



June 14, 2022

Honorable Gavin Newsom
 Governor, State of California
 State Capitol
 Sacramento, CA 95814

Dear Governor Newsom:

As business leaders from across the state, we are writing to sound the alarm: The lack of water supply is harming business operations, jeopardizing jobs, causing food disruptions and disincentivizing investments in California. Our existing water system can no longer deliver the water necessary to sustain the world's fifth largest economy.

California must establish a clear target to increase its surface water supply to meet current and future needs for human consumption and a growing economy. Our state has set goals for carbon emission reductions, renewable power, waste diversion, land conservation and other climate-related objectives. However, we still do not have a goal to grow the water supply. In fact, our current strategy is precisely the opposite: To keep shrinking surface water supplies available for human consumption and expect homes and businesses to do more with less. As a result, we are merely managing economic decline.

The Governor and Legislature must immediately act to change this trajectory and avoid pending economic disaster before the opportunity to revamp our water supply infrastructure has passed. Businesses throughout California face the specter that water agencies will be forced to cut back, or completely cut off, water supplies to commercial and industrial customers. This is in addition to the devastating zero percent allocations to many of our leading agricultural regions, which further illustrates the enormous challenge California faces now and in the future.

We are disappointed in the lack of urgency reflected in the state budget currently being considered, especially in a year when California has the resources available to make long-term investments in an area of demonstrated public need. The national economy has recently witnessed supply shortages of raw materials, computer chips and even baby formula. The lack of water will serve to amplify these impacts in heretofore unimaginable ways. Consider the following realities of not addressing water supply adequately for ***agriculture and the food supply***:

- A [UC Merced study](#) found that roughly 385,000 acres of farmland sat unused in the Sacramento and San Joaquin Valleys due in large part to drought impacts in 2021. The lack of water resulted in a direct economic cost to farmers of \$1.1 billion and the loss of nearly 8,750 agricultural jobs. They also estimated the state's agriculture industry and related sectors lost \$1.7 billion in revenue, as well as more than 14,600 full and part-time jobs. The researchers' analysis shows that "the past year of drought had significant economic impacts, and these costs are likely to accumulate as climate change intensifies drought, and as California implements regulations to curb the chronic overpumping of groundwater."
- As a result of implementation of the Sustainable Groundwater Management Act (SGMA), combined with the Drought Executive Order, well drilling for agricultural purposes has basically stopped. According to a [UC Berkeley study](#), SGMA and other anticipated water supply restrictions will result in over a million acres of rich productive farmland being fallowed in the San Joaquin Valley in the coming decades, approximately one-fifth of all acres currently under cultivation in the Valley.
- A [Yale University report](#) calls California "America's garden," noting that the state produces two-thirds of all fruits and nuts grown in the U.S., including nearly all U.S.-grown almonds, artichokes, avocados, broccoli, carrots, celery, kiwi, figs, garlic, grapes, raisins, raspberries, strawberries, honeydew melons, nectarines, olives, pistachios, plums, tangerines, mandarins, and walnuts.

A lack of serious commitment to our state's water infrastructure also has severe consequences for ***energy reliability***, especially carbon-free hydropower production:

- In 2021, the [Massachusetts Institute of Technology reported](#) on the consequences of the failed water system on California's hydropower capacity: "Electricity generation from California hydropower plants was down 48% from the 10-year average, according to new data from the Energy Information Agency. And 2022 is looking even worse ... As a low-carbon source of power,

it's essential in limiting emissions of carbon dioxide, especially because when a hydropower plant goes down, fossil fuels are usually used to make up the shortfall.”

- A 2021 [Next 10 report](#) estimates “about 20 percent of California’s total statewide electricity use, a third of non-power plant natural gas consumption, and 88 billion gallons of diesel consumption are related to water – from collection and treatment to use and wastewater management – with a large share associated with heating water...”

The **housing crisis** will also worsen with a lack of water supply. An estimated 120,000 affordable homes need to be built each year through 2030 to meet California's housing needs, but the lack of available and reliable water supplies could force some water districts to ban new connections. By law, water agencies must approve water supply assessments for new housing as part of the development process. Water agencies must have a reliable and predictable future water supply to make these findings. The water crisis will affect the ability of builders to construct the housing that is vital to affordable housing challenges.

- Housing advocates and developers are very concerned about California’s severe drought and the ability to build new homes as required by the Regional Housing Needs Allocation (RHNA). According to Richard Frank, director of the California Environmental Law & Policy Center at University of California, Davis, the shortage of housing and water supply shortage “piles one major policy crisis on top of another.”

This crisis, brought about by the failure to develop and implement a plan to build new water infrastructure, will also impact our ability to address California’s environmental management challenges such as wildfires and depleted waters supplies for state parks, wetlands and other sensitive areas.

While the Governor has proposed \$2 billion in this year’s budget for water-related funding, a mere \$500 million would go for strategic water storage over multiple years, which barely scratches the surface of what is needed. The Senate proposal of \$7.5 billion over three years for water-related issues is an improvement. But indicative of misplaced priorities in the face of the water supply crisis, the biggest Senate investment would be \$2.5 billion to increase permanent dedications of water to the environment, not by making new water available but by reducing the use of land for agricultural purposes. These budget priorities demonstrate the chasm between California’s pressing water supply needs and Sacramento’s current water priorities.

Things could be different right now. The Department of Water Resources recently noted that if the Delta Conveyance Project was operational at the end of 2021, the State Water Project would have captured about 236,000 acre-feet of additional water – enough water for over 2.5 million people, or nearly 850,000 households, for a full year.

Another project, Sites Reservoir, would increase the resiliency of our water supplies because instead of relying on spring snowmelt, it would capture storm runoff and related floodwater. Were Sites online, one million acre-feet of additional water would have been available to support the environment, cities and farms in 2021. However, this reservoir project has seen one bureaucratic hindrance after another. If stadiums can receive CEQA exemptions, life-sustaining water projects should enjoy the same

considerations. Expediting the permit review and approval process at the SWRCB is one concrete way to ensure state processes aren't slowing down a project like Sites.

The impacts of the SGMA could result in significant following, decimate rural communities, and degrade air quality throughout California. Recently, the Department of Water Resources (DWR) allocated \$100 million to Groundwater Sustainability Agencies (GSA) to implement projects that assist with SGMA compliance and benefit those communities impacted by the implementation of SGMA. We need more, significantly more, investment in this area to ensure communities can adequately transition.

Successful management of our current system is also key to building resiliency. The agricultural community appreciates the extensive work your administration has put in to solidifying the Memorandum of Understanding (MOU) for the Sacramento River water users. While this work is significant, many of us are also seeking solutions for the regions included in Phase I. The SWRCB and the Administration should focus on finalizing a Voluntary Agreement on the San Joaquin similar to the Sacramento Valley. We urge you to continue to work in this area as General Fund dollars can now be prioritized on more drought-related work, while California has a surplus of resources and these funds would undoubtedly be useful in a VA for Phase I.

The bottom line is: We need an all-of-the-above approach and we need a bold plan for it now.

A good place to start would be to provide an accurate accounting of the existing and future capacity of the State Water Project and Central Valley Project. These projects were designed and built with grossly over-optimistic hydrology projections and pre-date enactment of the Endangered Species Act.

From here, we need to examine our current and future needs, and determine what combination of new storage, conveyance, water efficiency measures, recycling and other water supply development tools will be necessary to bridge the gap.

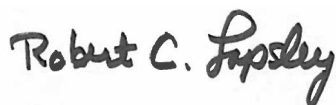
Ultimately, this new water supply system must be built with climate change in mind, designed to capture and store surplus water when it is available to deploy for human uses when surface water is not available.

We call on the administration to engage all stakeholders in an honest and difficult discussion about what it will take to solve our state's water supply problem, and to act in good faith to develop a plan and timeline the state will be committed to follow. The future of our state is at stake.

Regards,



Dave Puglia, President & CEO
Western Growers Association



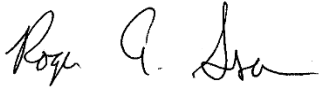
Robert C. Lapsley, President
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Trudi Hughes, Government Affairs Executive
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California Cotton Ginners and Growers Association
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Robert Spiegel, Senior Policy Director
California Manufactures & Technology Association



Emily Rooney, President
Ag Council of California



Richard Matoian, President
American Pistachio Growers



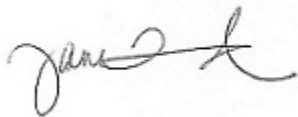
Ian LeMay, President
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Chris Zanobini, Executive Director
Plant California Alliance
California Grain and Feed Association



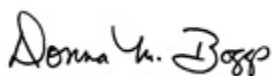
Brooke Palmer, Executive Officer
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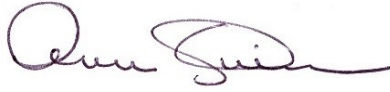
Jane Townsend, Manager
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Pacific Egg & Poultry Association
Association of California Egg Farmers



Donna Boggs, Associate Director
CA Seed Association



Ann Quinn, Executive Vice President
California State Floral Association
California Warehouse Association

CC: Members of the California State Legislature
Secretary Jared Blumenfeld, CalEPA
Secretary Wade Crowfoot, Natural Resources Agency
Secretary Karen Ross, Department of Food and Ag