



June 25, 1999

The Honorable Bruce Babbitt
Secretary
U.S. Department of the Interior
1849 C St., NW Suite 6151
Washington, DC 20240

The Honorable Gray Davis
Governor
State of California
State Capitol
Sacramento, CA 95814

Dear Secretary Babbitt and Governor Davis:

Taxpayers for Common Sense respectfully opposes the "draft preferred program alternative" released today in Sacramento, CA by the federal and California state agencies and other interests who have come together under CALFED. This is a ill-advised shopping spree without anyone to pay for it. We urge you to instruct CALFED participants to go back to the drawing board until they can identify someone other than federal taxpayers who says they are willing to pay for the draft preferred program alternative, and until there is proof that the plan's spending proposals are economically justified.

CALFED contemplates a bevy of new dams and other facilities at a cost of billions of dollars to provide new water benefits to people in California and mitigate their previous impacts on the environment due to short-sighted practices. But the "draft preferred program alternative" contains no "draft preferred payer" from California. Since nobody in California wants to pay for the new dams and other facilities, we believe CALFED's draft is a stealth attack on American taxpayers who will get stuck with the bill.

Meanwhile, California water interests who are among the largest corporate welfare recipients in the nation will give up virtually nothing. All of this is presented in the name of cooperation and negotiated solutions. But, in essence, this cozy CALFED agreement is to spend billions of dollars of other people's money to benefit California interests.

Here's how it looks to us. Basically, lots of folks got tired of fighting water wars in California and decided to get together and see if they could work something out. The key problem is that Central Valley agricultural users take so much water out of the rivers that not enough flows into the Sacramento-San Joaquin River Delta or San Francisco Bay. This means that urban and suburban water users can't get enough water for their needs. Meanwhile, the fish, birds and nature generally are paying the price for years of mistakes. CALFED's basic plan is to protect current agriculture water hogs, get more water for agriculture and development, and also control floods and try to pacify the environmentalists.

An independent watchdog for the taxpayers of today and tomorrow
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Who benefits and what do they get?

The CALFED shopping list would cost billions of dollars. CALFED's "draft preferred program alternative" plan for the next seven years calls for the start of construction on new dams and reservoirs in a state that has several hundred major dams already. For example, the proposed Sites reservoir in the Sacramento Valley alone could cost \$1.7 billion. The Los Vaqueros project could cost from \$1.6 billion to \$2.1 billion.

Who will benefit? First, agricultural water districts would be the big winners under the draft preferred alternative. The CALFED plan is soft on agricultural water conservation. Meanwhile, agricultural water users would get the lion's share of water from new dams. Second, urban and suburban developers could also win big, with subsidies for the water that they need to serve new homes and businesses. Third, fish and birds would receive relatively little benefit. Environmentalists are not clamoring for new dams.

Who pays?

Common sense says that, now that CALFED has a "preferred alternative," CALFED should also have a "preferred payer." Nope. CALFED's position is that, before construction begins on the new dams, CALFED must decide how dams could be financed in a manner that meets the "beneficiary pays" principle. But this remains a hollow principle, since CALFED hasn't yet said who would benefit from the new dams or who would pay for them. Well, let's go down the list of people with money:

Agribusiness interests have already made it crystal clear that they will not pay anything more. They say the new dams would benefit fish or provide flood control, so agribusiness should get the water from these new dams for free. "The Ag Water Caucus strongly objects to any effort to require agricultural water users to pay any additional costs." (Ag Water Caucus Position on a Solution for the Bay-Delta, July 8, 1998)

Southern California water users are already reeling due to cost overruns on the Eastside Reservoir, recently built by the Metropolitan Water District of Southern California. They will have no interest in paying for these new dams, particularly if agriculture would get most of the water.

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In 1998, the California legislature refused to pass a bond act that would have paid for new dams. The proposal from former Governor Pete Wilson to fund new dams caused the legislature to reject a bond act that would have also paid for flood protection and clean drinking water programs. The legislature's action signals that California taxpayers are not interested in paying for these dams.

Hmmmm. Nobody left but us chickens. Sounds like a bill for the federal taxpayers.

The hard economic reality

The truth is that California does not need new dams and they don't make economic sense. Otherwise, somebody in California would be willing to pay for them.

Other approaches to providing a reliable water supplies are more affordable -- water conservation, fallowing marginal agricultural land during droughts, improved groundwater management and voluntary water transfers.

CALFED's own preliminary economic analysis suggests that there are NO new dams in California that are cost effective. (Except maybe a small raise in Shasta Dam, but CALFED's analysis here rests on cost and water yield estimates that are totally unreasonable.)

Please help move CALFED towards a plan that would emphasize cost-effective strategies that do not rely on the federal checkbook. Your staff can call me at (202) 546-8500 x102 if they can identify someone other than federal taxpayers who says they are willing to pay for the draft preferred program alternative. Until then, this plan should be shelved.

Sincerely,



Ralph DeGennaro
Executive Director

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