



ACTION ITEM
February 20, 2019

TO: Board of Directors

FROM: **Public Affairs and Legislation Committee**
(Directors Dick, Osborne, and Thomas)

Robert Hunter
General Manager

Staff Contact: Heather Baez

**SUBJECT: ASSOCIATION OF CALIFORNIA WATER AGENCIES
(ACWA)/CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION (CMUA) –
SAFE DRINKING WATER TRUST PROPOSAL**

STAFF RECOMMENDATION

Staff recommends the Board of Directors vote to adopt a support in concept position on the ACWA/CMUA Safe Drinking Water Trust proposal.

COMMITTEE RECOMMENDATION

Committee will review this item on February 19th and make a recommendation to the Board.

BILL SUMMARY

ACWA and CMUA are co-sponsoring legislation to create a Safe Drinking Water Trust. The Trust’s principal would be initially financed with a one-time infusion of General Fund dollars during a budget year surplus. The Trust’s principal would be invested, and the net income would be transferred to a Safe Drinking Water Fund, which the State Water Resources Control Board would administer.

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|---|----------------------|--------|------------|
| Budgeted (Y/N): n/a | Budgeted amount: n/a | Core X | Choice ___ |
| Action item amount: None | Line item: | | |
| Fiscal Impact (explain if unbudgeted): | | | |

ARGUMENTS IN SUPPORT

A financial solution is needed to fund Operations and Maintenance (O&M) in areas that are currently not providing safe drinking water to their customers. O&M costs generally cannot be financed with existing federal and state safe drinking water funding sources. Funding a durable Trust via the General Fund makes sense because taxpayers with higher incomes would contribute more, and taxpayers with lower income would contribute less.

State law sets forth a policy of a “human right to water” for human consumption that is safe, clean, affordable and accessible. Adding a regressive statewide water tax on local water bills would work against keeping water affordable for all Californians. An alternative proposal to a water tax that provides dedicated funding available to non-compliant systems, by addressing the problem directly using General Fund dollars, is the best approach.

ARGUMENTS IN OPPOSITION

The Administration and other water tax supporters feel like a tax on water meters provides the most consistent form of funding needed to bring non-compliant systems back into compliance. Money invested in the trust is invested and therefore subject to the rise and fall of the stock market.

STAFF COMMENTS

MWDOC’s Legislative Policy Principles indirectly reflect supporting legislation that would be an alternative to a tax on water. Specifically, *it is MWDOC’s policy to oppose legislation and regulation that: imposes a “public goods charge” “water user fee”, or “water tax” on public water agencies or their ratepayers.*

DETAILED REPORT

A one-page paper on this proposal is attached.

SUPPORT THE SAFE DRINKING WATER TRUST



A STATEWIDE WATER TAX IS NOT THE RIGHT APPROACH

Why is the Trust a better approach?

- The vast majority of Californians have access to safe drinking water. However, some disadvantaged communities do not. This is a public health issue that the state must address.
- In 2018, the Legislature approved \$3 million for the preparation of a water systems needs analysis, and the State Water Resources Control Board is now determining how it will perform the analysis.
- Key to resolving the issue is addressing the funding gap for operation and maintenance (O&M) costs for community water systems that treat the water. O&M costs generally cannot be financed with existing federal and state safe drinking water funding sources.
- A financial solution is needed for O&M and consolidation costs that can complement existing funding sources for capital costs.
- The Association of California Water Agencies (ACWA) and the California Municipal Utilities Association (CMUA) are sponsoring legislation to create a Safe Drinking Water Trust (Trust).
- The Trust's principal would be initially financed with a one-time infusion of General Fund dollars during a budget surplus year. With the record budget surplus for the 2019-20 Fiscal Year, this is the perfect year to create and fund the Trust.
- Funding this durable Trust via the General Fund, which is based largely on a progressive source of revenue, makes sense because taxpayers with higher incomes would contribute more, and taxpayers with lower incomes would contribute less.
- The Trust's principal would be invested, and the net income would be transferred to a Safe Drinking Water Fund, which the State Water Resources Control Board would administer.

Why is a proposed statewide water tax not the right approach?

- It is not sound policy to tax a resource that is essential to life.
- State law sets forth a policy of a human right to water for human consumption that is safe, clean, affordable and accessible. Adding a regressive statewide water tax on local water bills would work against keeping water affordable for all Californians.
- It would be highly inefficient to have over 3,000 local water agencies become tax collectors for the state because the resulting combined local administrative costs would exceed the combined state tax revenue collected from the local water bills.

For more information contact

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