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

Luskin Center for Innovation
May 11, 2017

UCLA

Contract Scope (AB401, October 2015)

- 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)

Programs	Expenditures
California Alternate Rates for Energy	$1,300 Million
Energy Savings Assistance Program	$400 Million
Low-Income Home Energy Assistance Program	$173 Million
Universal Service Program (Telecommunications)	$723 Million

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

Designation	% of State Households
Below Federal Poverty Line	14%
Below 150% Federal Poverty Line	24%
Below 200% Federal Poverty Line	34%

- 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

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

- 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:**
  $Number\ of\ eligible\ households \times Household\ benefit$

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

#2 Program Scenario: Upsides and Downsides

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

#4 Program Scenario: Systems without LIRAs

- 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

Program Scenario	% of state's households covered	% of households eligible within coverage definition	Estimated Annual New Program Cost
#1: Entire state program providing 20% discount	100%	34%	$580 million
#2: Entire state program providing tiered (20-35%) discount	100%	34%	$619 million
#3: Program excluding CPUC-regulated systems and providing 20% discount	86%	34%	$488 million
#4: Program excluding all CWS with existing, compliant LIRAs and providing 20% discount	54%	33%	$277 million

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

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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
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Additional Administration Considerations

- 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**