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Stanford Examines How Best to Fund Water Projects in Times of Financial Uncertainty.

A new analysis produced by Stanford's Water in the West Program provides a blueprint for overhauling the way California funds water infrastructure and innovation projects.

The paper offers straightforward prescriptions, including a relatively small per-usage fee on customer utility bills. The fee, known as a public goods charge (PGC), could be a powerful tool for funding water needs despite obstacles such as the state's restrictive fiscal regulations and a lack of dedicated funding for "orphan" water projects such as household efficiency initiatives and new technology investments.

"There is considerable confusion, uncertainty and misinformation about what a water PGC would mean for ratepayers," said blueprint co-author Newsha Ajami, director of urban water policy at Water in the West. "Our research is intended to clarify some of these ambiguities."

Currently, water projects in California are partly funded with municipal bonds, some of which must be approved by voters. A recent, dramatic example is Proposition 1, which authorizes $7.12 billion in general obligation bonds to be used for water-related purposes, in addition to reallocating $425 million of unused bond money from prior water bonds. Voters approved Proposition 1 in 2014.

While a good start, Proposition 1 is not nearly enough to provide sustainable funding for projects such as monitoring and evaluation of water resources. In fact, bonds can be problematic in general because they are often expensive, unreliable and unfairly distributed, according to the report.

In contrast, a public goods charge could be implemented at local, regional or state levels. The revenue it produced could be shared among local and broader-scale projects, not only for public projects such as customer rebates for water-efficient appliances, but also for increasing water innovation state-wide through investment in new technology research, for example.

Public goods charges have a record of success. From 1998 to 2012, California's electricity sector used the mechanism to raise billions of dollars for innovation projects. In some regions, the fee amounted to only 1 percent to 2 percent of an average customer's energy bill. Lessons learned from the electricity sector could be used to structure more effective public goods charge programs for the water sector, the report suggests.

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