



Water Storage Investment Program: Consideration of Inflationary Increases to Projects' Maximum Conditional Eligibility Determination Amounts (Action Item)

Agenda Item at a Glance

- The [Water Storage Investment Program](#), called "WSIP," funds the public benefits of water storage projects. It is funded by Proposition 1, passed by voters in 2014, and Proposition 4, passed by voters in 2024. "Public benefits" are the ways in which water storage projects provide benefits to Californians broadly, such as cleaner water, new recreational opportunities, and improvements to the land and water fish and wildlife need to survive. Water storage projects include dams and underground water storage.
- Six projects are part of WSIP. Background information about the projects that are part of the WSIP is available [at this link](#), on the right side of the webpage.
- This is an action item. At this meeting, the California Water Commission, called "Commission," will decide whether to increase the amount of WSIP funding potentially available to the following five WSIP projects if they complete legal requirements:
 - Chino Basin Program
 - Kern Fan Groundwater Storage Project
 - Pacheco Reservoir Expansion Project
 - Sites Project
 - Willow Springs Water Bank Conjunctive Use Project
- At this meeting, Commission staff will present a staff recommendation regarding each project. Tribes and the public will have an opportunity to make comments to the Commission before the Commission discusses this agenda item and takes action on each project.

Introduction

The California Water Commission (Commission) administers the Water Storage Investment Program (WSIP) to invest in the public benefits associated with water storage projects. Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1), codified at Water Code section 79750 *et seq.*, and Proposition 4, the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clear Air Bond Act of 2024 (Proposition 4), codified at Public Resources Code section 91015, fund the State's investment in the public benefits.

The Commission's primary role with WSIP is to determine how to make approved bond funding available to the six projects that are part of WSIP, once each project meets the statutory requirements. Of the six projects currently in WSIP, one, the Harvest Water Program, has received final funding. The other five projects have not yet received final funding; they each have a maximum conditional eligibility determination (MCED), which is the amount of WSIP funding presently available for the Commission to award to the project when it meets all necessary statutory requirements.

The recent passage of Proposition 4 and the withdrawal of the Los Vaqueros Expansion Project (LVE Project) from WSIP resulted in \$526.3 million of WSIP funding for potential use by the remaining six WSIP projects if each project meets the statutory requirements. Of this funding, the Commission awarded the Harvest Water Program \$73 million at its March 2025 meeting. The Commission must consider whether to allocate or hold the remaining \$453.3 million.

At the March 2025 meeting, the Commission requested a presentation from each WSIP project that does not have a final funding award to assess their status and viability before considering inflationary increases. The Commission heard updates from all five projects without final awards during monthly meetings since March. This agenda item will provide information about the decisions the Commission may make regarding the \$453.3 million available in WSIP funding. The Commission will separately decide whether to increase the amount of WSIP funding available to each of the following five WSIP projects:

- Chino Basin Program
- Kern Fan Groundwater Storage Project
- Pacheco Reservoir Expansion Project
- Sites Project
- Willow Springs Water Bank Conjunctive Use Project

Options for Inflationary Increases to MCED Amounts

The Commission may provide pro rata inflationary increases to the five projects' MCEDs that have not received a final award. There are currently three potential options for adjusting the MCEDs for existing projects: pro rata for all, pro rata for some, or pro rata for none.

With the first option, pro rata for all, the Commission can provide pro rata increases to all MCEDs. The dollar amounts indicated in Table 1, in the column titled "Total Additional Commitment Pro Rata," (below) will be added to each project's MCED.

Table 1: Pro Rata MCED Increases

	Current MCED/Award	Total Additional Commitment Pro Rata	Resulting MCED/Award
Chino Basin	\$215,265,405	\$53,847,839	\$269,113,244
Kern Fan	\$89,123,415	\$22,293,890	\$111,417,305
Pacheco	\$504,141,383	\$126,109,087	\$630,250,470
Sites	\$875,396,369	\$218,977,138	\$1,094,373,507
Willow Springs	\$128,274,876	\$32,087,482	\$160,362,358
Harvest Water*	\$364,844,199	-	\$364,844,199
Totals	\$2,177,045,647	\$453,315,436	\$2,630,361,083

* The Commission awarded a pro rata increase for Harvest Water Program in March 2025.

With the second option, pro rata for some, the Commission can provide pro rata increases to some projects' MCEDs and not others. With this option, some projects would receive the pro rata MCED increases shown in Table 1. Other projects would remain at their current MCED. Some amount of WSIP funding would remain unattached to any WSIP project.

With the third option, pro rata for none, the Commission can decide not to provide inflationary increases to any MCEDs at this time. The Commission can direct staff to return in the future to revisit the item, leaving \$453,315,436 of WSIP funding unattached to any WSIP project.

If Commissioners decide to pursue options two or three – pro rata for some or pro rata for none – some amount of WSIP funding will remain uncommitted to any WSIP project. Staff would return to the Commission at a future meeting to provide it with recommendations on how to allocate that remaining funding.

Project Presentations

At the Commission's request, the five projects with MCEDs provided project updates with the purpose of explaining each project's status, the viability of the project's public benefits, and its progress toward a final funding hearing. The Commission received project updates in April, May and July 2025. The information provided in agenda item 8: Water Storage Investment Program: Update on Expected Timelines and Obstacles provides an overview of information shared with the Commission as part of these project updates and in the most recent quarterly reports submitted by projects. Information about the individual presentations from projects is available on the Commission's meetings webpage: [Meetings](#). Recordings of the projects' presentations are available here: [Archives - CA WATER](#).

Commission Decision

The Commission may consider a variety of factors when deciding to adjust an MCED. In addition to the MCEDs for each project would provide more financial certainty to each project as they interact with funding partners or rate payers. Providing increases to the MCEDs would also open the possibility for projects to make requests for early funding for planning related

activities. This funding is limited to five percent of the MCED. These funds, if the Commission awards them, could be sunk costs if a project does not move forward. Conversely, additional early funding could keep projects moving forward.

The Commission may consider making inflationary increases for projects that appear to be moving forward and are likely to provide the public benefits under this Program. The Commission may consider projects' recent presentations and whether they indicate that the project is making progress and is likely to provide public benefits.

Additional funding could become available in the future if a project withdraws from the Program, the Commission removes a project's MCED due to lack of progress, or the Commission receives additional funding (e.g., new bond funds). The Commission could consider how to potentially commit funds that remain unattached.

Staff Recommendation

Staff recommends that the Commission pursue option two, pro rata for some. This would increase the MCEDs of projects presently making sufficient progress, while withholding funding from those projects that were directed to do additional work to assure the Commission their projects remain viable. This option would allow the Commission to fund projects making progress now so they can continue on a successful financial trajectory, while simultaneously allowing the Commission to ensure it has additional funding to allocate later.

Staff recommends awarding pro rata inflationary increases to the Chino Basin Program, Kern Fan Project, and the Sites Project.

- The Chino Basin project has made demonstrable progress on its public benefit contracts and secured agreements with local agencies that are essential for delivering public benefits.
- The Kern Fan Project recently reassessed its ability to deliver its public benefits and confirmed that it will be able to do so. The project is entering into a contract with Kern County Water Agency to design a turnout and conveyance facility and started construction on its recharge basins. The turnout location and recharge basins are critical infrastructure for the project.
- The Sites Project is actively securing State and federal permits for the project and has demonstrated that it has funding participation from federal and local partners. The Sites Project is aggressively pursuing a final funding date in 2026.

Conversely, Willow Springs and Pacheco have failed to make similar progress, and more is needed to assess whether increases to their allocations are warranted.

- Commissioners indicated a desire to hear further updates from the Willow Springs Project regarding the State Water Contractor participation in the project, which is needed to understand the design and cost of the project.
- Commissioners also asked Valley Water representatives to provide another update in October 2025 to hear more about the Valley Water Board decision process and the relationship between the project and U.S. Bureau of Reclamation.

These outstanding concerns for these two projects indicate that further progress is needed before additional decisions regarding inflationary increases can be made.

Staff recommends adding the dollar amounts indicated in Table 2 below, in the column titled “Total Additional Commitment Pro Rata,” to each project’s MCED.

Table 2. Staff Recommendation of Pro Rata MCED Increases

	Current MCED/Award	Total Additional Commitment Pro Rata	Resulting MCED/Award
Chino Basin	\$215,265,405	\$53,847,839	\$269,113,244
Kern Fan	\$89,123,415	\$22,293,890	\$111,417,305
Pacheco Reservoir	\$504,141,383	\$0	\$504,141,383
Sites	\$875,396,369	\$218,977,138	\$1,094,373,507
Willow Springs	\$128,274,876	\$0	\$128,274,876
Harvest Water*	\$364,844,199	-	\$364,844,199
Totals	\$2,177,045,647	\$295,118,867	\$2,472,164,514
Remaining Funds			\$158,196,569

*The Commission awarded a pro rata increase for Harvest Water Program in March 2025.

If the Commission adopts the staff recommendation there will be uncommitted funds. Staff also recommends the Commission direct staff to evaluate how the Commission is authorized to commit these funds pursuant to statutory requirements.

Background

Through WSIP, the Commission will invest \$2.6 billion in the public benefits of water storage projects, consistent with the requirements of Proposition 1, Chapter 8. In July 2018, the Commission made Maximum Conditional Eligibility Determinations (MCEDs), which set the amount of Proposition 1 funding potentially available to each project. One project received a final award at the June 2023 Commission meeting. The five remaining WSIP applicants successfully met Proposition 1 interim requirements by the deadline of January 1, 2022, and are working to complete the remaining statutory requirements. These include obtaining permits and completing environmental documents, executing contracts for the administration of public benefits, and completing contracts for non-public benefit cost share. When the applicant completes these requirements, the applicant will return to the Commission for a final award hearing.

Agenda Item: 9

Meeting Date: August 20, 2025

Page 6

At the time of application (2018), WSIP projects were required to use 2015 dollars when calculating costs. Annual inflation between 2015 and 2024 has been large relative to the previous decade. Commission economists calculate that project costs have inflated 53%, based on the inflation of land values and construction costs since 2015.

This agenda item is related to Goal One of the [Commission's Strategic Plan](#), which calls on the Commission to implement WSIP to achieve public benefits.

Meeting Overview

Commission staff will present options and a staff recommendation for increasing remaining projects' MCED amounts created by the withdrawal of the Los Vaqueros Reservoir Expansion Project and from funds available from Proposition 4 (2024). The Commission will take comment from Tribal leaders and the public, discuss the information presented, and vote on whether to award inflationary increases to each project. The Commission will vote on each project individually.

This is an action item.

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