



Community Water Systems Alliance



January 31, 2019

Ms. Jeanine Townsend
Clerk to the Board
STATE WATER RESOURCES CONTROL BOARD
P. O. Box 100 Sacramento, California 95812-2000
Via: commentletters@waterboards.ca.gov

**Re: COMMENTS - Options for Implementation of a Statewide Water
Low-income Water Rate Assistance Program**

Dear Ms. Townsend:

The Community Water Systems Alliance (CWSA) would like to provide the following comments on options for Implementation of a Statewide Low-Income Water Rate Assistance Program by the State Water Resources Control Board (SWRCB). CWSA is a statewide initiative of well operated and viable water supply systems that provide service to disadvantaged communities as well as income limited communities serving seniors and others depending on fixed incomes.

The report adequately addresses the problem California faces with the implementation of a low-income water rate assistance program. We concur with the necessary revenue being generated by means other than placing a fee or tax on consumers' water bills, although we also have some suggestions, as set forth in our comments to Chapter 3, below, regarding alternatives means to raise the needed revenues. Overall, the W-LIRA program could impose burdens on community water systems that are not addressed in the report's revenue generation and benefit distribution options. The need to raise revenues and administer a benefit under W-LIRA, could also be in competition with other human right to water priorities, as well as draining resources from the implementation of new laws and regulations that are also unaccounted for in the Report. Our comments to the various chapters in the report follow.

Chapter 1: Why help households pay for drinking water service? The need for Low-Income Assistance in California

#1 Health and livelihood impacts

California is unique in many facets, including its weather, geography, economy and regulatory climate. California's water distribution system, and the laws and regulations that

govern it, are also unique. Thus, we question the relevance of applying cases of affordability and public health from Baltimore, Pittsburgh, and Detroit which differ greatly from California in many ways, to situations here. In the Report's discussion of 902 liens on properties in Baltimore for non-payment of water bills, there is missing perspective in that Baltimore serves 1.8 million residents and the suspected impacts involve about .002% of their users. Under SB120, California protects renters from shut-offs when liens have been set against landlords of rental properties, averting the types of situations that have arisen in Baltimore. Further protections against shut-offs were also recently enacted under SB998 (Dodd).

According to a 2010 report by the A Circle of Blue, residents in U.S. Eastern cities, outside of the Great Lakes region, pay about double for water, on average, when compared to residents on the West Coast, and consume less water overall. Given the necessity of water for essential needs, at such higher prices for lower volumes, it is unlikely that U.S. Eastern residents relegate their water payments to the disposable income category. The inference that people will choose to use less water in California as they factor paying for it with *disposable* income is therefore not comparable to the East Coast, including Detroit and Pittsburgh, where water is much more expensive.

More relevant to California are a series surveys since the 1990's by the Natural Resources Defense Council (NRDC) finding that a significant number of persons in the United States, including California, with origins in Latin America and Asia, prefer bottled water as their main source of drinking water. Other studies have found that many lower income residents pay as much as 600 times more for drinking water through purchases of bottled water as a primary source. This has also been traced to higher rates of tooth decay in populations that rely on bottled water because of the lack of fluoridation in such sources.

There are other dynamics at play in California that drive many residents with low incomes to choose more expensive options for drinking water from the tap. Some are cultural while others have to do with the legacy of contaminated local supplies in inner cities and rural areas that justifiably cause distrust of tap water. We would like to suggest that addressing the systemic issues that drive people to more expensive drinking water options, such as bottled water, will result in increased disposable income and reduced current health impacts specific to California, primarily with dental decay, as people gain confidence in, and increase their use of, less expensive but safe drinking water from local sources.

#2 The rapidly-rising retail cost of drinking water

Again, we assert that some low-income residents are choosing to pay more, by orders of magnitude, for drinking water because they distrust their local tap water. According to the International Bottled Water Association (IBWA), the average cost per gallon of bottled water – not counting sparkling waters – was \$1.21 in 2013. According to the US Environmental Protection Agency (EPA) the cost of tap water, which is \$2 per every thousand gallons, is 600 times less expensive than bottled water. There are numerous other issues related to bottled

water associated with pollution from plastic, as well as phthalates residuals that the public may be ingesting.

While the price of tap water is also accelerating given its legacy of being underpriced in California, and the need to update aging infrastructure, demand for tap water is also declining in California as residents adopt conservation as a way of life. For many water suppliers, this has meant rate increases, as less units of water are sold while fixed administration and overhead costs must still be met, and regulatory and statutory compliance burdens continue to increase. Yet, water rates for drinking water still are not approximating the cost of bottled water, and people choosing the more expensive option by necessity need long-term investments in their local infrastructure so they can trust it and reduce their costs as their confidence in local tap water increases. We agree that raising revenues from a water meter tax would be regressive and burden to low income and income limited residents, defeating the legislature's intent of helping low-income residents and families.

#3- Comparable programs exist in other sectors

While comparable programs exist in the energy sector, special districts and municipal utilities are limited under Proposition 218 that amended the California Constitution by adding Article XIII C and Article XIII D that effectively limit government taxes and assessments to the cost of service. There are no present means for water agencies to recover the lost revenue of subsidizing low-income customers. This limitation is cited in the Executive Summary of the Draft Report, and thus we concur with consideration of options in Chapter 3 (please see discussion in comment letter under "Chapter 3").

#4- The limitations of standalone system rate assistance programs

Special districts and municipal utilities are limited under applicable law through Proposition 218. Due to this limitation, many special districts are restricted in being able to offer their own low-income rate assistance programs, as a finding of subsidizing a low-income customer's bill with revenue derived from another ratepayer could give rise to a claim the utility is not providing water "at cost".

Chapter 2: Program Design Scenarios: Eligibility, Benefit Level and Total Program Cost

In Table 5 on page 19, we believe the allocation of 75 gallons per day for outdoor use is high when applied to lower income water users, many of whom reside in multi-unit apartments that use minimal outdoor water. That factor needs to be taken into consideration in the analysis set forth in Chapter 2.

Secondly, we recommend that Footnote 44 be deleted in its entirety. That footnote is insulting to water suppliers, as without any support or justification, it insinuates they would somehow "game the system" by manipulating rate setting, although it is not entirely clear from the text of the note what benefit a water supplier would derive from such conduct. That text is similarly problematic where later in the note, the Report references water system representatives stating they would not engage in such "strategic rate setting." The bottom line

from our perspective is that Footnote 44 adds no substance to the Report, and has the potential to distract from some of the good points the Report makes.

Chapter 3: Revenue Collection Options

CWSA supports a revenue collection program that does not rely on taxing water meters or applying any additional fee to a commodity charge, which we agree, are regressive options. However, while the recommended taxing of incomes of over \$1 million is a possible partial solution, it could create an unreliable source of revenues to sustain the W-LIRA program during economic slumps when the total earners in the higher income brackets decline. Such reductions will need to be planned for with a sustainable revenue source to backfill any such shortages when that contingency occurs.

A possible alternative revenue source would be to apply a tax on profits in industries that rely on government incentive programs, such as electric cars, solar energy, water conservation devices and practices (i.e. California Friendly gardens), where the revenues funding the incentives are supported through taxes applied to all income and/or property taxpayers. This could “equalize” the tax contributions of lower income taxpayers who help to subsidize the incentives, but themselves benefit less from such incentives, which instead benefit persons and entities with higher incomes. For example, during efforts to incentivize lawn replacement programs during the last drought ending in 2016, it was found that the primary beneficiaries of the \$300 million incentive program were residents in the wealthy community of Rancho Santa Fe. Yet the funding behind those landscape incentives was derived through the rate-payers and all property owners in the Metropolitan Water District of Southern California. The same is the case with incentives for solar power and electric cars that are funding by all the residents of the state. One major drawback of these recommendations is the pattern of funds that have been redirected in the state budget to fill budget short-falls. Hence the state legislature must commit to preserving the sources and allocation of these funds.

While some would argue that the tax on bottled water is regressive, it’s more akin to tiered water pricing that provides a disincentive for overuse. This applies to bottled water given that it has been documented to result in tooth decay on populations that over-rely on it as a drinking water source.

Nonetheless there are major issues with raising new forms of funding in addressing the human right to water through a W-LIRA program. First, the effort to generate revenues for the W-LIRA program competes with efforts to identify and generate funding to assist chronically failing water systems. This is particularly a problem because there has been no comprehensive assessment of the revenue requirements for addressing chronically failing water systems across the state. Secondly, the effort to generate revenues for both W-LIRA and to help chronically failing systems to address the human right to water, may compete with other human right to water priorities. For example, the fires in 2017 and 2018, destroyed entire communities

entailing destruction of the water systems as well. At times, local water systems proved inadequate in fighting the fires when power failures led to decreases in water pressure as well. In response to this factor, some vulnerable communities are attempting to raise local revenues to increase the resiliency of their water systems to deal with emergency situations preserving the human right to water under extreme conditions. As long as there is no comprehensive and strategic plan to deal with the human right to water as applied to a broad variety of circumstances and all residents of the state, needs for funding to address one priority for the human right to water will be competing with other priorities.

Chapter 4: Options for Benefit Distribution and Administrative Features of a Statewide Low-Income Ratepayer Assistance Program

Recent legislation dealing with conservation, groundwater management, drinking water quality, customer shut-off regulations, as well as regulations imposed by regional water quality and air quality authorities, have imposed new mandates in reporting of data and compliance measures on water systems. Failure to meet newly mandated reporting and compliance requirements, come with the threat of expensive fines by state and regional regulators. Thus, the financial, technical and staffing resources required from water suppliers to accommodate a new W-LIRA program's administrative requirements would be in competition with the state's other new, extensive, and costly mandates.

Distributing the benefit through water bills is problematic for reasons cited in the SWRCB report given that many renters, for example, would not be reached through this means. Also, we believe distributing the assistance through electrical providers will be very complicated and cumbersome in transmitting data from water suppliers to electrical providers. A further complicating factor is that water system boundaries generally do not align with an electrical provider's boundaries and there may be instances where one water supplier is served by two, or more, electrical providers.

Based on the shortcomings of those other alternatives, CWSA supports an alternative where the benefit is distributed through the **existing** Electronic Benefit Transfer (EBT) program. While there are costs associated with creating a *new* EBT program, purchases of bottled water, for example, are permitted in the existing EBT program and CalFresh. Some water suppliers currently bottle tap water, or provide it via water vending machines, as a demonstration to boost confidence in the drinking water supply. Thus, the calculated subsidy can match the amount of volume in increments of liters which is common to bottling, equal to 9ccf (equivalent to indoor use of 55gpcd), for example, authorizing a commensurate payment to an eligible persons' EBT or CalFresh account.

The *existing*-EBT option, as well as the SWRCB's preferred option through the CARE program have other limitations not accounted for in the report. Both options provide benefit recipients with the ability to use the funds allotted or credited to their accounts, for non-drinking water expenditures. Hence, a renter's human right to water needs, for example, could

be left unaddressed if a landlord fails to pay their water bill. Secondly, failure of a benefit recipient to pay their water bill, notwithstanding the W-LIRA benefit, will trigger additional subsidies and fee waivers made possible through SB998 (Dodd) by the water supplier.

CONCLUSION:

The W-LIRA program will impose administrative and financial burdens on community water systems that are not addressed in the report’s preferred revenue generation and benefit distribution options. The need to raise revenues and administer a benefit under W-LIRA regardless of the options chosen, are in competition with other human right to water priorities, as well as competing with new laws and regulations that are also unaccounted for in the Report. We urge the State Water Resources Control Board to report to the legislature a comprehensive and strategic approach in the implementation of a W-LIRA program that is in alignment and not competing with other priorities for the human right to water and recently enacted legislation affecting conservation, affordability, groundwater management, and local regulations as well. We also urge the State Water Resources Control Board to recommend a program that has a reasonable chance of being implemented given the reporting and compliance burdens already being faced by the state’s community water systems. Thank you for the opportunity to provide the preceding comments. In particular, we appreciate the flexibility demonstrated in the revenue source and revenue collection alternatives, as those alternatives avoid placing increased burdens and costs on water systems.

Sincerely yours,

For Disadvantaged and Severely Disadvantaged Communities:

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