

March 7, 2018

The Honorable Bob Wieckowski , Chair
Senate Budget Subcommittee No. 2
State Capitol, Room 4085
Sacramento, CA 95814

The Honorable Richard Bloom, Chair
Assembly Budget Subcommittee No. 3
State Capitol, Room 2003
Sacramento, CA 95814

Re: **Budget Trailer Bill: Safe and Affordable Drinking Water Fund/
TAX ON DRINKING WATER**

Position: **OPPOSE UNLESS AMENDED**

Dear Chair Wieckowski and Chair Bloom:

The below-listed organizations are **OPPOSED UNLESS AMENDED** to the drinking water tax budget trailer bill.

Alameda County Water District
Amador Water Agency
Anderson-Cottonwood Irrigation District
Antelope Valley – East Kern Water Agency
Association of California Water Agencies
Bella Vista Water District
Brooktrails Township Community Services District
Browns Valley Irrigation District
Calaveras County Water District
CalDesal
California Municipal Utilities Association
California Special Districts Association
Calleguas Municipal Water District
Camrosa Water District
Carmichael Water District
Casitas Municipal Water District
Citrus Heights Water District
City of Beverly Hills
City of Fairfield
City of Garden Grove
City of Glendale Water and Power
City of Newport Beach
City of Oceanside
City of Redding
City of Roseville
City of San Diego
City of Santa Rosa
City of Shasta Lake
Coachella Valley Water District
Contra Costa Water District

Crescenta Valley Water District
Crestline-Lake Arrowhead Water Agency
Cucamonga Valley Water District
Del Paso Manor Water District
Desert Water Agency
Dublin San Ramon Services District
East Orange County Water District
East Valley Water District
Eastern Municipal Water District
El Dorado Irrigation District
El Toro Water District
Elsinore Valley Municipal Water District
Fair Oaks Water District
Fallbrook Public Utility District
Foothill Municipal Water District
Georgetown Divide Public Utility District
Glenn-Colusa Irrigation District
Helix Water District
Hidden Valley Lake Community Services District
Humboldt Bay Municipal Water District
Humboldt Community Services District
Indian Wells Valley Water District
Indio Water Authority
Irvine Ranch Water District
Kern County Water Agency
Kinneloa Irrigation District
Laguna Beach County Water District
Lake Hemet Municipal Water District

Las Virgenes Municipal Water District
Lindsay-Strathmore Irrigation District
Long Beach Water Department
Malaga County Water District
Mammoth Community Water District
Mariana Ranchos County Water District
McKinleyville Community Services District
Mendocino County Russian River Flood Control & Water Conservation Improvement District
Merced Irrigation District
Mesa Water District
Mid-Peninsula Water District
Millview County Water District
Mission Springs Water District
Mojave Water Agency
Monte Vista Water District
Municipal Water District of Orange County
Nevada Irrigation District
North Marin Water District
Northern California Water Association
Olivenhain Municipal Water District
Orange County Water District
Orchard Dale Water District
Otay Water District
Padre Dam Municipal Water District
Palm Ranch Irrigation District
Palmdale Water District
Paradise Irrigation District

ORGANIZATION LIST CONTINUED ON NEXT PAGE

Pico Water District
Placer County Water Agency
Quartz Hill Water District
Rainbow Municipal Water District
Rancho California Water District
Regional Water Authority
Redwood Valley County Water District
Richvale Irrigation District
Rincon del Diablo Municipal Water District
Rio Alto Water District
Rio Linda Elverta Community Water District
Rowland Water District
Sacramento Suburban Water District
San Diego County Water Authority
San Gabriel Valley Municipal Water District
San Juan Water District

Santa Fe Irrigation District
Santa Margarita Water District
Santa Ynez River Water Conservation District Improvement District No. 1
Scotts Valley Water District
Shasta Community Services District
South Coast Water District
South Tahoe Public Utility District
Southern California Water Committee
Stockton East Water District
Tahoe City Public Utility District
Templeton Community Services District
Three Valleys Municipal Water District
Tulare Irrigation District
Tuolumne Utilities District
United Water Conservation District
Upper Russian River Water Agency

Upper San Gabriel Valley Municipal Water District
Vallecitos Water District
Valley Center Municipal Water District
Valley of the Moon Water District
Ventura County Economic Development Association
Vista Irrigation District
Walnut Valley Water District
Westlands Water District
Western Canal Water District
Western Municipal Water District
Wheeler Ridge-Maricopa Water Storage District
Yolo County Flood Control Water Conservation District
Yorba Linda Water District
Yuba County Water Agency
Zone 7 Water Agency

This budget trailer bill is essentially a modified version of SB 623 (Monning, D-Carmel), which is a 2-year bill. The budget trailer bill would establish a fund to be administered by the State Water Resources Control Board (SWRCB) to assist those who do not have access to safe drinking water. The organizations listed on this letter agree with the intent of the bill. The lack of access to safe drinking water in certain disadvantaged communities is a public health issue and a social issue that the State needs to address. The bill proposes two types of funding: 1) fees related to confined animal facilities excluding dairies (CAFED), fertilizer sales and dairies to address nitrate contamination; and 2) a state-mandated tax on drinking water that the bill would require local water agencies to assess on their local ratepayers and send to Sacramento. **No policy committee has heard the proposed tax. The above-listed organizations oppose the proposal for a tax on drinking water.**

PROBLEMS WITH A TAX ON DRINKING WATER: Following are examples of problems with a tax on drinking water:

- 1) **Requiring local water agencies and cities across the state to impose a tax on drinking water for the State of California is highly problematic and is not the appropriate response to the problem;**
- 2) **It is not sound policy to tax something that is essential to life;**
- 3) **State law sets forth a policy of a human right to water for human consumption that is safe, clean, affordable and accessible. Adding a tax on water works against keeping water affordable for all Californians; and**
- 4) **It is inefficient for local water agencies across the state to collect the tax and send it to Sacramento.**

Instead of turning local water agencies into taxation agencies for the state, the above-listed organizations suggest the following funding solution:

SUGGESTED ALTERNATIVE FUNDING SOLUTION – A FUNDING PACKAGE:

- 1) **Safe Drinking Water State Revolving Fund (SRF)** – this ongoing federal funding can be used to fund capital costs;
- 2) **General Obligation (G.O.) Bonds** – SB 5 (de León, 2017), which will be on the June 2018 ballot as Proposition 68, proposes \$250 million for safe drinking and clean water, and another bond initiative which is expected to be on the November ballot proposes \$500 million for safe drinking water. These bonds propose to prioritize the drinking water funding to disadvantaged communities (DACs);
- 3) **Ag Funding** – the nitrate-related fees proposed in the bill could be used for replacement water, including point-of-use and point-of-entry treatment, for nitrate contamination; and
- 4) **General Fund** – General Fund funding can fund the non-nitrate operation and maintenance (O&M) costs needs at public water systems in certain DACs.

Everyone in California should have access to safe drinking water. The fact that a small percentage of Californians do not makes this issue a public health and social issue for which the General Fund is an appropriate source of funding as part of the above-suggested funding package.

AMENDMENTS: In addition to including the General Fund as part of a funding package instead of a tax on drinking water, the organizations listed above are suggesting the amendments shown on the attachment to address various concerns regarding this funding measure. The above-listed organizations urge your “No” vote on the budget trailer bill unless the proposed tax on drinking water is removed and replaced with an acceptable funding source.

If you have questions, please contact Cindy Tuck, Deputy Executive Director for Government Relations, Association of California Water Agencies at (916) 441-4545 or at cindy@acwa.com.

cc: The Honorable Governor Edmund G. Brown Jr.
Honorable Members, Senate Budget Subcommittee No. 2
Honorable Members, Assembly Budget Subcommittee No. 3
The Honorable William W. Monning
Ms. Kim Craig, Deputy Cabinet Secretary, Office of the Governor
Ms. Joanne Roy, Consultant, Senate Budget Subcommittee No. 2
Ms. Susan Chan, Consultant, Assembly Budget Subcommittee No. 3
Mr. Trevor Taylor, Legislative Aide, Office of Senator William W. Monning
Ms. Rocel Bettencourt, Budget Consultant, Senate Republican Caucus
Ms. Barbara Gausewitz, Consultant, Assembly Republican Caucus

Attachment
SAFE AND AFFORDABLE DRINKING WATER FUND BUDGET TRAILER BILL
AMENDMENTS SUGGESTED BY
WATER AGENCIES AND WATER ORGANIZATIONS LISTED ON THIS LETTER

- 1) Do NOT include a tax on drinking water. (See Page 3 for the suggested alternative funding solution.)**
- 2) Exclude capital costs as an eligible funding category** and focus on funding O&M costs, which are difficult to fund through G.O. bonds and cannot be funded with SRF dollars. (G.O. bonds and the SRF are effective in funding capital costs.)
- 3) Limit the funding to disadvantaged communities (DACs)** and low income domestic well users that do not have access to safe drinking water, consistent with 4) below.
- 4) Exclude individual domestic wells and “state small water systems” (with 5 to 14 connections) as eligible funding categories (with one exception for nitrate). Data is lacking to support a credible needs assessment.** For example, the state does not require owners of private wells to sample their wells, and consequently a comprehensive database for these groundwater sources does not exist. **The bill should explicitly exclude these two categories from funding with the exception that funding could be made available for replacement water** for individual domestic wells or state small water systems in rural areas of the state for which the local health officer has certified that data documents that the wells for which funding is being sought in that area are contaminated with **nitrate**. The proposed definition of “replacement water” should be narrowed to make this exception workable. (Bottled water, point-of-use treatment and point-of-entry treatment are reasonable parts of this proposed definition.)
- 5) Make sure the funding goes to address situations where the water is not safe.** For example, the proposed language in Section 116769 references systems that “may be at risk of failing.” Funding for safe drinking water should go to where there are real problems as opposed to going to where there is a chance of a problem.
- 6) Focus on safe drinking water and recognize that affordability issues are being discussed in the State Water Board’s AB 401 implementation process.** The language should be deleted from Section 116769 which would include in the needs assessment all CWSs in DACs that charge fees that exceed the affordability threshold in the Clean Water State Revolving Fund Intended Use Plan (i.e., fees that equal or exceed 1.5 percent of the median household income). The State Water Board is currently developing a plan for a low-income water rate assistance program pursuant to AB 401 (Dodd, 2015), and there are many questions being raised about how affordability thresholds should be determined.
- 7) Clarify what is intended by the proposed authority for the State Water Board to take “additional action as may be appropriate for adequate administration and operation of the fund.”** Instead of simply including this rather vague provision in Section 116768, the bill should be specific as to what this proposed authority is intended to cover.
- 8) Delete the proposal to give the State Water Board and the Board’s staff broad liability protection as they implement the Fund.** No case has been made as to why they should have such protection for this program.