

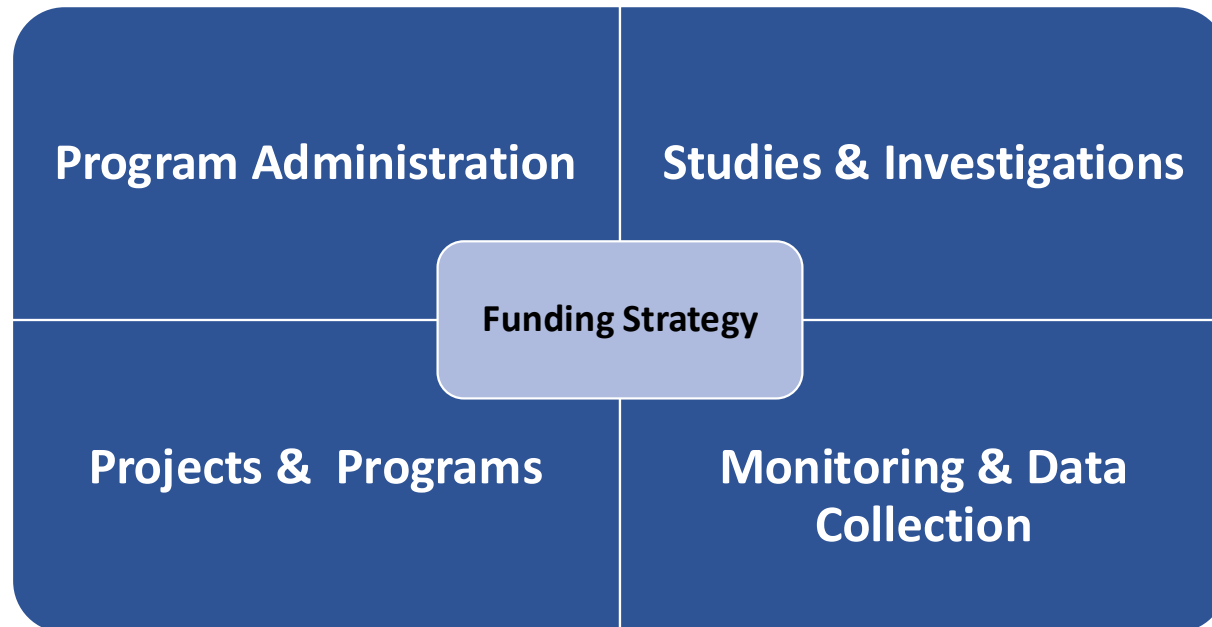
SGMA Cost Allocation Approaches for the Corning Subbasin

Prepared for the Corning Subbasin Advisory Board

Date: June 8, 2022

SGMA Funding Needs

SGMA implementation will require funding to support various administrative and compliance activities.



Sources of SGMA Implementation Funding

- **Charges: Fees and/or assessments levied by the GSAs pursuant to their SGMA and related statutory (e.g. Proposition 218, 26) authority**
 - ***IMPORTANT: Charges are a pre-requisite for enabling the use of other outside funding and financing sources***
- **Grants**: Funds provided through local, state, federal, and other programs that are opportunistically available for specific purposes
- **Bonds and Borrowing**: General obligation or revenue bonds, usually issued to finance capital-intensive projects, with repayment obligations
- **Partner Funding**: Use of existing partner funds to support

Expected Sources of Funding

Multiple Sources: GSAs can utilize multiple sources of funding to support GSP Implementation.

Flexibility: GSAs have the flexibility to adjust or adopt new funding approaches over time as new data becomes available, new needs are established, and new opportunities are identified.

Timing: Not all activities need to be fully funded and implemented starting in 2022.

Implementer: Cost burden will depend on the implementing entity (e.g. GSA, County, District)

General Program Administration

- GSA Charges

Management Actions

- Grants
- Partner Funding (i.e. implementing agency)
- GSA Charges

Projects

- Grants
- Partner Funding (i.e. implementing agency)
- GSA Charges
- Bonds and Borrowing

How Do the GSAs Share SGMA Costs?

- *Memorandum of Understanding Among Groundwater Sustainability Agencies in the Corning Subbasin* formalizes TCFCWD's and CSGSA's cooperative obligations in developing and implementing the GSP
- The MOU provides General approaches for two types of costs:
 - Shared Costs (Article 12): Costs shared between all the members of the MOU
 - Specific Project Costs (Article 11): Costs incurred by a one or more members of the MOU
- The MOU is silent on:
 - The method (e.g. proportional, etc.) to allocate costs between members
 - The regulatory mechanism (e.g. Proposition 218, 26) to generate charges
 - The approach for charging Subbasin stakeholders (e.g. acreage, well, usage)

Mechanisms for Recovering Costs

Fees or assessments levied by GSAs are governed by the provisions of SGMA, Proposition 13, Proposition 218, and/or Proposition 26. The below mechanisms have been successfully applied by other GSAs to implement new charges.

Regulatory Process	Type	General Applicability	Approval	Public Hearing	Collection Method(s)	Fee Study
Proposition 218	Assessment	Special benefit of public improvement or property-related service	Affirmative Vote, Majority Protest, & Board Approval	Yes	County Assessor	Engineer's Report
	Cost of Service Fee (Water)	Property-related water service	Majority Protest & Board Approval	Yes	County Assessor or GSA	n/a (Demonstrate Cost of Service)
Proposition 26	Regulatory Fee	Reasonable regulatory costs	Board Approval	Yes	County Assessor or GSA	n/a (Demonstrate Reasonable Cost)

Approaches for Allocating Costs

- The method for allocating a cost should bear a fair and reasonable relationship to the payor's burden and the benefit received.
- Different methods may be more appropriate for different costs, for example:
 - Services and benefits generally available to all
 - Projects benefiting specific users or regions
- Potential approaches could be based on units of measure such as, but not limited to:
 - Parcels
 - Acres
 - Land Use Type
 - Wells
 - Water Use
 - Hybrid

Subbasin Data for Consideration

The Corning Subbasin consists of a diverse range of land uses, water uses, user types, and well infrastructure. This information is also being constantly refined.

Land Area by Use Type	Tehama, Acres	Glenn, Acres	Total, Acres
Ag - Surface Water, Access	9,416	5,650	15,066
Ag - Groundwater, Exclusive	31,580	15,897	47,477
Ag - All	40,997	21,548	62,544
Urban & Rural Residential	~6,000	~1,200	~7,200
Non-Irrigated	114,308	22,968	137,276
Total Acreage	161,305	45,715	207,020

Well Size by Casing Diameter in Inches	Well Count
Less than or equal to 2 inches	282
2.5 to 4 inches	103
5 inches	713
6 inches	1,587
6.5 to 8 inches	322
8.5 to 12 inches	360
13 to 16 inches	453
17 to 19 inches	20
20 to 36 inches	38
Unknown	2,339
Total Wells	3,879

Comparison of Cost Allocation Approaches

(example \$1mm budget)

Approach Type	Benefit Logic	Revenue Stability	Data Needs	Other Considerations	Cost Summary by Approach (Example \$1M/Year Budget)
Parcel Count	General Benefit	High	Low	<ul style="list-style-type: none"> Simple to administer May disproportionately affect smaller landowners Does not consider differences in parcel size, land use, or water use 	<ul style="list-style-type: none"> All: \$104.33/parcel
Acreage (incl. different land use types)	General Benefit or User Pays	High	Low	<ul style="list-style-type: none"> Simple to administer Irrigated and municipal acres could serve as a proxy for groundwater use SGMA compliance required for the entire basin 	<ul style="list-style-type: none"> Gross Acres: \$4.82/acre Irrigates Acres: \$15.99 Groundwater Acres: \$14.34/acre Sliding Scale: <ul style="list-style-type: none"> Gross Acres: \$4.82 - \$14.34/acre Groundwater Acres: \$0.00 - \$4.82/acre
Well	User Pays	High	High	<ul style="list-style-type: none"> Requires substantial data collection Potentially higher cost of administration Equity of charges by well type SGMA compliance required for the entire basin 	<ul style="list-style-type: none"> All: \$257.80/well Type: Exempted, or \$79.74/well to \$637.96/well
Groundwater Extraction	User Pays	Low	High	<ul style="list-style-type: none"> Revenues may vary by year type Requires monitoring or reliable estimates Potentially higher cost of administration and data collection SGMA compliance required for the entire basin 	<ul style="list-style-type: none"> Fixed Rate: \$6.33/AF Variable Rate: \$5.92 - \$6.67/AF (depending on hydrology and total pumping)
Hybrid	General Benefit and/or User Pays	Varies	Varies	<ul style="list-style-type: none"> May balance competing equity interests Potentially higher implementation costs and risk of failure if multiple regulatory mechanisms used May require significant data collection depending on approach 	<ul style="list-style-type: none"> Varies

Recommendations for Corning Subbasin GSAs

- The GSAs should seek to apply consistent cost recovery approaches, unless both can demonstrate that different approaches are more appropriate
- Approaches can change over time as more data become available
- Different methods can be applied to recover different types of costs (e.g. general, project, etc.), and new approaches can be applied for new costs
- Recommended Near-Term Approach for General Program Administration
 - Acreage-based; or
 - Acreage-based by land use type; or
 - Hybrid of acreage- (incl. by land use type), well-, and/or usage-based