

CRESCENTA VALLEY WATER DISTRICT

BOARD OF DIRECTORS - STAFF REPORT

Action Item No.1
March 6, 2018

To: Honorable Members of the Board of Directors
From: Ron L. Mitchell – Secretary-Treasurer
Subject: Discussion to oppose proposed State tax on drinking water in budget trailer bill and SB 623

ACTION ITEM:

Legislation - Discussion and possible action to oppose proposed State tax on drinking water in budget trailer bill and SB 623.

BACKGROUND:

Last year ACWA and more than 100 member agencies actively opposed SB 623 by Sen. William Monning (D-Carmel), which proposed a tax on drinking water as a means of funding drinking water solutions in some disadvantaged communities.

SB 623 is now a two-year bill and is currently parked at the Assembly Rules Committee. ACWA has an oppose-unless-amended position on the bill. However, the current legislative activity is focused on a different vehicle.

The Brown Administration, in coordination with the proponents of SB 623, is attempting to advance the SB 623 proposal (with some changes that do not affect ACWA's position) in a budget trailer bill.

Although a bill number for the budget trailer bill is not yet available, the Administration has posted the first version of the language. If the Administration is not successful with the budget trailer bill, Sen. Monning will try to move SB 623. ACWA's State Legislative Committee took an oppose-unless-amended position on the budget trailer bill on Friday, Feb. 9.

DISCUSSION:

ACWA is asking members to take specific actions to oppose a budget trailer bill that is proposing a state tax on drinking water and to continue to oppose SB 623 (Monning). The budget trailer bill is very similar to SB 623. ACWA member action in this area is critical

ACWA is requesting that all member agencies take the following actions:

1. **Join ACWA's Coalition:** Sign onto the ACWA-led oppose-unless-amended coalition letter, if you have not already done so. The coalition's Feb. 6 letter and a draft letter are available on ACWA's website. CVWD can contact ACWA State Relations Analyst, Melissa Sparks to add CVWD's name to ACWA's coalition letter. Coalition members will be listed on coalition letters related to the budget trailer bill and SB 623.
2. **Send Separate Oppose- Letter on behalf of CVWD:** In addition to signing onto the coalition letter, a letter that CVWD should strongly oppose any effort to establish a state drinking water tax and include the following:
 - A. **Budget Subcommittee Letter** – Using the attached sample letter, CVWD should send to the Senators on the Senate Budget Subcommittee No. 2 and the Assembly Members of the Budget Subcommittee No. 3.
 - B. **Local Legislator Letter** - Using the attached sample letter, CVWD should send to Senators and Assembly Members that represent our area.

Also, send a copy of CVWD's final letters to ACWA Senior Regional Affairs Representative Brandon Ida.

3. **Provide Testimony at Two Upcoming Hearings:** Send a representative from CVWD to provide basic testimony in opposition at the following upcoming hearings:
 - A. The Assembly Budget Subcommittee #3 (Resources & Transportation) on Wednesday, March 14, 2018 at 9:30 a.m. in Capitol Room 447.
 - B. The Senate Budget Subcommittee #2 (Resources, Environmental Protection, Energy & Transportation) on Thursday, March 15, 2018 at 9:30 a.m. in Capitol Room 112.

Please confirm if a representative from CVWD plans to attend the hearings by emailing ACWA State Relations Analyst Melissa Sparks.

4. **Call Your Legislators:** CVWD can call our local Assembly Members and Senators to alert them to the proposed tax on drinking water in the budget trailer bill and ask them to vote against the budget trailer bill (or SB 623).

RECOMMENDATION:

Staff will prepare letters, if requested, to be sent to State Senators and Assembly Members before the March 14, 2018 public hearing. Also, staff will contact ACWA, if requested, to be included in the ACWA-led oppose-unless-amended coalition letter.

Prepared by:

Reviewed by:

Ron L. Mitchell
Secretary-Treasurer



David S. Gould, P.E.
District Engineer



Aug. 22, 2017

Facts on Proposed Statewide Tax on Water SB 623 (Monning)

ACWA strongly opposes a recently released proposal to tax Californian's drinking water. This first-ever statewide water tax is proposed as a way to address a lack of access to safe drinking water for some people who live in rural, disadvantaged communities.

ACWA is committed to developing effective solutions and advancing appropriate funding strategies to address this important public health and social issue. However, an eleventh-hour effort in the Legislature to impose a regressive statewide tax on water – as proposed in SB 623 (Monning, D-Carmel) – is **NOT** the right funding solution.

Background on SB 623

Just as the Legislature returned from summer recess Aug. 21, Sen. Bill Monning (D-Carmel) inserted language into SB 623 proposing to establish California's first-ever statewide tax on residential and business water bills as one of the bill's funding mechanisms. Monning is calling the tax the "Safe and Affordable Drinking Water Fee." ACWA strongly opposes this provision in the bill.

A Tax on Water is NOT the Solution

Local, public water agencies are committed to providing safe and reliable water and support the intent of the bill. They understand the severity of the problem and the need for solutions. However, taxing Californians' water is not the solution. While ACWA supports the intent of the bill, SB 623 has fundamental flaws, such as:

- Taxing Californians for something that is essential to life does not make sense.
- Adding a tax on water would further erode the affordability of water for local water users.
- Imposing a statewide tax on Californians' water would turn hundreds of local water agencies into taxation entities that send money to Sacramento.
- Imposing a regressive tax has a bigger impact on families just above low-income thresholds.

- If passed, the bill would open the door to future taxes on water customers.

An Eleventh-Hour Play is Not Good Policy

The insertion of the tax language in the bill at the last-minute, after keeping it under wraps for months, is no way to make public policy. Such issues should be debated openly and fully. The tax provisions have not been heard by any policy committees.

A Better Approach

ACWA believes that this important public health and social issue requires focused state leadership. Therefore, dollars from the state's General Fund, packaged with ongoing funds from the Safe Drinking Water State Revolving Fund (SRF), general obligation bonds, and an assessment proposed by agriculture and environmental justice organizations related to nitrates in groundwater is the right funding approach.

The state appropriately uses its General Fund to pay for other important programs and initiatives that have been identified as statewide priorities – including public health, education, housing, disability services, and other programs that serve and protect residents and communities in need. The General Fund is primarily sourced from income tax, which is a progressive tax, (i.e. people with higher incomes pay higher tax). This is appropriate for funding a state social issue

More Information

Additional information about SB 623 and ACWA's advocacy efforts has been posted on ACWA's website at www.acwa.com/no-water-tax.

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ACWA is a statewide association of public agencies whose more than 440 members are responsible for about 90% of the water delivered in California. For more information, visit www.acwa.com.

*****Sample Letter 1 for Budget Subcommittees*****

[DATE]

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: Proposed Drinking Water Tax: Budget Trailer Bill and SB 623 – OPPOSE UNLESS AMENDED

Dear Chair Wieckowski and Chair Bloom,

I am writing to express our strong opposition to a proposed state tax on drinking water before the California Legislature. The proposal is being advanced through SB 623 by Sen. William Monning (D-Carmel), a two-year bill introduced in 2017, and a Brown Administration budget trailer bill that is based on SB 623.

As a local water agency, we are committed to delivering safe and reliable water. We wholeheartedly support the goal of ensuring safe drinking water for all Californians, especially those in disadvantaged communities. However, taxing Californians for something that is essential to life does not make sense, especially at a time when some are raising concerns about the cost of living in the state. Our agency has serious concerns with requiring California's local water agencies to collect this tax for the state. Simply put, taxing drinking water – an essential life-sustaining resource – is just not sound policy.

As an alternative, we are working to advance a more appropriate package of funding, which would include existing federal funds from the Safe Drinking Water State Revolving Fund (SRF), voter-approved general obligation bonds, the assessments related to nitrates in groundwater proposed in the budget trailer bill and in SB 623, and a limited amount of general fund dollars.

For these reasons, [AGENCY NAME] opposes the budget trailer bill related to a tax on drinking water and SB 623 and respectfully requests your "NO" vote on these measures.

If you or members of your staff have any questions, please contact me at [xxx-xxx-xxxx or email].

Sincerely,

[NAME, TITLE]

cc: Members, Senate Budget Subcommittee No. 2
Members, Assembly Budget Subcommittee No. 3
The Honorable William W. Monning
Ms. Kim Craig, Deputy Cabinet Secretary, Office of the Governor

Sample Letter 2 for Legislators

Look up your California Legislators' contact information here:

http://www.legislature.ca.gov/legislators_and_districts/legislators/your_legislator.html

[DATE]

The Honorable [FIRST NAME] [LAST NAME]
State Capitol [ROOM]
Sacramento, CA 95814

Re: Proposed Drinking Water Tax: Budget Trailer Bill and SB 623 – OPPOSE UNLESS AMENDED

Dear [Senator/Assembly Member] [Last Name],

I am writing to express our strong opposition to a proposed state tax on drinking water before the California Legislature. The proposal is being advanced through SB 623 by Sen. William Monning (D-Carmel), a two-year bill introduced in 2017, and a Brown Administration budget trailer bill that is based on SB 623.

As a local water agency, we are committed to delivering safe and reliable water. We wholeheartedly support the goal of ensuring safe drinking water for all Californians, especially those in disadvantaged communities. However, taxing Californians for something that is essential to life does not make sense, especially at a time when some are raising concerns about the cost of living in the state. Our agency has serious concerns with requiring California's local water agencies to collect this tax for the state. Simply put, taxing drinking water – an essential life-sustaining resource – is just not sound policy.

As an alternative, we are working to advance a more appropriate package of funding, which would include existing federal funds from the Safe Drinking Water State Revolving Fund (SRF), voter-approved general obligation bonds, the assessments related to nitrates in groundwater proposed in the budget trailer bill and in SB 623, and a limited amount of general fund dollars.

For these reasons, [AGENCY NAME] opposes the budget trailer bill related to a tax on drinking water and SB 623 and respectfully requests your "NO" vote on these measures.

If you or members of your staff have any questions, please contact me at [xxx-xxx-xxxx or email].

Sincerely,

[NAME, TITLE]

cc: The Honorable William W. Monning
Ms. Kim Craig, Deputy Cabinet Secretary, Office of the Governor



February 21, 2018

The Honorable Phil Ting
California State Assembly
State Capitol, Room 6026
Sacramento, CA 95814

The Honorable Holly Mitchell
California State Senate
State Capitol, Room 5080
Sacramento, CA 95814

Re: Safe and Affordable Drinking Water Act - **OPPOSE**

Dear Assemblymember Ting and Senator Mitchell,

The Foothill Family of Water Agencies submits this letter to convey our opposition to the Brown Administration's budget trailer bill to implement the Safe and Affordable Drinking Water Act. The Foothill Family of Water Agencies includes Foothill Municipal Water District, a wholesale provider of imported water and the following retail suppliers of water: Crescenta Valley Water District, La Cañada Irrigation District, Valley Water Company, Mesa Crest Water Company, Las Flores Water Company, Lincoln Avenue Water Company, Rubio Cañon Land and Water Association, and the Kinneloa Irrigation District.

This bill seeks to establish a new Safe and Affordable Drinking Water Fund to assist communities and individual domestic well owners who lack access to safe drinking water, particularly those in small, rural disadvantaged communities. This effort, while laudable, fails to achieve a more effective and equitable financial solution.

As proposed, the Safe and Affordable Drinking Water Act will be partially funded by a **permanent assessment** based on customer meter size to be borne by the ratepayers of community water systems. This places disproportionate financial reliance on urban communities who already invest in and recover charges for the cost of providing safe drinking water.

Providing safe drinking water is as fundamental to California as educating our children and providing health care and nutrition to our most needy. As such, the state General Fund should play a substantial role in solving this problem. Beyond the General Fund, the state should also maximize federal funding from the Safe Drinking Water State Revolving Fund and prioritize capital funding to disadvantaged communities in future general obligation bonds.

In addition, the budget trailer bill proposes this permanent assessment on urban water ratepayers and, to a limited extent, fees on agricultural operations that contribute to legacy nitrate contamination. By shifting the financial burden for remediation of nitrates disproportionately to urban water customers, the legislation erodes long-standing state and federal policy that responsible parties be held accountable for the cost of cleaning up contamination they have caused.

Finally, we believe there are many factors that led to the challenges small and disadvantaged water systems currently face, including inadequate oversight, management, and expertise in governance. A better solution should be found by other legislative means.

For the above reasons, we oppose the Safe and Affordable Drinking Water Act unless it is amended to address our concerns. If you have any questions, please contact Nina Jazmadarian at (213) 709-9142.



Nina Jazmadarian, General Manager
Foothill Municipal Water District



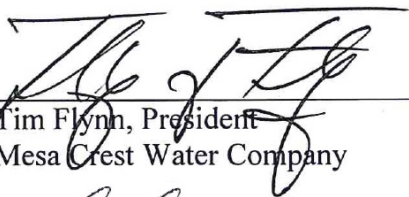
Ron Mitchell, Admin. Services Manager
Crescenta Valley Water District



Bob Fan, General Manager
Valley Water Company



Doug Caister, General Manager
La Canada Irrigation District



Tim Flynn, President
Mesa Crest Water Company



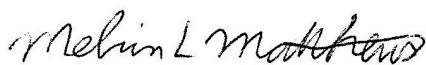
Robert Hayward, General Manager
Lincoln Avenue Water Company



Lisa Yamashita-Lopez, General Manager
Rubio Canon Land and Water Association



William Kimberling, General Manager
Las Flores Water Company



Mel Matthews, General Manager
Kinneloa Irrigation District

cc: Assemblymember Laura Friedman
Assemblymember Chris Holden
Senator Anthony Portantino
FMWD Board of Directors
FMWD Retail Agencies