

Distorted Water

2014



Rep. Devin Nunes



Dear Friends,

During the debate in Congress over the Sacramento-San Joaquin Valley Emergency Water Delivery Act, opponents have attempted to frame the debate with selective use of facts and outright dishonesty. I prepared this document because it is important for us to understand the distortions used to argue against reform and to respond to them with facts.

Sincerely,
Devin Nunes
Member of Congress



MAP OF CALIFORNIA WATER INFRASTRUCTURE

LEGEND

- RIVERS
- FEDERAL CANALS
- SHARED FEDERAL/STATE CANALS
- STATE CANAL
- MAF MILLION ACRE FEET
- AF ACRE FEET

Water Terminology

CENTRAL VALLEY PROJECT

The federal Central Valley Project (CVP) delivers water from reservoirs in the wet northern parts of the state to the arid southern parts of the state. Twenty dams and reservoirs, eleven hydroelectric power plants, and 500 miles of canals and aqueducts make up the infrastructure of the project.

STATE WATER PROJECT

The California State Water Project is one of the world's largest publicly built and operated water and power conveyance systems. There are 701 miles of canals and pipelines, five hydroelectric facilities and 34 dams and reservoirs.

ACRE-FOOT

An acre-foot is defined by the volume of one acre of surface area to a depth of one foot. This is approximately 325,851 U.S. gallons. As a rule of thumb in U.S. water management, one acre-foot is the planned annual water usage of a suburban family household.



THE DELTA

The Sacramento-San Joaquin River Delta is an expansive inland river delta and estuary in northern California. It is formed at the western edge of the Central Valley by the confluence of the Sacramento and San Joaquin Rivers and lies just east of where the rivers enter the upper arm of San Francisco Bay.

DELTA PUMPS

Located near the City of Tracy in the southern end of the Delta: The Jones Pumping Plant is owned by the federal government and the Banks Pumping Plant is owned by the state of California.

Distorted Water 2014

Congressman Devin Nunes is the author of the Sacramento-San Joaquin Valley Water Reliability Act of 2012 (H.R. 1837) and is co-sponsor of the Sacramento-San Joaquin Emergency Water Delivery Act of 2014 (H.R. 3964). The new legislation, authored by Rep. David Valadao and supported by the California GOP Delegation, offers a comprehensive solution to government-imposed water shortages and places into statute the landmark bipartisan agreement known as the Bay-Delta Accord.

Water Recovery

The bill restores water deliveries that were cut off by environmental lawsuits and overreaching federal regulation.

The bill recovers the lost water that was dedicated to a failed \$1 billion salmon restoration plan.

A Reliable Water Supply

The bill ensures water reliability by restoring long-term water contracts that were curtailed by environmentalists.

The bill ensures a stable water supply by mandating compliance with the water accord agreed to by the State of California, the federal government, water agencies, and environmental organizations.

The bill streamlines environmental regulatory processes to speed up water reliability projects and transfers.

The bill expands the use of the Central Valley Project to allow water deliveries by non-federal sources.

The bill ends the bizarre effort to protect non-native species and focuses efforts on native species, thereby ensuring environmental water is used for a beneficial purpose.

Cutting Costs

The bill addresses the budget realities faced by all levels of government and terminates the ostentatious and misguided \$1 billion salmon restoration program.

The bill reduces the debt by \$521 million by incentivizing early pay-off of the Central Valley Project federal loan and reducing discretionary spending. It also eliminates a flawed river restoration program that is estimated to cost more than \$1.2 billion.

The bill establishes transparency and accountability measures to protect taxpayers from frivolous spending on failed environmental projects.

Secures All Water Rights

The bill protects and secures all water rights that are senior to federal water rights. The bill also settles a long standing dispute over area-of-origin water rights.

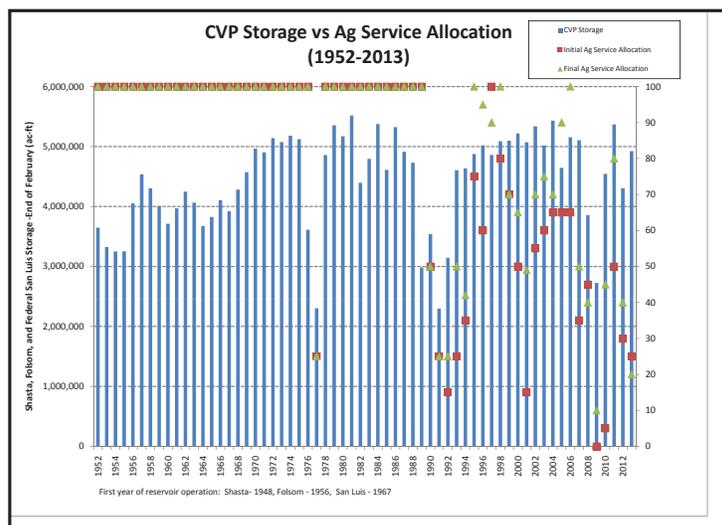
Setting the Record Straight: *Distortions vs. Facts*

DISTORTION: California water shortages are simply the result of a serious drought.

FACT: California is a drought-prone state, which is why infrastructure was built to store and transfer water. Dry conditions and serious droughts are made far worse by the fact that federal water deliveries have not correlated with the actual availability of water.

In 2009, 84% of normal precipitation resulted in a meager 10% water allocation to people south of the Delta. In 2010, 110% precipitation resulted in a miserly 45% water allocation. In 2011, despite 198% of average snow pack, only 80% of water was allocated.

The correlation between the availability of stored water and actual deliveries of water has become inconsistent. Since 1953, final agriculture service allocations from the Central Valley Project have tracked overall CVP storage and therefore the availability of water to the system. However, in recent years CVP allocations have been made without reference to available supplies, which has reduced the



ability of the system to mitigate against drought conditions as originally intended. There is no question that additional rainfall would reduce the suffering of San Joaquin Valley communities. However, even in years with full reservoirs, rushing rivers, and significant efforts to mitigate flooding, water users remained without full water allocations.

DISTORTION: This is an unprecedented attack on California's right to regulate water. It is an assault on states' rights.

FACT: At the invitation of the State of California, the Central Valley Project was built by the federal government nearly seven decades ago. At that time, the State of California relinquished its rights to any water produced by the federal project.

Since 1986, at the request of the State of California and by federal law, the Central Valley Project and the State Water Project are required to operate in coordination with each other. Therefore, any action taken by the federal government will impact state operations and any action by the state will impact federal operations. This is not a state preemption – it is required coordination. Furthermore, the Bay-Delta Accord signed in 1994 by California Governor Pete Wilson and Clinton Administration Secretary of the Interior Bruce Babbitt outlines explicit operations for the Sacramento and San Joaquin Rivers Delta. State compliance with the Accord cannot be labeled federal preemption when California is simply being held to a previous agreement - one that had strong bipartisan support.

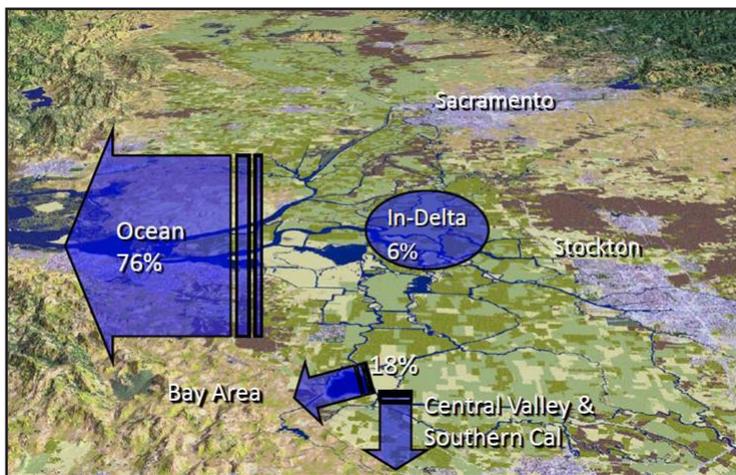
Because the Central Valley Project and the State Water Project are unique and are not replicated anywhere else in the country, the actions prescribed in H.R. 3964 will not set a precedent that can be applied to other Reclamation projects. Furthermore, specific language added to the bill prevents it from being used as a precedent.

DISTORTION: Water contractors (farmers and communities south of the Delta) are using too much Delta water.

FACT: Most Delta water, about 76%, flows into the ocean and not to farms or urban water users.

In an average year, the entire state of California receives about 200 million acre-feet of water through precipitation. More than 50% evaporates into the atmosphere, percolates into the soil or is used by native vegetation. The remaining water, approximately 82 million acre-feet, flows into rivers. Of this amount, California dedicates 48% to the environment – the single largest use of water in California. The remaining water is used by agriculture (41%) and cities (11%). Of the water that reaches the Delta, the vast majority, approximately 76%, flows into the San Francisco Bay.

Bay-Delta Water Utilization

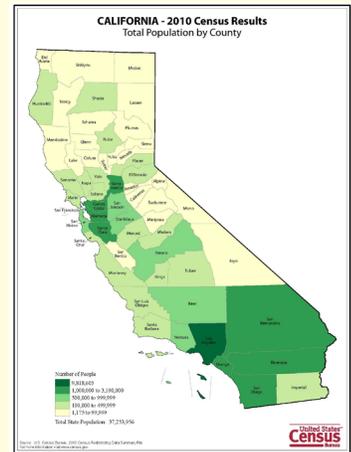


More than three quarters of the water that flows into the Delta reaches the ocean.

Early Settlers Discovered the Mediterranean Climate of California was Ideal for Farming

Much of California is historically arid and dry. The bulk of the state's 38 million residents live in communities that regularly experience low rainfall, and the state's prime farmland is located in a region that was once desert-like.

Early California leaders noted the inhospitable nature of large swaths of the state but also recognized its potential. They brought life and economic prosperity to the Golden State by constructing the world's largest water delivery system - a system that allowed the Sacramento-San Joaquin Valley to become the world's most productive agricultural region.



Once completed, the 54 state and federal reservoirs provided reliable water deliveries to farms and southern California communities using more than a thousand miles of canals. These water deliveries were made during periods of high rainfall as well as catastrophic droughts.

DISTORTION: Senior water rights are being trampled by special interests with junior rights. H.R. 3964 is an attempt to secure more water for South of Delta contractors at the expense of Northern California users.

FACT: The Sacramento-San Joaquin Valley Emergency Water Delivery Act improves supply certainty for all users and restores the property rights of California water contractors.

The bill directs the Secretary of the Interior to operate the CVP with a strict adherence to state water rights law and the California Water Code. This includes CVP operations related to the Endangered Species Act. North of Delta users will benefit significantly from this reform.

The bill also affirms the senior water rights associated with contractors in the Sacramento Valley and resolves a long standing dispute over area-of-origin and Central Valley Project water rights.

DISTORTION: Delta pumping not only kills fish but is damaging the Delta ecosystem by reducing fresh water flows.

FACT: The association between Delta pumping and fish populations is based on junk-science that was thrown out by the federal court (see Delta inflow and correlating Salmon population graph).

Other factors are likely to be far more significant to fish populations including waste water discharge from urban centers, predatory fish and ocean conditions that are cyclical and beyond our control.

Environmental extremists expect us to believe that we can restore smelt, salmon and other species by flushing massive amounts of fresh

water into the ocean while ignoring other factors. The amount of water needed to “save” the environment is constantly being adjusted upward. Today, approximately 76% of Delta water flows into the ocean. When the Central Valley Project Improvement Act (CVPIA) was enacted in 1992, Delta environmental flows were increased by 1.2 million acre-feet. Since then, biological decisions on the Delta have raised this number to 3.4 million. Despite these major water diversions, none of the threatened or endangered species have recovered. In fact, since CVPIA became law more species have been listed, not less. Common sense demands we try something new.

Recognizing the lack of scientific support for water restrictions, the U.S. District Court overturned the biological decisions used to justify them. Specifically, the court ruled that the federal government failed to evaluate the human impact of water restrictions and that “the absence of explanation and analysis for adoption of [water pumping] limits uses no science, let alone the best available and is simply indefensible.”

The Court lamented that the federal government had not only violated the law in pursuit of water restrictions but that the expert witnesses chosen by the government provided no scientific basis for their views and behaved like zealots.

A full and honest examination of the available research shows that other forces are involved in the Delta’s environmental problems. For example NOAA, the federal agency that authored the infamous “killer whale” biological opinion, admitted during Congressional testimony that salmon and other species are being impacted by ocean conditions. In addition, there is extensive research that suggests that non-native species and urban wastewater is causing environmental degradation in the Delta.

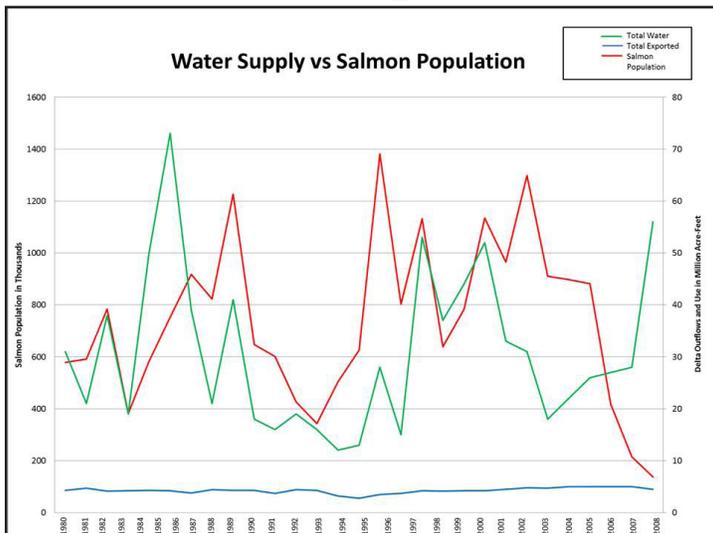
DISTORTION: H.R. 3964 prioritizes farmers and water contractors over the environment.

FACT: The bill seeks to achieve measurable improvements to the environment through the application of evidence-based science.

To date more than \$1.4 billion has been spent under the flawed Central Valley Project Improvement Act (CVPIA) on habitat restoration. These funds were distributed without adequate transparency or accountability, significantly reducing the likelihood that they will improve the Delta ecosystem. H.R. 3964 creates a framework for meaningful cooperation among stakeholders, establishes a process for the reliable delivery of water and replaces junk-science with evidence-based science.

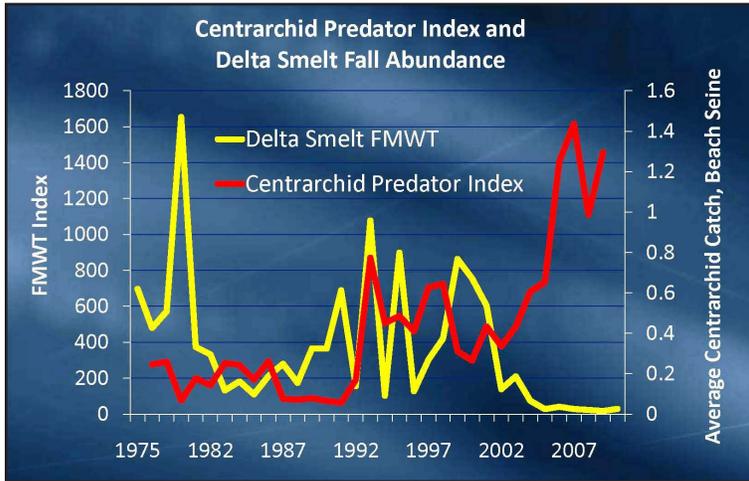
The current management of the Delta ecosystem is conducted on an ad-hoc species-by-species basis that ignores the system as a whole and fails to account for the realities associated with California’s water infrastructure. Bizarrely, this includes ongoing efforts to protect non-native species that prey on native endangered species (see Delta Smelt vs. Predator Species graph on next page). There has been and will be no Delta ecosystem recovery under this model. Common sense demands that after 20 years of failure, Congress try something new.

Delta Inflow and Correlating Salmon Population



This graph depicts Delta pumping, outflow and fishery conditions. (salmon population in thousands and outflows in millions of acre feet)

Delta Smelt vs. Predator Species (1980-2011)



Delta smelt populations and predator fish populations from 1980-2011.

Under existing law it is not the environment but environmental special interests that are thriving. A handful of activists have gained significant control over California's water supply as water contractors are forced to engage in what amounts to regulatory whack-a-mole. Each time a settlement is reached, another issue arises with liability entirely born by one side—the farmers.

DISTORTION: H.R. 3964 favors farmers over fishermen, exacerbating fishery challenges that have caused massive unemployment in the fishing sector.

FACT: Fishermen are suffering from decades of failed policies advanced by the radical environmental movement. Evidence-based science does not support the contention that water exports are harming fish populations.

Existing policies have failed by any reasonable measure to restore health to native fish populations, yet water dedicated to the environment continues to rise. Common sense demands that Congress explore alternatives.

Fishery challenges are not being caused by Sacramento or San Joaquin Valley water users. There is significant evidence that a number of factors are causing declines, some of which are natural phenomena such as ocean conditions. Unfortunately, politics and not evidence-based science have focused the bulk of regulatory attention on Delta pumping for the past 20 years. The fact that the Delta ecosystem has failed to improve over this period demands a re-evaluation of the basic facts.

Despite the fact that there is no credible evidence that water users are causing fishery challenges, some in Congress have attempted to use salmon fishermen as an excuse to block any effort to improve water reliability in the Sacramento Valley or San Joaquin Valley. This is both inappropriate and disingenuous.

A TALE OF TWO DISASTERS



\$2,432

\$100,000+

REELING IN THE CASH

Fishermen were reeling in government bailout checks, many over six figures, but were still able to use their boats and equipment for species other than salmon.

In sharp contrast, Hurricane Katrina Survivors received payments of **\$2,432**.

"It may be the most generous aid package ever to come from Congress." - CBS News.

Salmon Fishermen Bailout Payments

**3 payments of
\$500,000**

**213 payments over
\$100,000**

**Total Payments
\$230 million**



LINK TO CBS NEWS VIDEO

While **government restrictions** have resulted in closed salmon seasons, fishermen were well compensated for the inconvenience. The 1,722 permit holding fishermen received bailouts totaling \$230 million, representing more money per recipient than Hurricane Katrina survivors. Generous payments, courtesy of the American taxpayer, were also provided to businesses associated with the industry.

These payments, billed as disaster relief, were unprecedented. The \$230 million in bailout payments were made to fishing interests despite the fact that the total economic impact of the closed salmon run was estimated by the Congressional Research Service at \$57.9 million.

A unique form of “disaster relief,” the salmon fishermen bailout money replaced 100% of fishing income based on the recipient’s “best recent year,” resulting in six figure payouts for many. While receiving these payments, they were able to continue fishing for albacore tuna, rockfish, crab, slime eel and other species.

The facts demonstrate several things. First, fishery problems are not primarily the result of Delta pumping. The association between the two has been contrived by left-wing special interests. Second, fishermen who were ordered by the government not to catch salmon have received generous payments from the taxpayers for the losses they suffered.

Finally, coastal unemployment hardly suggests an economic catastrophe has hit as a result of fishery challenges. Coastal unemployment is below the state average and remains significantly lower than the water deprived San Joaquin Valley.

DISTORTION: The recreational striped bass fishery and jobs associated with it will collapse.

FACT: The striped bass is a non-native species in the Sacramento-San Joaquin Rivers Delta and is preying on salmon smolts and Delta smelt (species listed under the federal Endangered Species Act).

The California Department of Fish and Game, with the support of the Delta Stewardship Council, the Association of California Water Agencies, the U.S. Fish and Wildlife Service, and the National Marine Fisheries Service, have attempted in recent years to modify existing striped bass fishing regulations. Their proposal would have increased the daily number of striped bass that could be harvested by sport fishermen and lowered the minimum length of harvested fish from 18 to 12 inches.

However, lobbying by the environmental community and the sport fisherman alliance resulted in the California Fish and Game Commission denying the proposal. This ensures predatory species continue to have a devastating impact on native endangered salmon smolts and Delta smelt species. Politics, not evidence-based science, is dominating current policy related to the Delta. H.R. 3964 will provide better protection to native endangered species.

DISTORTION: Counting hatchery fish towards Endangered Species Act determinations is unprecedented.

Yes, this is unprecedented because the federal government has been resistant to common sense and sound science.

The assumption that a hatchery born fish is different than a wild born fish is equivalent to assuming that a child born at home is genetically different than a child born at a hospital. This is federal bureaucratic lunacy.



Hatchery born juvenile Chinook Salmon

DISTORTION: H.R. 3964 will end the Bay-Delta Conservation Plan.

FACT: This is simply false. Quite the reverse is true because the bill replaces biological decisions that were found by the U.S. District Court to be unlawful.

Nothing in the bill would prevent completion of the BDCP, which is intended to be a voluntary habitat conservation plan under section 10 of the Endangered Species Act. It also should be noted that while H.R. 3964 does not undermine the BDCP, the State of California, through the State Water Board, is taking action to preempt the BDCP process. The Water Board intends to concurrently initiate revisions to the Sacramento River flows, Delta outflows and water project operations portions of its Bay/Delta Water Quality Control Plan before the BDCP analysis is finalized.

Moreover, a primary initiative of the BDCP is the authorization of construction of an isolated delta conveyance system. If this bill were enacted as written the construction of an isolated delta conveyance system will no longer be needed and will remove the number one complicating factor in finishing the BDCP process and implementing a voluntary habitat conservation plan.

DISTORTION: Job losses in the San Joaquin-Sacramento Valley are not due to water restrictions.

FACT: Government imposed water restrictions have resulted in job losses which disproportionately impact certain communities. No study has shown that job losses haven't occurred.

There is reasonable debate over the magnitude of those losses but even

the most conservative study demonstrated that **thousands were driven to unemployment due to water diversions.**

In 2009, water restrictions imposed on the San Joaquin Valley forced the diversion of more than 750,000 acre-feet of water from water contractors. This is enough water to irrigate 350,000 acres of land, which is approximately the number of acres fallowed on the westside of the San Joaquin Valley. This is land that had previously been in production with the support of full-time employees.

Had this land been cultivated, there would have been far less unemployment in communities like Firebaugh, Huron, Mendota and Tranquility. Estimates of job losses range from 4,500 to 30,000 and independent research has documented that 18 direct farm jobs are lost per 1,000 acre-feet of water that is diverted away from farms. This does not include the indirect job losses that result.

DISTORTION: Pre-empting State Fish and Game Code on the San Joaquin River is an invasion of states' rights.

Not true - In 1986 California asked for and received federal preemption to ensure coordination of state and federal water projects.

At the invitation of the State of California, the Central Valley Project was built by the federal government nearly seven decades ago. At that time, the State of California relinquished its rights to any water produced by the federal project. Since 1986, at the request of the State of California and by federal law, the Central Valley Project and the State Water Project are required to operate in coordination with one another. Therefore, any action taken by the federal government will impact state operations and any action by the state will impact federal operations. This is not a state preemption – it is required coordination.

Furthermore, the Bay-Delta Accord signed in 1994 by California Governor Pete Wilson and Clinton Administration Secretary of the Interior Bruce Babbitt outlines explicit operations for the Sacramento and San Joaquin Rivers Delta. **State compliance with the Accord cannot be labeled federal preemption when California is simply being held to a previous agreement** - one that had strong bipartisan support. Because the Central Valley Project and the State Water Project are unique and are not replicated anywhere else in the country, the actions prescribed in H.R. 3964 will not set a precedent that can be applied to other Reclamation projects. The bill includes explicit language limiting its application to California.

Finally, this is an exercise of Congress' rights under Section 1 of the Constitution's 14th Amendment to enact legislation to ensure that private property is not taken without due process. Water can be acquired by federal and state agencies for the benefit of fish, but it will have to be acquired in a manner consistent with the just compensation clause of the Constitution's 5th Amendment.

DISTORTION: H.R. 3964 is an attack on states' rights.

The State of California chose to move forward with the Central

Valley Project despite the existence of its own 1933 law requiring live fisheries below a dam. Inconsistency by the state should not be used to undermine CVP operation today.

The basis of the lawsuit to return salmon to the San Joaquin River was California Fish and Game Code 5937 which originates from a 1933 law that required a live fishery below a dam. That 1933 law was recodified in 1957 which became 5937.

With the full knowledge that the construction of the Central Valley Project would violate the 1933 law, the State of California proceeded to request the federal government to authorize a fund for its construction. Preempting 5937 is simply returning to the original agreement between the State of California and the federal government which secured long-term water rights for farms and cities in the San Joaquin Valley. Once again, this action is an exercise of Congress' rights under Section 1 of the Constitution's 14th Amendment to enact legislation to ensure that private property is not taken without due process. Water can be acquired by federal and state agencies for the benefit of fish, but it will have to be acquired in a manner consistent with the just compensation clause of the Constitution's 5th Amendment.



The State of California's Depression era support for the development of the state's federal water project came despite the existence of conflicting state law and continued until recent litigation forced the state to negotiate a change.

DISTORTION: H.R. 3964 undermines checks on the corporate greed of CVP water users by giving them 40 year contracts and eliminating tiered water pricing.

In 1992 CVPIA lowered CVP contracts to 25. Prior to that date, CVP contracts were consistent with all other Western water contracts and lasted 40 years. Tiered pricing was also established by CVPIA but has been universally recognized as having been a failure.

Restoring 40 year consistency in water contracts will promote the cer-

tainty required for long-term investment in jobs. The right of successive renewal is a critical component in long-term financing and planning for agricultural and urban water contractors.

Tiered pricing was included in CVPIA in 1992 to encourage water conservation, not to enrich the treasury. In reality, tiered pricing has become a punitive tax on water districts that try to expand conjunctive use. Repealing tiered pricing will expand groundwater banking, which will have both water supply and environmental benefits.

Finally, the label “corporate farm” is often placed on family owned and run farming in the San Joaquin Valley by people in Washington who have little or no understanding of what it takes to make a living in agriculture today. Environmental, regulatory and market conditions make small, traditional farms highly vulnerable. Many of our farmers have been forced to grow in size and efficiency to remain competitive. Despite this, however, they remain at risk on an annual basis to conditions outside their control.

Moreover, according to the American Farm Bureau Federation, “American farms are still what most people would call “family farms.” Today 98 percent of all farms are owned by individuals, family partnerships or family corporations. Just two percent of America’s farms and ranches are owned by non-family corporations.

DISTORTION: The Bay-Delta Accord is outdated.

FACT: If the Bay-Delta Accord can be tossed aside, then what is the use of negotiating any water agreement?

When the Bay-Delta Accord was signed by California Governor Pete Wilson, Interior Secretary Bruce Babbitt, Commerce Secretary Ron Brown, EPA Director Carol Browner, various local water agencies, and key environmental interest groups, Interior Secretary Bruce Babbitt said: “A deal is a deal, and if it turns out there is a need for ad-



Signing of the Bay-Delta Accord in 1994: California Governor Pete Wilson, Interior Secretary Bruce Babbitt, center.

ditional water it will come at the expense of the federal government. Any additional water necessary under any change of circumstance will be bought and paid for by the federal government.” This legislation makes this promise a reality. If the Accord is outdated, more water can be obtained for fish, but it must be purchased from willing sellers.

Prior to 2007, the operations of the delta pumping facilities were based on the principles of the Bay-Delta. It wasn’t until the issuances of the biological opinions that are the center of controversy today did the operations of the pumping facilities deviate from the Bay-Delta Accord.

DISTORTION: Regulatory streamlining by satisfying NEPA with the completion of CEQA is unprecedented and counter to other bill provisions which provide federal pre-emption.

FACT: First, see the distortion about “states’ rights” which dispels the idea the federal government is acting unilaterally on a highly integrated and coordinated project. Second, it has been the practice of the federal government to allow states to develop their own environmental protections.

Removing duplicative regulatory burdens at the federal level if the states’ requirements meet or exceed those required by the federal government is reasonable. Contrary to the coordinated operation of the Central Valley Project at the request of the State of California, state’s rights can be preserved by removing over-burdensome and duplicative regulations.

The procedural requirements of the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) are identical. In fact, CEQA contains substantive provisions that are absent from NEPA. For example, under CEQA, a project cannot be approved without mitigation measures if there are feasible actions that will reduce the impact to less than significant.

The federal government deferring the responsibility of environmental protection to the state is not unprecedented. In the transportation sector the federal government passed the Surface Transportation Project Delivery Pilot Program (23 USC Sec. 327), which was part of SAFETEA-LU. This bill allows the state to take the responsibility for the environmental review of projects and streamlines the process to encourage investors and bring quicker completion of projects.

DISTORTION: Congress is breaking up an historic settlement of the San Joaquin River dispute with no support from the affected water users.

FACT: Congress must consider the views of all of the impacted parties and not simply court litigants when adjudicating what is in the public interest. Cities, counties, taxpayers and many others did not support the San Joaquin River settlement.

The enactment of the settlement legislation was jammed through Congress over the objections of many cities and counties that were impacted by the water loss. These folks were not party to the settlement and the solution was forced upon them. The only way the Pelosi-led Congress could enact the ill-advised San Joaquin River Settlement was to cram it in a massive omnibus lands bill.

DISTORTION: Congress is destroying a salmon fishery on the San Joaquin River.

FACT: It is impossible to destroy a salmon fishery that hasn't existed in the San Joaquin River for nearly seven decades.

Even before Friant Dam was completed in 1942, the salmon that existed in the river was intermittent at best. H.R. 3964 will support a live river and a viable fishery, but it will not attempt to resurrect an extinct salmon run at a cost of \$22 million per fish.

DISTORTION: Congress cutting \$300 million in federal funding for the San Joaquin River restoration will harm farmers.

FACT: Repealing \$300 million in authorized appropriations will have no impact on farmers.

The San Joaquin River Settlement, in which the funding was intended, is repealed in this bill. Therefore, the projects that were needed to restore a cold-water fishery will no longer be necessary.

DISTORTION: The CVP prepayment scheme is a giveaway to farmers by allowing a full treasury rate discount on the remaining balance of the federal loan.

FACT: This is completely false because it benefits the taxpayers rather than farmers.

This distortion ignores basic economics of the time value of money – “A dollar in hand today is worth more than a dollar promised at some future time”.

Currently, farmers do not pay interest on their share of the capital costs to construct the CVP. Therefore, they have absolutely no incentive to pay-off the obligation early. With the time value of money, taxpayers lose because the final repayment of these capital costs in 2030 will be worth less than an up-front payment today. By offering a discount on the prepayment of this obligation, the farmers have the incentive to repay the obligation early, and this will be a boon to the taxpayers.

The benefit to the farmers is minimal because they will have to issue interest bearing bonds to pay-off the federal loan. Current interest rates for highly rated agencies is approximately 6%, which is significantly higher than the treasury rate.

BEFORE GOVERNMENT-IMPOSED WATER SHORTAGES



PROLONGED DROUGHT PRIOR TO GOVERNMENT- IMPOSED SHORTAGES



AFTER GOVERNMENT-IMPOSED SHORTAGES



DISTORTED WATER TIMELINE (1930-1980)



August 11, 1935

Central Valley Project is born: With the Rivers and Harbors Act of 1935, the federal government assumed control of the Central Valley Project and its initial features were authorized for construction by the U.S. Army Corps of Engineers.

Funds for construction of the initial features were provided by the Emergency Relief Appropriation Act of 1935 (49 Stat. 115). The project was authorized by a finding of feasibility by the Secretary of the Interior and approved by the President on December 2, 1935, for construction by Reclamation.



October 1939

Friant Dam construction begins: Griffith Company and Bent Company of Los Angeles were awarded the Friant Dam construction contract on a low bid of a little more than \$8.7 million. Under contract terms, the firms had 1,200 days from October 1939 to finish the job.



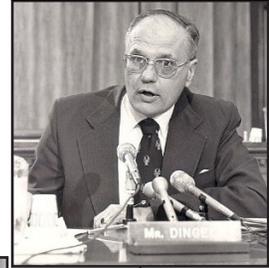
February 21, 1944

Friant Dam begins operations: Millerton lake can reach 520,000 acre feet at maximum capacity.



September 1962

The Modern Environmental Movement is born: Rachel Carson publishes Silent Spring and successfully leads the effort to ban DDT - a chemical that had been instrumental in the eradication of malaria in the developed world.



February 3, 1973

ESA becomes law: Large Democratic majorities in the House and Senate help speed passage of the Endangered Species Act, authored by Rep. John Dingle (D-MI).

1930

1940

1950

1960

1970

1980

1937

The case against Friant is born: California Fish and Game code 5937 is updated. The law mandates the owner of any dam shall allow sufficient water at all times to pass through a fishway, or in the absence of a fishway, allow sufficient water to pass over, around or through the dam, to keep in good condition any fish that may be planted or exist below the dam.



October 1937

Construction begins: Construction of the initial units of the Central Valley Project begin in October 1937.



January 1, 1970

NEPA created: Large Democratic majorities in the House and Senate help speed passage of the National Environmental Policy Act (NEPA) - leading to the establishment of the Environmental Protection Agency.



1988

NRDC leads San Joaquin River Lawsuit: Fifteen environmental groups sued the federal government in 1988, arguing contract renewals should be subject to environmental review under provisions of the National Environmental Policy Act (NEPA) and the Endangered Species Act (ESA).



DISTORTED WATER TIMELINE

(1990-2014)



May 20, 2005
NRDC sues the federal government over the Delta smelt.



September 13, 2006
Friant surrenders:
 Fatally flawed San Joaquin River Settlement Agreement is signed.



August 31, 2007
Smelt ruling:
 U.S. District Court Judge Oliver Wanger orders Delta Smelt protected by imposing limits on water flows caused by pumps at San Joaquin-Sacramento River delta from December to June.



June 4, 2009
Obama Ruling:
 The National Marine Fisheries Service ruled that Delta pumping was killing salmon, steelhead, sturgeon and killer whales.



July 23, 2009
Turn on the Pumps Act Defeated:
 Congressman Nunes' HR 3105, the Turn on the Pumps Act, would have returned Delta pumps to normal operations. Democrats killed consideration of the measure (Roll Call 616).

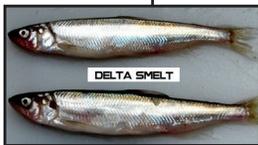


May 18, 2010
U.S. District Court Rejects Junk Science:
 Judge Wanger declared that the federal government failed to evaluate the human impact of water restrictions and that "the absence of explanation and analysis for adoption of [water pumping] limits uses no science, let alone the best available and is simply indefensible."



October 1992
CVPIA becomes law:
 Large Democratic majorities in Congress speed passage of the Central Valley Project Improvement Act, sponsored by Rep. George Miller (D-CA). The bill dedicated 800,000 acre feet of water to the environment.

March 5, 1993
Minnnows get protection:
 The Delta Smelt is listed under the Endangered Species Act as "threatened."



3 INCHES

March 25, 2009
Dry dirt and tumbleweeds:
 Congress enacts the San Joaquin River Settlement as part of a larger omnibus public lands bill. The legislation mandates a salmon-run on the river and leaves open-ended future water diversions from the region's already dry communities.



October 1, 2009
Test Flows Begin:
 As the westside of the San Joaquin Valley is transformed into desert due to Delta pumping restrictions, the eastside of the valley begins to spill water from Friant dam to restore a long-gone fishery on the San Joaquin River. The river restoration sets the stage for massive water diversions that ultimately will mirror those of the westside.



February 29, 2012
Sacramento-San Joaquin Valley Water Reliability Act
 The full House passes H.R. 1837, a comprehensive solution to government-imposed water shortages.



Emergency Water Provision Sought in Farm Bill by House Leaders
 Chairman Frank Lucas has presented a legislative fix in a bicameral conference committee to relieve the water crisis in the South Valley.

January 29, 2014





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