Draft Response: CR 9 ***Who Pays? Beneficiaries Should Pay.***

As noted in the Finance Plan (Chapter 5 of the Implementation Plan), a fundamental principle for allocation of Program costs is that beneficiaries should pay the cost of benefits received. Simply put, those who benefit from the Program should help pay for it. Many of the decisions on what specific facilities will be built, and how they will be configured and managed, lie in the future, however. The Programmatic EIS/EIR and companion documents cannot in such cases spell out with specificity who the program beneficiaries are and exactly what dollar amounts will be allocated among users. Nevertheless, the CALFED Program can define principles of financing and cost-sharing that will be used in establishing CALFED cost-sharing agreements.

Some stakeholders have suggested that under a beneficiaries pay principle, fees assessed to beneficiaries must be "quantified and explicitly linked to the benefits they receive". The principle that beneficiaries should pay does not require that all benefits be quantified. Many benefits of the CALFED Program, particularly the non-market benefits, are difficult to quantify. During implementation, beneficiaries will be identified for specific projects, and those who benefit will be expected to pay. Exact cost shares will be based on a combination of cost allocation procedures and negotiations. CALFED believes this approach is one that is both realistic and consistent with the "beneficiaries pay" principle.

During implementation it is anticipated that Program funding will be achieved through a series of interdependent actions, including legislative appropriations, general obligation bonds, revenue bonds, user fees, and other mechanisms. The Financing Plan and the cost-sharing agreements will serve as the foundation for financing specific projects during implementation of the Program. The Financing Plan and the cost-sharing agreements will not, in all cases, define cost sharing responsibilities for the Program by quantifying benefits; however, they will rely on linking benefits to beneficiaries.

Many of the actions under the Preferred Program Alternative could serve multiple benefits such as protecting agricultural lands, maintaining levee system integrity, and improving water quality, conveyance and habitat. In some cases the benefits of implementation will be quantifiable; in others the benefits will vary depending on the level of implementation and the results of research, planning, and development of solution approaches based on adaptive management. The degree of progress in Stage 1 will also be highly dependent upon the funding which becomes available to support the implementation process. It is expected that funding will come from a variety of sources, including the public, through state and federal appropriations and general obligation bonds. Other funding sources considered in the Implementation Plan appendix include water and power revenue bonds, user (water district) funding, and user fees, including a broad-based diversion fee.

Since this is a Programmatic EIS/EIR, the specifics for designing and financing the specific components of each program have not been finalized; however, principles and strategies are being developed to guide the Program in making sound funding decisions during implementation of the Program. The Implementation Plan Appendix contains the initial framework for developing a Program Financing Plan. This Plan is a planning-level document, however, and is designed to highlight key issues and principles that will guide funding decisions over the 30-year life of the Program. A revised programmatic Financing Plan will be in place by the time the Record of Decision (ROD) is signed, scheduled for June 2000. In addition, CALFED believes that stakeholders will have full opportunities to evaluate the cost-sharing terms for Program participation, as well as the costs and benefits of individual Program components, during the project level planning phase for each component.