

## **Funding Work Group Report to EARIP Friday, January 14, 2011—San Marcos**

The members of the Work Group include Weir Labatt, Chair, Sam Hemle, Adam Yablonski, Calvin Finch, Kirk Patterson, Con Mims, Tom Taggart, Todd Votteler, Jerry James, Annalisa Peace, Kerim Jacaman, and Jim Bower. The meetings were facilitated by Joe McMahon.

The Work Group has met on the following dates:

Thursday, December 2, 2010	9 am – 3 pm
Monday, December 20, 2010	9 am – 3 pm
Wednesday, January 5, 2011	9 am – 3 pm

Another meeting is scheduled for Monday, January 17, 2011 from 9 am – 3 pm.

The Work Group strongly recommends that the EARIP seek **grants from federal, state, and private sources** to assist in paying for the implementation of specific elements of the plan. The Work Group is putting plans in place to visit FWS in Albuquerque in February and then to Washington, D.C. to explore funding opportunities. We have had a very positive and encouraging meeting with Mike Montagne from FWS's Fisheries Program about funding opportunities.

Nevertheless, the reality is that the Edwards Aquifer region and others who benefit from the implementation of the HCP will bear the significant portion of the costs of the HCP.

**The Work Group has focused on two possible options for obtaining that money.** Our discussions of these options have only been at a conceptual level looking for a framework to recommend. The details will have to be debated, and hopefully agreed upon and developed. After the January 17<sup>th</sup> Funding Work Group meeting, recommendations will be made to the EARIP. We anticipate asking the EARIP for a formal vote at the February 10<sup>th</sup> meeting with respect to proceed with the development of one or both of the options.

The following is a brief description of both options (the order of presentation does not indicate any preference).

- **A regional authority established by the State Legislature to receive and distribute a sales tax set by the State.**

The Regional Authority would probably be simply a pass-through for the money. The purpose of the tax will be limited to fund water-related projects needed to satisfy the requirements of the Endangered Species Act, including but not limited to the implementation of the EARIP HCP.

The boundaries of the regional authority would probably include the

existing EAA jurisdiction and counties contiguous to the Guadalupe River Basin. The sales tax would be authorized for 1/4 of 1% and would allow the immediate collection of 1/8 of 1% for implementation of the HCP. It is assumed that the 1/8 of 1% would raise approximately \$30,000,000 annually. A vote of all citizens in the jurisdiction of the new regional authority would be necessary to authorize the levy and collection of this sales tax. This sales tax would be separate and apart from the maximum 2% sales tax collected by municipalities.

Because the Work Group realized that it would be presenting this possible option publicly at this EARIP "no surprise" meetings have been held (individually or staff members) with

Bexar County Judge Nelson Wolff

City of San Antonio Mayor Julian Castro

State Senators Glenn Hegar, Leticia Van de Putte, Carlos Uresti, Jeff Wentworth, and Judith Zaffirini

State Representatives Speaker Joe Straus, Joaquin Castro, Doug Miller, Pete Gallego, Richard Gutierrez, Tracy King, Harvey Hildebran, Trey Martinez Fischer, John Kuempl, Ruth Jones McClendon, Jose Menendez, Mike Villareal, and House Natural Resources Committee Chairman Allan Ritter and Vice Chairman, Bill Callegari

The sole purpose of these meetings was to let the persons know that the EARIP was considering and discussing the possibility of a sales tax option rather than having them read about it in a local newspaper. No requests were made of these lawmakers at these meetings nor was there discussion of any specific proposal.

This option will proceed only if approved by the EARIP and if local and regional politicians support it and the Governor's office is in agreement to go forward.

- **A funding allocation between the Edwards Aquifer pumpers and the non-pumpers** (primarily downstream of Comal and San Marcos Springs).

Pumpers will pay additional EAA Aquifer Management Fees (AMF). This additional AMF will probably be less than two times the current AMF.

Non-pumpers will pay a fixed amount per year as their allocation of HCP costs.

The most difficult issues to be negotiated are:

- (1.) the percentage split between the pumpers and the non-pumpers, and

(2.) an increase in the AMF for irrigated agriculture from the current legislated maximum of \$2 per acre foot.

Refer to the two attached spreadsheets for a more detailed explanation of this option.

We are currently exploring a range for the division between pumpers and non-pumpers between zero and 13 percent but no agreement has been reached either on any number or narrower range of numbers. One possibility that has also been discussed is tying the resolution of the split to how any federal, state, and private funding is allocated between the pumpers and non-pumpers.

The cost sharing allocation between pumpers and non-pumpers will be renegotiated at the end of Phase 1 (Year 7) of the HCP) based on knowledge obtained during the first seven years of adaptive management.



Pumper/Non-Pumper Funding Analysis 1/14/11

Pumper	87.0%	88.5%	90.0%	91.0%	92.0%	93.0%	94.0%	95.0%	96.0%	97.0%	98.0%
Non Pumper	13.0%	11.5%	10.0%	9.0%	8.0%	7.0%	6.0%	5.0%	4.0%	3.0%	2.0%
Additional Avg Residential EAA Pass Thru Monthly	\$2.41	\$2.45	\$2.49	\$2.52	\$2.54	\$2.57	\$2.60	\$2.63	\$2.65	\$2.68	\$2.71
Nom Pumper Fixed \$ Contribution	3,925,480	3,472,540	3,019,600	2,717,640	2,415,680	2,113,720	1,811,760	1,509,800	1,207,840	905,880	603,920
All Grants Received from the US Federal Government, State of Texas, or Private Foundations/Interests											
Accrue to the Pumps											
Non Pumps											
Edwards Aquifer Authority											
Guadalupe Blanco River Authority											
San Antonio River Authority											
Nueces River Authority											
Other											
Municipal (Includes City of Victoria)											
Industrial (Includes Chemical Industry)											
Irrigated Agriculture											
Base of Above Calculations is EAA 2010 Budgeted Aquifer Management Fees						15,098,000					
Approximate Annual Cost of EARIP						Times 2					
						30,196,000					