

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 07/15/2021
POSITION: Oppose

BILL NUMBER: SB 222
AUTHOR: Dodd, Bill

BILL SUMMARY: Water Rate Assistance Program.

This bill establishes the Water Rate Assistance Program and the Water Rate Assistance Fund to provide water affordability assistance for drinking and wastewater services to low-income ratepayers and ratepayers experiencing economic hardship and requires the Department of Community Services and Development (CSD) to administer the fund and, in consultation with the State Water Resources Control Board (SWRCB), shall by January 1, 2023 develop guidelines and fund oversight procedures for the implementation of the program.

This bill also requires the California Public Utilities Commission (CPUC) to establish a mechanism for electrical corporations and gas corporations to regularly share data with CSD regarding the utility customers enrolled in, or eligible to be enrolled in, the California Alternate Rates for Energy (CARE) and the Family Electric Rate Assistance (FERA) programs.

FISCAL SUMMARY

The bill is subject to an appropriation and does not specify a funding amount for the Water Rate Assistance Program; however, if funded, would result in significant ongoing cost pressures likely in the hundreds of millions of dollars annually. To the extent that federal funds or special funds are unavailable for these purposes, this bill would result in General Fund costs.

Administrative costs to CSD and the SWRCB would not be absorbable.

Assuming a \$100 million local assistance appropriation for the program, CSD estimates an administrative cost of \$1.9 million in fiscal year 2021-22 and \$1.5 million annually thereafter. The program would also create additional unknown costs to CSD for program modifications and reporting infrastructure, stakeholder engagement, competitive procurement, and third-party auditing of water system service providers.

The SWRCB estimates a cost of \$675,000 per year to perform its consultative responsibilities.

The CPUC administrative costs are indeterminate, but likely minor and absorbable.

COMMENTS

The Department of Finance opposes this bill because it will result in significant costs not included in the 2021 Budget Act and is duplicative of existing programs.

The 2021 Budget Act established two statewide water assistance programs aimed at alleviating consumer arrearages resulting from the COVID-19 pandemic. The SWRCB was appropriated \$1 billion from the State Fiscal Recovery Fund (SFRF) while CSD received \$116 million in federal

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Governor's Office: By: Date: Position Approved Position Disapproved

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COMMENTS (continued)

funding for its Low-Income Household Water Assistance Program. Additionally, CSD is also administering \$1 billion in SFRF to help alleviate energy arrearages.

These new programs are time-sensitive and require urgent implementation. Finance is concerned that the development of another statewide water assistance program as proposed by this bill would place a strain on resources and shift focus from the aforementioned efforts.

This bill requires:

- The establishment of the Water Rate Assistance Fund to provide for 1) direct water bill assistance; 2) water bill credits to renters and individuals or households that pay other amounts, fees, or charges related to residential water or wastewater service; and, 3) water crisis assistance.
- CSD to administer the fund as specified.
- CSD, in consultation with the SWRCB and a public advisory group, by January 1, 2023, to develop guidelines and fund oversight procedures for the implementation of the program.
- CSD to coordinate with the CPUC to cease existing rate assistance programs offered by investor-owned water utilities and transition the customers to the program through a process established by the commission
- The adoption of an annual expenditure plan.
- The CPUC to establish a mechanism for electrical corporations and gas corporations to regularly share data with CSD regarding utility consumers enrolled in or eligible for the CARE and FERA programs.

Proponents of this bill note that studies show water bills for California residents are rising far faster than inflation. From 2007 through 2015, water bills increased on average by 45 percent. At the same time, over 50 percent of Californians have a water service provider that does not offer rate assistance to low-income customers. For water systems that do, enrollment rates are typically low.

Additionally, in November 2020, the SWRCB conducted a survey of community water systems to collect data on household water bill debt during the COVID-19 pandemic. The SWRCB estimated that there is at least \$1 billion in household water debt across California from nonpayment of water bills. This research informed the establishment of the two aforementioned programs through the 2021 Budget Act.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)						Fund Code
		PROP 98	FC	(Dollars in Thousands)				
				2021-2022 FC	2022-2023 FC	2023-2024		
4700/Dept Comm Sv	SO	No	C	1,900-19,000 C	1,500-15,000 C	1,500-15,000	0001	
3940/SWRCB	SO	No	C	675 C	675 C		675 0001	
4700/Dept Comm Sv	LA	No	C	100,000-1,000,000 C	100,000-1,000,000 C	100,000-1,000,000	0001	