



May 23, 2022

The Honorable Jesse Gabriel
1021 O Street, Suite 5220
Sacramento, CA 95814

RE: AB 2142 (Gabriel): Income Tax Exclusion for Turf Replacements -- SUPPORT

Dear Assemblymember Gabriel:

On behalf of the City of Santa Rosa, I am writing to express support for your bill AB 2142. This bill would reinstate an important exemption for turf replacement rebates from gross income in California, aligning it with certain other permanently exempt water efficiency rebates.

The City of Santa Rosa is an urban retail water supplier serving approximately 175,000 residents in Sonoma County. Santa Rosa has a long-standing commitment to drought preparation and water use efficiency, recognizing the vital role that long-term drought preparation and continued improvement in water use efficiency provide in maintaining a resilient water supply. Since the 1990s, Santa Rosa Water has spent over \$21 million on water conservation programs, including replacing over 56,000 toilets with ultra-low and high-efficiency toilets, performing over 3,000 water use efficiency audits, providing rebates for over 14,400 high-efficiency clothes washers, and incentivizing customers to convert over 3.5 million square feet of single family, and Commercial, Industrial, and Institutional (CII) turf to a low water use landscape.

California is in its second drought within a decade and it is critical for the state to continue to invest in both immediate conservation and ongoing water efficiency as we adapt to climate change. Water efficiency incentive programs are proven to be an effective tool in this effort. For example, since 1990, as a result of implementing robust conservation programs, Santa Rosa's total water use has dropped by 14%, decreasing from 22,494 acre-feet in 1990 down to 19,277 acre-feet in 2020, despite an increase in population of 53%.

Further, even when the state is not facing drought conditions, California has committed to "Making Conservation a California Way of Life" through the enactment of SB 606 (Hertzberg) and AB 1668 (Friedman) in 2018. As part of this commitment, the Administration is in the process of establishing a water use objective for urban water agencies that will create numeric goals that each agency must meet. Additionally, Governor Newsom recently ordered the State Water Resources Control Board to evaluate adoption of regulations banning irrigation of CII non-functional turf. Water use efficiency rebates and incentive programs will be key to successfully reducing water use in California and should be permanently exempt from both personal and corporate taxes in California so it is not seen as a disincentive to participate in these critical programs.

Office of the Mayor
City of Santa Rosa
100 Santa Rosa Avenue, Room 10
Santa Rosa, CA 95404

The State has permanently exempted other water efficiency rebates, recognizing their effectiveness in advancing efficiency objectives. Rebates for water efficient toilets and clothes washers, certain plumbing for recycled water, and energy conservation are all permanently exempt from both personal and corporate taxes in California. (Cal. Rev. & Tax Code §§ 17138, 17138.1, 24308.1.) Turf replacement programs, like these other rebates, play an important role in continued water efficiency and conservation efforts.

Taxing water efficiency rebates is a disincentive for households to participate in these critical programs and is an especially significant barrier for low-income households. Even with incentives, most households will need to invest a significant amount of their own income to replace lawns with drought-tolerant landscaping.

California Law previously exempted turf rebates from taxable income, but those provisions were allowed to sunset in December 2019. Part of the rationale at that time was that California was not in a drought, but the environment is changing rapidly due to the impacts of climate change and it is important that the State's public policy reflects this changing reality.

The City of Santa Rosa is a member of the Association of California Water Agencies, California Water Efficiency Partnership, and WaterNow Alliance, the co-sponsors of AB 2142, and fully supports the comments made by them in support of this bill. Should you have any questions please contact our legislative advocate, Sharon Gonsalves, with the Renne Public Policy Group, at (916) 849-5536.

Sincerely,

A handwritten signature in black ink that reads "Chris Rogers". The signature is written in a cursive, flowing style.

Chris Rogers, Mayor

CC: Senator Mike McGuire
Assemblymember Jim Wood
Assemblymember Marc Levine