



CUWA Policy Principles

Reliable Water Financing

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As the voice for the largest urban water purveyors in California, CUWA has developed a Public Investment White Paper to provide a technical basis to inform any new approaches for public financing of water-related projects or programs and to promote a “beneficiary pays” system.

CUWA has developed the white paper in two phases. The Phase 1 White Paper aims to inform the discussion on public financing options for water and to develop a conceptual framework that explores the distinctions between the various options.

The Phase 2 White Paper continues the discussion by reiterating and further clarifying key points and providing greater detail on how a beneficiary pays system could be implemented.

CUWA’s position, which has been discussed in detail in the phase 1 and 2 white papers, is summarized below as a concise set of policy principles.

The beneficiary pays principle offers the best basis for establishing reliable funding for essential water-related investments. Many precedents exist that demonstrate the success of financing water infrastructure by direct beneficiaries, and ample potential exists to apply this method to more complex multi-beneficiary projects. CUWA defines the beneficiary pays principle as requiring those receiving a benefit from a given project or program to pay a proportional share of the cost.

A functional beneficiary pays system should:

- **Identify all beneficiaries** (including the public) and limit “free riders”
- Establish a clear **nexus** between **charges and benefits received**
- Provide specificity, such that charges are based on defined projects with defined costs
- Provide for a joint powers forum in which beneficiaries collaborate on the integrated design of given water projects.
- Be **transparent** in cost allocation and investment decisions
- Dedicate funds strictly to water-related projects and programs, with no redirection of funds to other purposes 
- Reasonably assure that benefits will be proportional to charges assessed
- **Allow for special situations**, e.g., disadvantaged communities, in which a beneficiary might not pay in proportion to benefits received

A beneficiary pays system should be comprehensively defined to include other proposed concepts such as “stressor pays” and “polluter pays.” Entities that are purported stressors or polluters derive a benefit from continuing their activity, and any current or proposed payments should be directed to fund related projects or programs.

A beneficiary pays system should generally be applied prospectively to assess future benefits, and not seek to allocate responsibility for legacy issues and “who’s to blame” for past stresses and damage. Establishing a baseline to account for such stresses, or to credit voluntary restoration investments, is inherently arbitrary and subject to political influence.

Funding the public benefits of a given project or program is best accomplished with public money, whether from bonds, the state’s General Fund, or federal appropriations. CUWA believes that general obligation bonds will continue to play an important long-term role in financing public benefits. Other proposals, such as a public goods charge on water use, unfairly single out water users to finance benefits that accrue to the broader public.

Public benefits should be carefully and appropriately defined so as to avoid incurring costs that should be apportioned to other beneficiaries. By including all beneficiaries, a fair beneficiary pays system would generate more funds to finance critical projects and reduce the burden on increasingly limited public funding. 

For ecosystem and habitat projects, mitigation should be strictly distinguished from enhancement. Project proponents should be obligated to fund all mitigation as defined under CEQA. The beneficiaries of enhancement activities may not be the same as the beneficiaries of mitigation activities and may include the general public.

An entity (or entities) could be authorized to implement a beneficiary pays system to finance water-related projects and programs. For a given project, the entity would be responsible for identifying beneficiaries, analyzing benefits, preparing a finance plan, allocating costs to each beneficiary or class of beneficiaries, and creating an enforceable mechanism to ensure cost recovery. This entity should prepare the cost allocation plan in a public transparent process, and, where appropriate, hold public hearings in which identified beneficiaries might present evidence on the record regarding the proposed cost allocations.