

Access to Water

Storage Plus Conveyance Key to Producing Adequate Supply

Access to an adequate water supply is critical for business to thrive, for human survival and for the environment. Demand outstrips the current supply. New water storage projects, above and below ground, are needed urgently. New technology with water purification projects is in its infancy and desalination plants are barely ahead of those. These projects that increase supplies are just coming online after rigorous environmental scrutiny, sometimes taking years to accomplish. Meanwhile, environmental regulations requiring more water flows from rivers to support fish and wildlife have been implemented. Always in the forefront of businesses' concern is access to enough water at reasonable rates to operate efficiently and yet acknowledge the many other demands on water supplies.

At the same time the cost to supply water for human needs continues to spiral out of sight. The drought highlighted the plight of disadvantaged communities that ran out of drinking water in the Central Valley and rural parts of the state. Bringing water to those communities is expensive, covered in part by money from the state budget, but the problem of how those communities pay for water service when connected to nearby water purveyors is unclear. And in 2020, COVID-19 further emphasized the cost and the need to continue water service to all consumers despite their inability to pay.

The continued need for access to an affordable water supply will be a priority issue in 2021.

ACCESS TO CLEAN DRINKING WATER

State law ensures universal access to water by declaring that “every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking and sanitary purposes.” However, water is becoming more expensive. California’s growing economy and population create continued demand for water. Meanwhile, drought and water leaks tighten available supplies. In addition, pipes and aging infrastructure result in expensive repairs or replacements. These conditions contribute to higher costs. The result is more low-income households with unaffordable drinking water. COVID-19 and the impact to the economy, including high unemployment rates, only further exacerbated the affordability issue.

The State Water Resources Control Board (Water Board) circulated a draft proposal for a statewide low-income rate assistance program developed, under contract, by researchers from the University of California, Los Angeles in 2017 to analyze possible funding mechanisms. Cost estimates ranged from \$279 million to \$580 million. The funding mechanism would include a tax on water utility bills for approximately 34% of the water hookups in California. Households with income less than 200% of the federal poverty level would be exempt. The proposal was sent to the Legislature where it is still under consideration.

Meanwhile on a separate track, legislation was introduced in 2018 that would have provided access—not low-income rate assistance—to safe and affordable drinking water for disadvantaged communities, but failed to progress because it included a fee that was perceived as a tax. The bill had two parts: 1) access to clean drinking water; and 2) a funding source. Under the legislation, access could include annexation to the nearest water district for those with dry wells, help with contaminated wells, consolidation of smaller water districts with nearby larger and better-funded districts, or building or upgrading existing drinking water facilities.

The funding mechanism was a tax on fertilizers and on dairy/livestock that declined over time, and a permanent fee on water utility bills except for households with incomes of less than 200% of the federal poverty level.

Agenda for California Recovery

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The Governor side-stepped the issue of a water tax for access to clean drinking water by including \$130 million annually for the next 10 years in his 2019 budget. The funds are derived from the Greenhouse Gas Reduction Fund. Legislation easily passed to establish the framework for the Safe and Affordable Drinking Water Fund to receive the funds and direct the Water Board to adopt a fund implementation plan. This budget appropriation addresses only access to clean drinking water, not low-income rate assistance to help pay monthly water bills. The cap-and-trade auction in early 2020 fell short of expectations, so funds were borrowed from the underground storage tank program to backfill the \$130 million appropriation.

LOW-INCOME ASSISTANCE

The spread of COVID-19 during 2020 precipitated a slew of government prohibitions to protect Californians economically affected, including a prohibition against shutting off water to households for nonpayment. Although well-intentioned, the prohibition has put the water districts in a difficult position. Not every district has deep fiscal reserves to maintain daily water operations and keep up with maintenance while upgrading facilities to deal with evolving treatment requirements to meet stringent water quality standards. Unlike energy purveyors, water districts do not have the ability to spread costs over their entire rate base in most cases.

Water districts are subject to Proposition 218 (passed in 1996), which created a category of fees known as “property-related fees.” Such fees may not be imposed or increased unless a local government conducts a majority-protest proceeding 45 days after mailing a notice to all fee payers. If no majority protest occurs, then the agency must submit the measure to a mail ballot, majority vote of property owners (voting one vote per parcel) or to an at-the-polls, two-thirds vote of registered voters. Water districts under the purview of the California Public Utilities Commission have similar constraints. There are districts with assistance programs, but many were adopted before Proposition 218 or are funded from resources other than ratepayers.

With water districts having limited ability to raise capital to meet operating expenses and the requirement to continue to provide water without payment, it is likely rates will increase, surcharges may be imposed, and perhaps a tax or fee will be necessary. Businesses should be prepared for higher water costs in 2021. Every effort should be made to be as water efficient as possible.

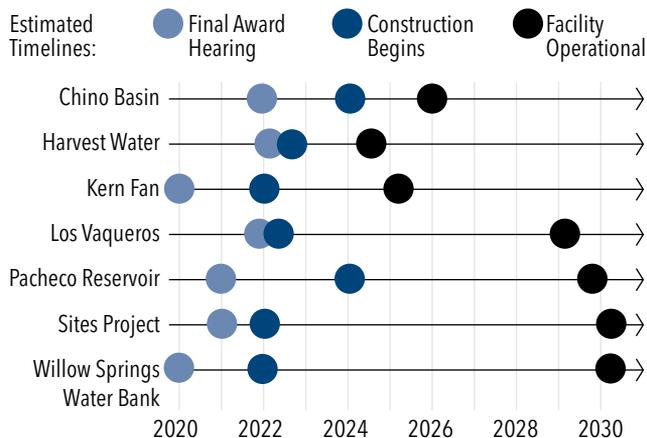
MORE WATER STORAGE IS IMPERATIVE

Water storage is one of the fundamental keys to increasing the state’s water supply and access in conjunction with conservation, recycling, desalination, wastewater conversion, and water reuse projects (see [Business Issue article on “New Water Future”](#)). Environmental and ecological demands, climatic changes, and a growing population place stresses on available water supplies. The State Water Project, built in the 1960s, is aging and struggling to supply enough water for current needs. Ever-more-stringent environmental regulations and lack of funding make it difficult to construct new storage facilities. Headlines during the last drought were filled with towns running out of water and pictures of large water tanks being dropped off along with cases of bottled water. There is no question that more water storage is needed to increase supplies, but also to help manage existing sources.

Although voters approved a water bond in 2014, they voted against an \$8.87 billion water bond in 2018. The 2014 water bond contained, amongst other provisions, \$2.7 billion for storage projects. Those funds can be used only for the “public benefits” of the storage projects, such as improved water quality, flood control, habitat restoration or outdoor recreation. The California Water Commission (Commission) developed regulations and guidelines, and started accepting project applications in 2017. The Commission approved eight proposed water storage projects for funding. Collectively, the projects will add 4.3 million acre-feet of water storage capacity. The applicants will need to complete remaining requirements, including feasibility studies and environmental reviews, before the Commission can award final funding for each project. The Commission’s timeline shows that most of the applications will be finalized in 2021. Only one project, Temperance Flat Reservoir, has withdrawn its application. The Commission may redistribute those funds amongst the remaining applicants or open up to new projects.

Environmental opposition to new water projects is constant. Environmental groups are opposing desalination, recycling, and storage projects. Their opinion is that conservation will provide enough water for all purposes. During the recent five-year drought, mandatory conservation measures did result in 25% less water usage. However, some rural communities still ran out of water and required state assistance to obtain baseline amounts. Communities running out of water were mostly on private domestic wells or were served by very small water districts with no ability to upgrade or expand existing facilities. Nearby water storage could have alleviated the problem by storing excess water in wet years for use in drier times.

WATER STORAGE INVESTMENT PROGRAM PROJECTS



Source: California Water Commission

IMPACT ON BUSINESS

As the demand for water continues and costs increase, regulators will likely continue to lean on businesses to reduce consumption and potentially even assist with the cost of continuing to provide water to low-income customers.

The additional 4.3 million acre-feet of water these water storage projects will yield is important to the overall water supply of the state. The diverse locations of the projects help distribute the new supply throughout the state. The promise of more supply alleviates the stress that developers are under to provide written documentation from water suppliers that they can provide water to new building sites. Farmers will be able to grow and harvest crops without fear that their water supply will be cut.

ANTICIPATED ACTIONS IN 2021

Legislation is likely on the State Water Board’s low-income assistance program. It is also possible that legislation proposing fees, surcharges or taxes will be introduced.

The California Water Commission will continue to monitor the progress of the seven remaining proposed water projects. If any of these applicants withdraw, the Commission decides how to apportion the funds. The project applicants need to finish required feasibility studies and environmental reviews before receiving bond funding.

It is likely more funding will be needed, as well as permits from the federal government. Businesses should stay engaged with the Commission to ensure funding is not delayed and be prepared to support projects before federal agencies.

CALCHAMBER POSITION

The California Chamber of Commerce supports a comprehensive solution to the state’s chronic water shortage to ensure all Californians have access to clean and affordable water. Any increases in the cost of water should be applied equally across all users. Water storage combined with conveyance is an important part of achieving a water supply adequate to meet the needs of Californians.

Any reduction in water supplies for environmental purposes must be carefully balanced against the harm it will have on the business community. A robust economy depends on a thriving business climate. It’s business that provides jobs, housing, food and a good quality of life for residents of the state.



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