

Originally Sent March 13, 2019
Updated March 18, 2019

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 Language: Safe and Affordable Drinking Water Proposal/
PROPOSED STATEWIDE WATER TAX**

Position: OPPOSE UNLESS AMENDED

Dear Chair Wieckowski and Chair Bloom:

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

Alameda County Water District	California Cleaners Association	City of Newport Beach
Alhambra Chamber of Commerce	California Craft Beer Association	City of Oceanside
Amador Water Agency	California Municipal Utilities Association	City of Redding
Anderson-Cottonwood Irrigation District	California Special Districts Association	City of Rialto/Rialto Utility Authority
Apple Valley Chamber of Commerce	Calleguas Municipal Water District	City of Riverside
Antelope Valley – East Kern Water Agency	Camrosa Water District	City of Roseville
Association of California Water Agencies	Carlsbad Municipal Water District	City of Pasadena
Bard Water District	Carmichael Water District	City of Santa Rosa
Bella Vista Water District	Casitas Municipal Water District	City of Shasta Lake
Bighorn-Desert View Water Agency	Central Basin Municipal Water District	City of Thousand Oaks
BizFed Los Angeles County	Centerville Community Services District	City of Torrance
Borrego Water District	Ceres Chamber of Commerce	Claremont Chamber of Commerce
Brawley Chamber of Commerce	Cerritos Regional Chamber of Commerce	Clovis Chamber of Commerce
Brooktrails Township	Citrus Heights Water District	Coachella Valley Water District
Community Services District	City of Corona Department of Water and Power	Coastside County Water District
Browns Valley Irrigation District	City of Fairfield	Contra Costa Water District
Calaveras County Water District	City of Garden Grove	Crescenta Valley Water District
CalDesal	City of Glendale Water and Power	Crestline-Lake Arrowhead Water Agency
California Building Owners and Managers Association	City of Lakewood	Cucamonga Valley Water District
California Business Properties Association		Culver City Chamber of Commerce
		Del Paso Manor Water District
		Desert Water Agency

Downtown San Diego Partnership
Dublin San Ramon Services District
East Orange County Water District
East Valley Water District
Eastern Municipal Water District
El Dorado County Chamber Alliance
El Dorado Hills Chamber of Commerce
El Dorado Irrigation District
El Monte/South El Monte Chamber of Commerce
El Segundo Chamber of Commerce
El Toro Water District
Florin Resources Conservation District/Elk Grove Water District
Elk Grove Chamber of Commerce
Elsinore Valley Municipal Water District
Fair Oaks Water District
Fallbrook Public Utility District
Folsom Chamber of Commerce
Foothill Municipal Water District
Fremont Chamber of Commerce
The Gateway Chambers Alliance
Georgetown Divide Public Utility District
Glendora Chamber of Commerce
Glenn-Colusa Irrigation District
Greater Coachella Valley Chamber of Commerce
Hawthorne Chamber of Commerce
Helix Water District
Hidden Valley Lake Community Services District
Hollywood Chamber of Commerce
Humboldt Bay Municipal Water District

Humboldt Community Services District
Idyllwild Water District
Indian Wells Valley Water District
Indio Water Authority
Inland Empire Utilities Agency
International Council of Shopping Centers
Irvine Ranch Water District
Kern County Water Agency
Kinneloa Irrigation District
Kirkwood Meadows Public Utility District
Lake Tahoe South Shore Chamber of Commerce
La Canada Irrigation District
La Verne Chamber of Commerce
Laguna Beach County Water District
Lake Hemet Municipal Water District
Las Virgenes Municipal Water District
LAX Coastal Area Chamber of Commerce
League of California Cities
Lincoln Avenue Water Company
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 Crest Water Company
Mesa Water District
Mid-Peninsula Water District
Millview County Water District
Mission Springs Water District
Mojave Water Agency

Monrovia Chamber of Commerce
Montara Water and Sanitation District
Monte Vista Water District
Municipal Water District of Orange County
Nevada Irrigation District
North Marin Water District
North Tahoe Public Utility District
Northern California Water Association
Norwalk Chamber of Commerce
Oakdale Irrigation District
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
Pico Water District
Pittsburg Chamber of Commerce
Placer County Water Agency
Pleasanton Chamber of Commerce
Quartz Hill Water District
Rainbow Municipal Water District
Rancho California Water District
Rancho Cordova Chamber of Commerce
Rancho Cucamonga Chamber of Commerce
Redondo Beach Chamber of Commerce
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	Scotts Valley Water District	Upper San Gabriel Valley Municipal Water District
Roseville Area Chamber of Commerce	Shasta Community Services District	Vallecitos Water District
Rowland Water District	South Bay Chamber of Commerce	Valley Center Municipal Water District
Rubio Canon Land and Water Association	South Coast Water District	Valley Industry & Commerce Association
Sacramento Metro Chamber	South Tahoe Public Utility District	Valley of the Moon Water District
Sacramento Suburban Water District	Southern California Water Committee	Valley Water Company
San Diego County Water Authority	Stockton East Water District	Ventura County Economic Development Association
San Diego Regional Chamber of Commerce	Sweetwater Authority	Victor Valley Chamber of Commerce
San Dieguito Water District	Tahoe City Public Utility District	Vista Irrigation District
San Gabriel County Water District	Templeton Community Services District	Walnut Valley Water District
San Gabriel Valley Economic Partnership	Textile Rental Service Association	Westlands Water District
San Gabriel Valley Municipal Water District	Three Valleys Municipal Water District	Western Canal Water District
San Juan Water District	Torrance Area Chamber of Commerce	Western Municipal Water District
Santa Clarita Valley Chamber of Commerce	Tulare Irrigation District	West Valley-Warner Center Chamber of Commerce
Santa Clarita Valley Water Agency	Tuolumne Utilities District	Yolo County Flood Control Water Conservation District
Santa Fe Irrigation District	Twain Harte Community Services District	Yorba Linda Water District
Santa Margarita Water District	United Chamber Advocacy Network	Yuba Water Agency
Santa Ynez River Water Conservation District	United Water Conservation District	
Improvement District No. 1	Upper Russian River Water Agency	

The 2019 budget trailer bill language is based on SB 623 (Monning, 2017) and is a slightly modified version of Governor Brown’s proposed statewide water tax budget trailer bill language from 2018, which the Legislature’s Budget Conference Committee affirmatively rejected in 2018. The language would establish a fund administered by the State Water Resources Control Board (State Water Board) 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 that the State needs to address. The bill proposes two types of funding: 1) agricultural assessments related to fertilizer sales and dairy and confined animal operations to address nitrate-related contamination; and 2) a state-mandated tax on drinking water (tap water) that the bill would require approximately 3,000 local water systems to assess on their local residential and business ratepayers’ water bills and send to Sacramento.

The above-listed organizations oppose the proposed statewide water tax.

PROBLEMS WITH THE PROPOSAL: Following are examples of problems with the proposed statewide water tax:

- 1) Requiring local water systems and cities across the state to impose a tax on drinking water for the State of California is not the appropriate response to the problem;
- 2) It is not sound policy to tax a resource 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 regressive statewide water tax would work against keeping water affordable for all Californians; and
- 4) It is **highly inefficient to turn approximately 3,000 water systems into taxation entities for the state** and require them to collect the tax and send it straight to Sacramento. The costs for changing billing software (e.g., \$100,000 for one system) and hiring one or more staff (e.g., \$100,000 for salary and benefits for one employee for one system) to implement the tax would skyrocket if implemented by about 3,000 community water systems. The implementation costs would **add to the cost of water and work against keeping water affordable**.

RECOMMENDED FUNDING ALTERNATIVE – THE SAFE DRINKING WATER TRUST (SB 669, Caballero): In 2018, the water community suggested four alternatives to the proposed statewide water tax. This year, the Association of California Water Agencies and the California Municipal Utilities Association are sponsoring SB 669 (Caballero), which would create the Safe Drinking Water Trust (the Trust) in the State Treasury to fund a Safe Drinking Water Fund at the State Water Board.

Existing federal and state drinking water funding sources are available for capital costs. The federal Safe Drinking Water State Revolving Fund dollars and General Obligation Bond funding are examples. The voters just approved \$250 million for safe and clean water projects, prioritized for disadvantaged communities, in Proposition 68 in June of 2018. Key to resolving this funding issue is addressing the gap for operation and maintenance (O&M) costs for community water systems that treat drinking water in disadvantaged communities. 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 system consolidation costs that can complement existing funding sources for capital costs.

The Trust's principal would be funded with an infusion of General Fund dollars during one (or two or three) budget surplus years. With the record budget surplus for the 2019-'20 Fiscal Year, this is the perfect year to create and fund the Trust. Funding the Trust via the General Fund, which is based largely on a progressive source of revenue (income tax), 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 Board would administer for drinking water solutions. Unlike the proposed water tax, the Trust would not add to the cost of water.

The above-listed organizations urge your "No" vote on the budget trailer bill language unless the proposed statewide water tax is removed and replaced with an acceptable alternative funding source – such as the Safe Drinking Water Trust proposed in SB 669 (Caballero).

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 Gavin Newsom
The Honorable Anna Caballero
Honorable Members, Senate Budget Subcommittee No. 2
Honorable Members, Assembly Budget Subcommittee No. 3
Honorable Joaquin Esquivel, Chair, State Water Board
Ms. Rachel Machi Wagoner, Deputy Legislative Secretary, Office of the Governor
Mr. Trevor Taylor, Legislative Aide, Office of Senator William W. Monning
Ms. Joanne Roy, Consultant, Senate Budget Subcommittee No. 2
Ms. Susan Chan, Consultant, Assembly Budget Subcommittee No. 3
Ms. Rocel Bettencourt, Budget Consultant, Senate Republican Caucus
Ms. Katie Sperla, Budget Consultant, Assembly Republican Caucus
Mr. Calvin Rusch, Policy Consultant, Assembly Republican Caucus