

SB623 Access to safe and affordable drinking water - Background - Most of the state's residents have drinking water that meets state and federal drinking water standards. However, there are water systems that do not. Many of those water systems are in the Central Valley and other farming areas. Disadvantaged communities are disproportionately affected with the lack of safe drinking water. Many of these communities are served by small water systems that do not have the rate base to modernize their drinking water plants. In addition, many rural residents are not connected to public water systems but have private domestic wells that in some cases have gone dry during the drought or are contaminated. Senator Bill Monning (D-Carmel) introduced SB 623 in 2017 that provides for access to safe and affordable drinking water for disadvantaged communities. The bill has two parts— access to clean drinking water and a funding source. Access can be annexation for those with dry wells to the nearest water district, help with contaminated wells, consolidation of smaller water districts to nearby larger and better-funded districts or building or upgrading existing drinking water facilities. The funding mechanism is a tax on fertilizers and a tax on dairy/livestock that declines over time and a permanent tax on water utility bills except for those households with incomes of less than 200% of the federal poverty level. Most of the water districts oppose the bill, while most of the agricultural business community supports it. The bill is in the Assembly Appropriations Committee

- Legislation to provide funding for access to affordable, clean drinking water for low-income communities will continue as an action item in the new year. SB 623 is in the Assembly Appropriations Committee and could move early in January 2018. Along similar lines, the Board will continue working on developing a plan for funding and implementing a low-income rate assistance program. All scenarios currently being evaluated include a fee/tax on water bill based on meter size.

Cal Chamber opposes - Water Tax. Unfairly imposes a discriminatory tax on businesses to fund projects for which they receive no benefit.

We **OPPOSE** your **SB 623 (Monning)**, which is a tax on businesses and residential water meters to fund grants, loans, contracts, or services to assist those without access to safe and affordable drinking water. Though the bill says it is a fee on water meters, it is a tax because there is no nexus between the payment of the fee to the beneficiary of the program.

SB 623 applies a sliding scale of charges based on the size of a water meter. Those with smaller meters, single-family homes and multi-family residences pay less, while those with larger meters, businesses, pay more. Those without water meters but connected to a water district would pay the same amount as a single-family home. Low-income households are exempt from the tax. The tax would be applied by water districts or cities and the money sent on to the State Water Resources Control Board to assist disadvantaged communities and individual domestic well owners who lack access to safe drinking water, particularly those in small, rural disadvantaged communities.

The tax is discriminatory as it imposes a higher rate on those properties with larger water meters, which are primarily commercial. A similar proposal was deemed unconstitutional due to its lack of uniformity. See *Borikas v. Alameda Unified School District*, 214 Cal.App.4th 135 (2013), in which Alameda Unified School District voters approved a measure that imposed a higher parcel tax rate against larger commercial properties as opposed to residential properties. The parcel tax was based upon the square footage of the property – higher square footage, higher parcel tax. The Court of Appeal ultimately determined this disproportionate tax rate was unlawful given the lack of uniformity.

For these reasons, we are **OPPOSED** to your **SB 623**.