

Financial Principles

Background

Sharing the costs of the Preferred Alternative based on the benefits to be received is the cornerstone principle of the CALFED Financial Strategy. The fundamental philosophy is that costs will be paid by the beneficiaries of the actions, as opposed to seeking payment from those who, over time, may have been responsible for causing the problems being experienced in the Bay Delta system. This does not preclude obligations for mitigating harmful impacts, if a direct, ongoing, cause and effect relationship can be established.

As CALFED agency staff and stakeholders begin the process of defining what is meant in practical terms by the principle that beneficiaries pay, as well as the other financial principles that have been discussed, a number of issues come into sharper focus.

The concepts outlined below address some of these issues, providing more detail as to the meaning of the Financial Principles. Staff will provide further background on these concepts, a discussion of policy options, and an analysis of the advantages and disadvantages of the various options at the May 1 CALFED Policy Group meeting.

Summary of Principles

A number of issues relating to Financial Principles have been brought into focus in recent months as CALFED agencies and stakeholders move toward a better understanding of the Financial Strategy. CALFED staff has begun to offer conceptual approaches to resolving these issues. These concepts are summarized as follows:

- The concept of damage payments based on past acts is not a useful principle to pursue because it is not practical to accurately apportion the blame for the degradation of the Delta on any particular user or group, and it is detrimental to the process of trying to solve the problem.
- Instituting a charge on all water users in the Bay-Delta system, the proceeds of which would be used to fund the Common Programs, should be a part of the Financial Strategy. Other related end-user funds, such as incremental fishing license revenues, should be used as well.
- For purposes of Storage and Conveyance facilities, the benefits-based principle means that the users of these facilities must pay the full cost of the facilities. The share of new storage facilities dedicated to ecosystem purposes, if applicable, could be paid for from revenues of a system-wide water user charge or from public sources.
- Public funding is appropriate for part of the storage and conveyance planning process, but public funds must be reimbursed by the contractors for those facilities. Some amount of user funding should supplement the public funds in the early planning process, as an indication of eventual user interest in the facilities.

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