



February 1, 2019

State Water Resources Control Board  
c/o Jeanine Townsend, Clerk of the Board  
P.O. Box 100  
1001 I Street, 24th floor  
Sacramento, CA 95814



Chairman Marcus and members of the State Water Resources Control Board,

The California Bottled Water Association (CBWA)<sup>1</sup> and the International Bottled Water Association (IBWA)<sup>2</sup> appreciate this opportunity to provide comments on the California State Water Resources Control Board's (SWRCB) January 3, 2019 draft report titled "Options for Implementation of a Statewide Low-Income Water Rate Assistance Program" (W-LIRA). CBWA and IBWA's comments will focus on the provisions in the draft report that mention bottled water taxes or fees as revenue collection options to help fund W-LIRA.

It should be noted that CBWA and IBWA believe that Californians have a right to safe water and we support State policies that aim to ensure 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, implementing policies providing access to this valuable resource must be measured so that implementation does not harm those Californians the policies seek to protect.

Bottled water is a packaged food product and, as such, is currently exempt from California's sales tax. Bottled water is a safe, healthy, and convenient product that is consumed by millions of California residents, including many people who are the beneficiaries of W-LIRA. IBWA and CBWA therefore oppose any effort to impose a tax or fee on bottled water.

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<sup>1</sup> The California Bottled Water Association is the trade association of the bottled water industry in California. CBWA supports its member bottlers, distributors, and vendors by keeping them informed and representing them in matters of government and regulatory legislation, providing them with educational and training opportunities related to the bottled water business, creating an environment of open communications for sharing resources and information and, representing their unified voice in the future development of the bottled water industry.

<sup>2</sup> The International Bottled Water Association is the trade association representing all segments of the bottled water industry, including spring, artesian, mineral, sparkling, well, groundwater and purified bottled waters. IBWA's mission is to serve the members and the public, by championing bottled water as an important choice for healthy hydration and lifestyle, and promoting an environmentally responsible and sustainable industry. IBWA represents bottled water bottlers, distributors and suppliers throughout the United States, including several small, medium and large size companies doing business in California.

### **Bottled Water – A Safe, Healthy Food That Should Not Be Taxed**

Bottled water is a safe, healthy, and convenient packaged food product that consumers find refreshing and they drink to stay hydrated. Contrary to the beliefs of some, bottled water is not a luxury item. In many instances, consumers choose bottled water over other less healthy sugary beverages because it does not have the calories, caffeine, or other ingredients that they may wish to eliminate or moderate in their diets – an excellent choice with the rise in obesity and diabetes throughout the United States. In addition, some consumers rely on bottled water because the tap water in their community is contaminated with lead, PFAS, or other harmful substances.

Unfortunately, the areas with unsafe tap water tend to be where many of the beneficiaries of the W-LIRA program live. In some of these areas, bottled water may be the only safe and reliable water supply available. Other consumers must rely upon bottled water to protect their compromised immune systems. As such, imposing a tax or fee on bottled water would discourage the consumption of this safe, healthy product and would not be in the public interest.

Taxes on bottled water, as a food product, are also extremely regressive in that they place a much higher spending burden on working families, the poor, the elderly, and others who are on fixed incomes – those who can least afford the increased cost. This issue is directly addressed in the draft report and appendix which states, "...this tax could have a regressive impact on low-income households that purchase bottled water..." Taxing bottled water in California contemplates the use of an unfair and highly variable source of revenue to pay for the proposed low-income water rate assistance program. Current bottled water industry economic impact data indicate that the imposition of a discriminatory tax on bottled water will not only fail to generate the desired revenue in California but will harm the very industry that the state is relying upon for the funding mechanism.

Bottled water consumers will likely react to higher prices resulting from a tax by purchasing smaller amounts of product within California and seeking less expensive and less healthy beverage options. Lost sales will result in lost jobs and failed companies for the bottled water industry, and for California. Small business in California would be hit particularly hard by a tax or fee on bottled water. Many bottled water manufacturers, along with the companies that sell and distribute bottled water, are local family entrepreneurs with deep roots and strong ties within their community.

The concerns over the impact of a bottled water tax are highlighted in Appendix G: *Analysis of Revenue Collection Options* of the draft report and clearly demonstrate the arguments made above are real and proven. As is stated in the document, "The major downsides of reliance on bottled water sales taxes are the potential decreased consumption of the products due to the higher price (the effect of the price elasticity of demand for the product), as well as potential reduced consumption of these beverages due to changing consumer preferences." The enacting of a bottled water tax in Washington shows the decline in bottled water sales that has a substantial impact on not only business but the amount of revenue that is predicted to be obtained via such a tax. Given that California is the number one state in terms of bottled water consumption in the US, we reasonably anticipate a similar outcome on business and sales.

### **Bottled Water – An Economic Force in California**

Companies in California that manufacture, distribute and sell bottled water products employ as many as 24,748 people in the state, and generate an additional 56,958 jobs in supplier and ancillary industries. These include jobs in companies supplying goods and services to bottled water manufacturers, distributors and retailers, as well as those that depend on sales to workers in the bottled water industry. These are good jobs, paying an average of \$64,133 in wages and benefits.

Not only does the manufacture and sale of bottled water create good jobs in California, but the industry also contributes to the state's economy as a whole. In fact, in 2017 the bottled water industry was responsible for nearly \$20.93 billion in total economic activity in California. Furthermore, the bottled water industry already generates sizable tax revenues in the state, with the industry and its employees paying over \$1.1 billion in property, income and sales taxes.

Applying a tax to bottled water products has the potential to negatively impact the California economy. This tax could cost the state a loss of over 2,300 jobs and nearly \$369 million in economic activity. And lost sales would cost California a reduction of \$47.75 million in business tax collections.

### **Bottled Water – There When You Need It**

The bottled water industry has always been at the forefront of relief efforts during natural disasters and other catastrophic events, such as earthquakes, wildfires, and floods. Clean, safe water is a critical need for citizens and first responders immediately following a natural disaster or other emergency. Unfortunately, the availability of water from public water systems is often compromised in the aftermath of such an event. During these times, bottled water is the best option to deliver clean safe drinking water quickly into affected areas because the bottled water industry is always there when it is most needed.

IBWA and CBWA members are, often the first responders during disasters, personally driving their own trucks filled with water and other relief supplies into affected areas where assistance is needed. Bottled water companies also work regularly with public water systems to provide the public with clean, safe bottled water when the tap water infrastructure has been compromised, or when public drinking water does not meet state and federal health standards.

This support has been evident in California. Over the last several years, as the state has struggled with drought, the bottled water industry has continually provided clean, potable water to communities hit hardest by this natural disaster. In 2015, IBWA coordinated the donation of over 100,000 bottles of water at a special one-day event that provided much needed drinking water for the families of East Porterville and surrounding Tulare County. You will recall that wells tapping in to the local groundwater supply in this region ran dry. Months after this event, IBWA and CBWA members continued to support efforts to provide drinking water to several communities in the central valley most impacted by the drought. This was just one of many instances where bottled water manufacturers stepped up to help California communities in need.

Partnering with affected communities, local institutions, and numerous relief organizations, the industry not only offers bottled water for free; sometimes our member companies sell their products at reduced prices or at cost. Even at reduced prices, those who purchase bottled water, even for relief purposes, would bare the fiscal burden of any additional fee or tax. Today, several California towns and schools rely solely upon bottled water due to lack of clean or safe drinking water due to contaminants such as lead, hexavalent chromium, arsenic, and other chemicals. These towns, schools, relief and charitable organizations would be forced to pay any tax or fee on their purchase of bottled water under this proposal.

The efforts of the bottled water industry to provide clean, safe drinking water to California citizens when their public water systems are compromised are made possible because there is a viable commercial market for these products throughout the year. This provides the industry with the capital and resources to respond quickly when needed and empirical evidence cited in the draft AB 401 report related to the State of Washington bottled water tax demonstrates that imposing a tax will harm the industry.

We urge the Board to keep all of these facts in mind as it considers whether to impose a tax or fee on bottled water products. Such action is not in the public interest and cause the most harm to the very California residents who rely on the low-income water rate assistance program.

We appreciate this opportunity to provide comments on the proposal and are available to discuss it further at any time.

Sincerely,

James P. Toner, Jr.  
Director of Government Relations  
International Bottled Water Association

Sepp Becker  
President  
California Bottled Water Association