



WATER TAX FACTS

April 26, 2019

Facts on Two 2019 Proposals for a Water Tax

Proposals to impose a state water tax are being advanced through AB 217 (E. Garcia) and a Newsom Administration budget trailer bill related to safe drinking water.

ACWA is committed to developing effective solutions and advancing alternative funding strategies to address this important public health and social issue.

Background on Water Tax Proposals

- AB 217 would require public water systems to send a water tax to the State Water Resources Control Board based on a system's number of connections. The cost of that tax to the state would ultimately be passed along to households and businesses that purchase potable water from a public water agency.
- AB 217 uses the word "fee," but it would be a tax under Article XIII A of the California Constitution.
- AB 217 also proposes agricultural assessments similar to those proposed in Gov. Brown's proposed budget trailer bill language in 2018 and in the Newsom Administration's budget trailer bill language this year, a modified version of ACWA's proposed Safe Drinking Water Trust proposal, and a proposal to allocate up to 20 % of the safe drinking water funds back to the region of the state in which they were raised.
- The budget trailer bill language proposes that the state levy a monthly tax on water bills of households with incomes of greater than 200 percent of the federal poverty guideline and businesses which are customers of a community water system.
- For the budget trailer bill language, more than 3,000 local community water systems would serve as tax collectors for the state, incurring significant administrative and technology expenses associated with implementing new systems to collect the state water tax.
- Revenue generated from the tax would go through the State Water Board, which would allocate funding to safe drinking water projects in the state.
- If either AB 217 or the budget trailer bill language passed, it would set the precedent for a state water tax in California.

Alternative Approach

ACWA believes that this important public health and social issue requires focused state leadership. An alternative funding solution for this state social issue is proposed through SB 669 authored by Sen. Anna M. Caballero (D-Salinas) and sponsored by ACWA and the California Municipal Utilities Association (CMUA). Highlights of SB 669:

- The bill would create the Safe Drinking Water Trust in the State Treasury.
- The Trust would be funded with general fund dollars during one or two state budget surplus years, such as the current budget year with its record budget surplus. How much funding is needed for the Trust and the scope of the use of the funding are being discussed in the legislative process.
- The General Fund would serve as a progressive source of revenue, as taxpayers with higher income would contribute more, while lower income taxpayers would contribute less
- Net income earned from the trust would be transferred to a Safe Drinking Water Fund, which the State Water Resources Control Board would administer and use to fund solutions in disadvantaged communities.
- This proposal is an alternative to the water tax proposals in AB 217 and the Newsom Administration's budget trailer bill language.

More Information

Additional information about the proposed drinking water tax and SB 669 is available at www.WaterTaxFacts.org and www.SafeDrinkingWaterTrust.org.

ACWA is a statewide association of public agencies whose more than 450 members are responsible for about 90% of the water delivered in California. For more information, visit www.acwa.com.