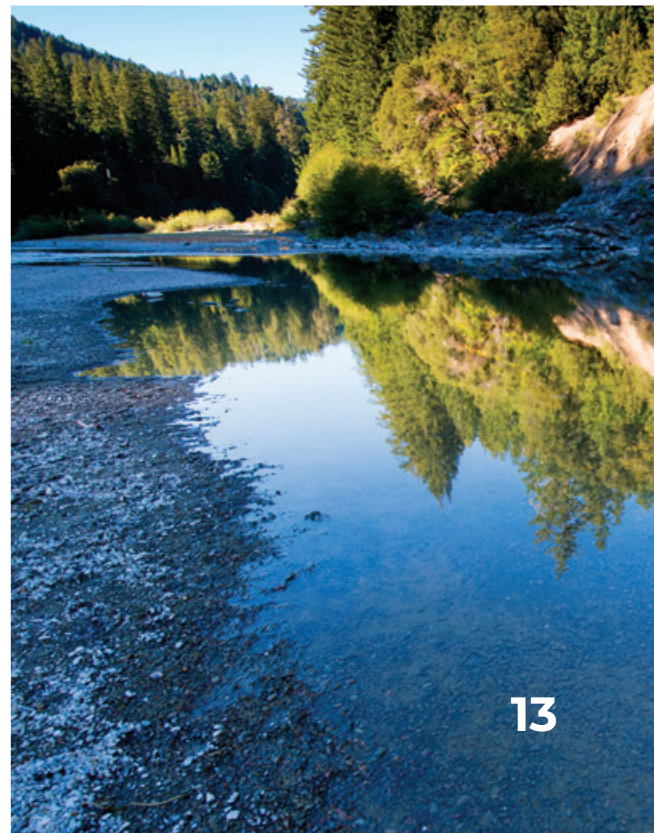
construction commitments among state, federal and local water agencies that integrate additional environmental flows with new physical habitat to help improve ecosystem functions and conditions for native fish in the Sacramento and San Joaquin rivers, their tributaries and the Delta through which they flow. The proposal also includes new governance, science and reporting protocols to improve decision-making, watershed-wide coordination and accountability in the Delta watershed. The best available science supports a multi-benefit approach like the Healthy Rivers and Landscapes Program to support real ecological change.





STATE WATER CONTRACTOR POLICY POSITIONS

1. Support the timely adoption of the Bay-Delta Plan with the inclusion of the Healthy Rivers and Landscapes Program, consistent with the March 2022 Memorandum of Understanding, during the current administration.
2. Continue to allocate state funding in the general fund, propositions and other sources to pay for environmental water — which achieves environmental benefits for all Californians by minimizing regulatory conflict and creates a pool of willing sellers.
3. Ensure public funding for non-water supply costs, including recreation, flood protection, mitigation, environmental enhancement and rehabilitation for multi-purpose SWP facilities.



INVEST IN SCIENCE-BASED DECISION-MAKING TO INFORM OPERATIONS

5.1 Fund & Publish Scientific Studies to Inform Water Management

BACKGROUND

Every year, the SWC Science Program funds and publishes rigorous, objective, management-relevant science to inform water policy and decision-making for the operation of the SWP. This work — which represents a \$16 million investment since 2018, in addition to the costs SWC members pay to DWR in annual bills — advances highly collaborative and meaningful water conversations with partners from academia, government, tribes, non-profits and the private sector.

The SWP's ability to deliver reliable, environmentally safe water supplies is fundamentally linked to science-based decision-making, which is why the SWCs

are committed to and voluntarily make investments in science. The SWCs' goal is to target water management's most pressing questions, such as "What is the total population of species in any given year?" or "How can water managers improve water accounting and address data gaps?" Asking these questions and challenging the status quo to study scientific options and outcomes is helping improve water management practices across the state. The goal is to understand when it is safe to pump and when it isn't, so that operations can be adjusted to maximize water supply while protecting species and ecosystems.





STATE WATER CONTRACTOR POLICY POSITIONS

1. Support and secure state and federal funding for adaptive, science-based water management tools, research and water management relevant scientific uncertainties affecting protected fish species.
2. Support protection of source water quality, reduction of threats from invasive species and mitigation of harmful algal blooms.
3. In line with the California Water Data Consortium's mission, support robust data sharing and collaboration across local, state and federal agencies, and key stakeholders to make data-informed decisions.







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