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**File No.:** 18-0931

**Agenda Date:** 3/26/2019

**Item No.:** 7.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Recommended Positions on State Legislation: AB 533 (Holden) Income Taxes: Water Conservation or Efficiency Programs: Water Runoff Management Improvement Program; AB 557 (Wood) Atmospheric Rivers: Research, Mitigation, and Climate Forecasting Program; and Other Legislation Which May Require Urgent Consideration for a Position by the Board.

### **RECOMMENDATION:**

- A. Adopt a position of "Support" on: AB 533 (Holden) Income Taxes: Water Conservation or Efficiency Programs: Water Runoff Management Improvement Program; and
- B. Adopt a position of "Support" on: AB 557 (Wood) Atmospheric Rivers: Research, Mitigation, and Climate Forecasting Program.

### **SUMMARY:**

**AB 533 (Holden) Income Taxes: Water Conservation or Efficiency Programs: Water Runoff Management Improvement Program (I-02/13/19)**

**Position Recommendation: Support**

**Priority Recommendation: 2**

California Personal Income Tax Law and the Corporation Tax Law, in conformity with federal income tax law, generally defines "gross income" as income from whatever source derived, except as specifically excluded, and provides various exclusions from gross income.

AB 533 would provide an exclusion from gross income for any amount received as a rebate, voucher, or other financial incentive issued by a local water agency or supplier for any water conservation, water efficiency, or water runoff management improvement program.

### *Importance to the District*

AB 533 would further incentivize and therefore could increase water conservation within our service area, which is consistent with Valley Water's goal of making conservation a way of life.

Current California law allows a gross income exemption for water conservation rebates only for customers that receive turf removal rebates. That law, approved by AB 2434 (Gomez) in 2014, is set to expire at the end of 2019. AB 533 would continue the turf removal rebate

exemption and expand the exemption to apply to a wide array of cost-effective tools to increase water use efficiency, including turf replacement, irrigation controllers, leak detection devices, and other higher cost water conservation, and runoff improvement options. In short, AB 533 would provide an additional incentive for residents to apply for a wide array of Valley Water water conservation rebates, not just turf removal rebates, and therefore could increase overall water conservation in Santa Clara County.

Consequently, staff recommends that the Board adopt a position of “Support” on AB 533.

*Pros*

- Bolsters the Board’s Landscape Rebate Program, the Irrigation Hardware Rebate Program, and any financial incentives for water conservation the Board may pursue.
- By further incentivizing Valley Water’s rebate programs, countywide water conservation could increase.
- Consistent with the Board’s goal of making water conservation a way of life.

*Cons*

- Modestly decreases state General Fund tax collections.

**AB 557 (Wood) Atmospheric Rivers: Research, Mitigation, and Climate Forecasting Program. (I-02/13/19)**

**Position Recommendation: Support**

**Priority Recommendation: 3**

SB 758 (Block, 2015) established the Atmospheric Rivers: Research, Mitigation, and Climate Forecasting Program in the Department of Water Resources (DWR). The law requires DWR, upon an appropriation of funding, to research climate forecasting and the causes and impacts that climate change has on atmospheric rivers, to operate reservoirs in a manner that improves flood protection, and to re-operate flood control and water storage facilities to capture water generated by atmospheric rivers.

The current Atmospheric Rivers Research and Mitigation Program housed within DWR researches the causes and effects of atmospheric rivers, and takes actions to capture water generated by atmospheric rivers to increase water supply and the reliability of water resources in the state and to operate reservoirs in a manner that improves flood protection in the state.

AB 557 would appropriate \$9,250,000 from the General Fund to DWR in the 2019-20 fiscal year to operate the enhanced program proposed by SB 758 to research climate forecasting and the impacts of climate change on atmospheric rivers.

*Importance to the District*

California has the most variable precipitation annually of any location in the U.S., ranging from severe drought to major floods. Research has shown that this variability is largely due to a weather condition known as “atmospheric rivers” which are responsible for 30-50 percent of California’s precipitation and water supply in just a handful of days each year. A storm, commonly called a “pineapple express” because it brings tropical moisture to the western U.S., is an example of an atmospheric river.

Better forecasting of atmospheric rivers across hours, days, weeks, and seasons has the potential to enable new levels of both water supply and flood protection using “Forecast-Informed Reservoir Operations” (FIRO). Through the expansion of FIRO, and the accuracy in forecasting that it provides, dam operators can release water ahead of storms that could otherwise cause flooding with less concern for losing water supply needed in the summer months.

Staff recommends that the Board adopt a position of “Support” for AB 557 and for other efforts to appropriate funds for the Atmospheric Rivers: Research, Mitigation, and Climate Forecasting Program through the Budget Act for Fiscal Year 2019-20.

*Pros*

- The prediction of atmospheric river patterns allows for intelligent water management decisions both to collect additional water supply and to enhance flood protection.

*Cons*

- A state General Fund impact of \$9,250,000.

**FINANCIAL IMPACT:**

There is no financial impact associated with this item.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

None.

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