Program Scenarios to Provide Affordable Drinking Water to Low-Income Californians

Luskin Center for Innovation
May 11, 2017
• Review existing LIRA programs for utilities
• **Economic and Fiscal analysis of program options**
• Governance and administrative design options
• Legal analysis (Berkeley Wheeler Center)
• Stakeholder consultation and input
• Final Report
Overview

• Motivation for Program

• Key Scenario Features: Eligibility, Benefit, Cost

• Four potential program scenarios
### Public expenditure for other LIRA programs (2015)

<table>
<thead>
<tr>
<th>Programs</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Alternate Rates for Energy</td>
<td>$1,300 Million</td>
</tr>
<tr>
<td>Energy Savings Assistance Program</td>
<td>$400 Million</td>
</tr>
<tr>
<td>Low-Income Home Energy Assistance Program</td>
<td>$173 Million</td>
</tr>
<tr>
<td>Universal Service Program (Telecommunications)</td>
<td>$723 Million</td>
</tr>
</tbody>
</table>
Why help households pay for water service?

• Affordable water consumption is a public health priority

• The retail cost of water will continue to rise

• If water is unaffordable, low-income households either:
  ➢ Consume less water than is healthy and/or
  ➢ Consume less of other vital services to pay for water
## Need for Californian households

<table>
<thead>
<tr>
<th>Designation</th>
<th>% of State Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Federal Poverty Line</td>
<td>14%</td>
</tr>
<tr>
<td>Below 150% Federal Poverty Line</td>
<td>24%</td>
</tr>
<tr>
<td>Below 200% Federal Poverty Line</td>
<td>34%</td>
</tr>
</tbody>
</table>

- 200% of the Federal Poverty Line for a 4-person household is currently $48,600
Many systems have large need and can’t implement a LIRA

<table>
<thead>
<tr>
<th>County</th>
<th>Water System Name</th>
<th>% of Households Below 200% Federal Poverty Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>TULARE</td>
<td>CUTLER PUD</td>
<td>87%</td>
</tr>
<tr>
<td>FRESNO</td>
<td>MENDOTA, CITY OF</td>
<td>83%</td>
</tr>
<tr>
<td>TULARE</td>
<td>EARLIMART PUD</td>
<td>81%</td>
</tr>
<tr>
<td>SUTTER</td>
<td>CITY OF YUBA CITY</td>
<td>81%</td>
</tr>
<tr>
<td>FRESNO</td>
<td>SAN JOAQUIN, CITY OF</td>
<td>81%</td>
</tr>
<tr>
<td>TULARE</td>
<td>PIXLEY PUBLIC UTIL DIST</td>
<td>81%</td>
</tr>
<tr>
<td>SAN BERNARDINO</td>
<td>CITY OF ADELANTO</td>
<td>80%</td>
</tr>
<tr>
<td>KERN</td>
<td>CITY OF MCFARLAND</td>
<td>77%</td>
</tr>
<tr>
<td>KERN</td>
<td>ARVIN COMMUNITY SERVICES DIST</td>
<td>76%</td>
</tr>
<tr>
<td>TULARE</td>
<td>TERRA BELLA IRRIGATION DIST</td>
<td>76%</td>
</tr>
<tr>
<td>SANTA BARBARA</td>
<td>GUADALUPE WATER DEPARTMENT</td>
<td>75%</td>
</tr>
</tbody>
</table>

- In 22% of systems, which represents 10% of state’s population, more than half of households would be eligible
Three Key Program Scenario Features

- **Eligibility**: the number of households qualified based on socioeconomic criteria
- **Household Benefit**: the type and level of annual financial assistance
- **Potential annual program cost**: 
  \[ \text{Number of eligible households} \times \text{Household benefit} \]
Four Program Scenario Alternatives

- **Scenario #1**: All state households below 200% of the FPL are enrolled in a statewide program offering 20% discount

- **Scenario #2**: All state households below 200% of FPL and paying less than $100 on their monthly water bill receive a 20% discount; households below 200% of FPL paying $100 or more on their monthly water bill receive a 35% discount

- **Scenario #3**: All state households below 200% of FPL who are not served by a CPUC-regulated water system with an existing LIRA are enrolled in a separate, unified program offering 20% discount

- **Scenario #4**: All state households below 200% of FPL who are served by a water system not currently offering a compliant LIRA are enrolled in separate, unified program offering 20% discount
#1 Program Scenario: Uniform statewide program

- Eligibility: The 34% of the state’s households below 200% of the federal poverty line

- Benefit: Equal to 20% of their total drinking water expenditure (base charge + unit charges) on up to 12 hundred cubic feet (CCF)
#2 Program Scenario: Tiered statewide program

- Tier 1: All state households below 200% of FPL and paying less than $100 on their monthly water bill would receive a 20% discount

- Tier 2: All state households below 200% of FPL paying $100 or more on their monthly water bill would receive a 35% discount
Upsides

• Offers substantial assistance to all low-income households while also targeting a larger benefit to low-income households with the greatest cost burden

Downsides

• Complicate eligibility verification as both income and drinking water cost would need to be documented, and thus raises the cost of program administration
#3 Program Scenario: Non-CPUC Systems

- The systems regulated by the CPUC keep existing or create new LIRA programs. All other systems served by unified state program.

- Eligibility: Households below 200% of the federal poverty line where system does not currently offer a LIRA

- Benefit: Equal to 20% of their drinking water expenditure on 12 CCF
#3 Program Scenario: Upsides and Downsides

**Upsides**

• Allowing Class A CPUC-regulated systems to build on their experience of administering existing water LIRA programs;

• CPUC systems realizing potential synergies with CARE program administration

**Downsides**

• Division of program under different governing bodies

• Smaller base of financial support for new program
The systems with existing, well-functioning LIRAs keep these programs. All other systems served by unified state program.

Eligibility: Households below 200% of the federal poverty line where system does not currently offer a LIRA

Benefit: Equal to 20% of their drinking water expenditure on 12 CCF
#4 Program Scenario: Upsides and downsides

**Upsides**

- Lowers “new” cost of the program
- Continues local administration (for existing LIRA programs)

**Downsides**

- Systems with existing LIRA programs vary substantially in eligibility criteria, benefit level and enrollment
- Much smaller base of financial support for new program
### Potential Cost of these designs

<table>
<thead>
<tr>
<th>Program Scenario</th>
<th>% of state’s households covered</th>
<th>% of households eligible within coverage definition</th>
<th>Estimated Annual New Program Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1: Entire state program providing 20% discount</td>
<td>100%</td>
<td>34%</td>
<td>$580 million</td>
</tr>
<tr>
<td>#2: Entire state program providing tiered (20-35%) discount</td>
<td>100%</td>
<td>34%</td>
<td>$619 million</td>
</tr>
<tr>
<td>#3: Program excluding CPUC-regulated systems and providing 20% discount</td>
<td>86%</td>
<td>34%</td>
<td>$488 million</td>
</tr>
<tr>
<td>#4: Program excluding all CWS with existing, compliant LIRAs and providing 20% discount</td>
<td>54%</td>
<td>33%</td>
<td>$277 million</td>
</tr>
</tbody>
</table>
Program Financing Options and Challenges

Precedent:
• Unit-based consumption surcharge on non-participating households’ drinking water bills (Prop 218)

Prospective:
• Passage of a state-wide tax or fee (Prop 26)
• Annual state income tax rebate to eligible households financed by dedicated state fund
### Public expenditure for other LIRA programs (2015)

<table>
<thead>
<tr>
<th>Programs</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Alternate Rates for Energy</td>
<td>$1,300 Million</td>
</tr>
<tr>
<td>Energy Savings Assistance Program</td>
<td>$400 Million</td>
</tr>
<tr>
<td>Low-Income Home Energy Assistance Program</td>
<td>$173 Million</td>
</tr>
<tr>
<td>Universal Service Program (Telecommunications)</td>
<td>$723 Million</td>
</tr>
</tbody>
</table>
Summary of Program Benefits

• Supports the state’s national leadership in implementing a Human Right to Water

• Ensures water affordability comparable to other sector’s LIRA programs

• Provides financial assistance for healthy but responsible water consumption level
Questions?
Contact Greg Pierce at gsPierce@ucla.edu
• Drawing on existing statewide benefit programs: CARE, CalFresh, LIHEAP

Ongoing management considerations include:
• yearly program management costs,
• household enrollment verification,
• future adjustments to program features, and
• transparent monitoring of program performance
Other Scenario Options Considered

- Other eligibility definitions considered and empirically modeled include households:
  - 100%/150% of FPL
  - Paying more than 150%, 200%, 300% of average state water bill – Provides benefits to households below 200% FPL in a system with exceptional costs relative to the state average
  - Spending 1,2,3,4,5% of income on drinking water bill- Provides benefits to individual households spending more than a certain percent of their income on water
  - Below DAC, SDAC income lines used by other state programs - All state households with incomes below level used for Disadvantaged Community designation (80% of state median household income) or Severely Disadvantaged Community designation (60% of state median household income)
  - Small Systems- Provides benefit to those households below 200%FPL that exist in small systems, serving less than 200 people

- Other benefit level definitions considered and empirically modeled:
  - 20% discount on monthly 10 or 14 CCF expenditure
  - 35% discount on monthly 12 CCF expenditure