

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: June 26, 2018

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso *Sharon M. Tso* Council File No: 18-0002-S66
Chief Legislative Analyst Assignment No.: 18-05-0493

SUBJECT: Resolution (Martinez - Englander) to SUPPORT AB 2283 (Holden) and AB 3170 (Friedman)

CLA RECOMMENDATION: Adopt Resolution (Martinez – Englander) to include in the City’s 2017-2018 State Legislative Program SUPPORT for:

- AB 2283 (Holden) which would allow tax exclusions/exemptions for rebates and other financial incentives for water conservation or water efficiency programs through January 1, 2024; and
- AB 3170 (Friedman) which would provide a sales and use tax exemption holiday for the purchase of water efficiency products and devices through January 1, 2024.

SUMMARY:

Resolution (Martinez – Englander), introduced on May 22, 2018, states that California is facing significant water challenges which includes the deterioration of the Sacramento-San Joaquin River Delta, aging water conveyance infrastructure, multi-year periods of dry conditions and significant water shortages. These challenges make it imperative that the State focus on achieving effective management of groundwater and surface waters, along with enhanced water use efficiency/conservation and stormwater use.

To assist with this effort, the Resolution notes that existing State law excludes from taxable income amounts received as rebates, or other financial incentives, issued by a local water agency for participation in a turf removal water conservation program. This law is effective through December 1, 2019. The Resolution maintains that this tax exclusion/exemption effectively increases the value of financial incentives to customers to further encourage the use of water-efficient landscapes.

The Resolution follows that AB 2283 (Holden) seeks to extend this tax exclusion/exemption for another five years through January 1, 2024.

In addition, sales and use tax exemptions can increase the attractiveness of water-efficient products and devices to consumers. As such, the Resolution states that AB 3170 (Friedman)

seeks to provide a three-day sales and use tax exemption holiday for qualified water-efficient products and devices through January 1, 2024.

The Resolution indicates that the City's Department of Water and Power (DWP) is currently working to comply with the City's sustainability goals and State's requirements for water use reduction. These legislative measures will assist the DWP in meeting these objectives. Therefore, the Resolution requests that the City support AB 2283 and AB 3170.

BACKGROUND:

The DWP states that programs that provide customers with rebates, subsidies, and financial incentives for water-saving devices, appliances, and projects are valuable tools in promoting water use efficiency and conservation. The DWP spends approximately \$40 million per year on its water conservation program, which supplements the regional rebates provided by the Metropolitan Water District of Southern California.

According to the DWP, the maximum residential turf rebate currently offered to City residents is \$3,000, at \$2 per square foot (SF) of turf replaced, up to a maximum of 1,500 SF. Since 2009, \$43 million in residential customer rebates have resulted in the removal of 34.8 million SF of turf for water savings of 4,692 acre-feet per year. This level of conservation provides enough water to serve over 14,000 average-sized households.

In addition, relatively inexpensive water-efficient products can save a significant volume of water. For example, the Federal Environmental Protection Agency states that a household that replaces inefficient faucets and aerators with water efficiency products can save an average of 700 gallons of water per year.

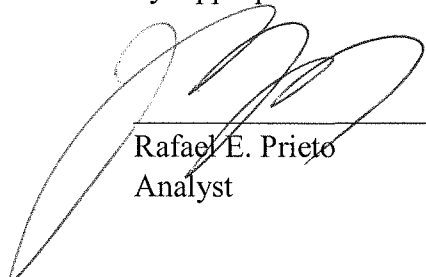
The tax exclusion extension provided by AB 2283 and the sales tax exemption holiday provided by AB 3170 would effectively increase the value of these financial incentives to further encourage the use of water-efficient landscapes and devices.

DEPARTMENTS NOTIFIED:

Department of Water and Power

BILL STATUS:

AB 2283	5/25/18	Assembly Appropriations Committee
AB 3170	5/25/18	Assembly Appropriations Committee



Rafael E. Prieto
Analyst

Attachment(s): 1. Resolution (Martinez - Englander)

RESOLUTION

WHEREAS, any official position of the City of Los Angeles (City) with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, California is facing some significant water challenges including the deterioration of the Sacramento-San Joaquin River Delta, aging infrastructure, multi-year periods of dry conditions, and significant water shortages; and

WHEREAS, these challenges make it imperative that the State focus on achieving a sustainable water future through effective management of groundwater and surface waters, along with enhanced water use efficiency/conservation, water reuse, and stormwater use; and

WHEREAS, the Los Angeles Department of Water and Power (LADWP) is currently working to comply with City's sustainability goals and State's requirements for water use reduction; and

WHEREAS, through December 1, 2019, existing State law excludes from taxable income amounts received as rebates or other financial incentives issued by a local water agency for participation in a turf removal water conservation program; and

WHEREAS, this tax exclusion/exemption effectively increases the value of financial incentives to customers to further encourage the use of water-efficient landscapes; and

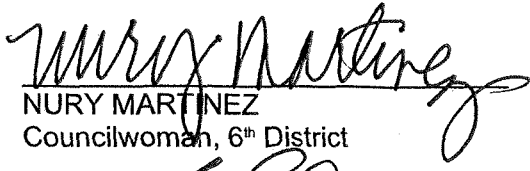
WHEREAS, Assembly Bill (AB) 2283 (Holden) seeks to extend this tax exclusion/exemption for another five years through January 1, 2024;

WHEREAS, sales and use tax exemptions can increase the attractiveness of water-efficient products and devices to consumers as well;

WHEREAS, Assembly Bill (AB) 3170 (Friedman) seeks to provide a three-day sales and use tax exemption holiday for qualified water-efficient products and devices through January 1, 2024;

NOW, THEREFORE, BE IT RESOLVED, that by adoption of this Resolution, with the concurrence of the Mayor, the City of Los Angeles hereby includes in its 2017-2018 Legislative Program, **SUPPORT** for:

- AB 2283 (Holden) that seeks to allow tax exclusions/exemptions for rebates and other financial incentives for water conservation or water efficiency programs through January 1, 2024; and
- AB 3170 (Friedman) that seeks to provides a sales and use tax exemption holiday for the purchase of water efficiency products and devices through January 1, 2024.

PRESENTED BY: 
 NURY MARTINEZ
 Councilwoman, 6th District

SECONDED BY: 

MAY 22 2018