

Date of Hearing: April 14, 2026

ASSEMBLY COMMITTEE ON WATER, PARKS, AND WILDLIFE

Diane Papan, Chair

AB 2739 (Soria) – As Amended April 6, 2026

SUBJECT: Water: affordability and system stabilization

SUMMARY: Establishes the Water Affordability and System Stabilization Trust (Trust Fund) as a charitable trust to generate ongoing funding for the Community Water Affordability Program (Affordability Program) administered by the Department of Water Resources (DWR) and the Water Rate Assistance Fund administered by the State Water Resources Control Board (State Water Board). Specifically, **this bill:**

- 1) Establishes the Trust Fund and provides that funding in the Trust Fund shall be continuously appropriated to the State Treasurer, who shall serve as trustee to the Trust Fund, to expend funds to accomplish the goals of this bill.
- 2) Provides that the income generated by the Trust Fund shall be transferred to the Water Rate Assistance Fund and the Community Water Affordability Assistance Fund (Affordability Assistance Fund).
- 3) Provides that the Trust Fund is a charitable trust established to provide a perpetual source of funding for the Water Rate Assistance Fund and the Affordability Assistance Fund.
- 4) Provides that moneys in the Trust Fund shall not be appropriated nor borrowed for purposes inconsistent with this bill.
- 5) Authorizes the Legislature to transfer General Fund moneys to fund the Trust Fund principal. Provides that transfers to the Trust Fund are irrevocably transferred from the General Fund to the Trust Fund to accomplish the purposes of this bill.
- 6) Provides, notwithstanding any other law, that moneys deposited into the Trust Fund shall not be transferred to the General Fund.
- 7) Requires the State Treasurer to hold, manage, and invest the principal of the Trust Fund in accordance with existing law and to generate a growing perpetual source of annual funding for the Water Rate Assistance Fund and the Affordability Assistance Fund. Provides that the State Treasurer shall not invade the principal of the Trust Fund.
- 8) Requires the State Treasurer to annually distribute the funding in the Trust Fund as follows:
 - a) In the first 25 years following the Legislature's first transfer of General Fund dollars to the Trust Fund:
 - i) 45% of the income shall go to the State Water Board for purposes of the Water Rate Assistance Fund;
 - ii) 45% of the income shall go to DWR for the purposes of the Affordability Assistance Fund; and

- iii) 10% of the income shall remain in the Trust Fund to increase the Trust Fund's principal.
- b) 25 years after the Legislature's first transfer of General Fund dollars to the Trust Fund:
 - i) 50% of the income shall go to the State Water Board for purposes of the Water Rate Assistance Fund; and
 - ii) 50% of the income shall go to DWR for the purposes of the Affordability Assistance Fund.
- 9) Provides that the State Treasurer, and any employee or agent of the State Treasurer, shall not sell, purchase, exchange, or otherwise deal with or dispose of all or any parts of the principal of the Trust Fund.
- 10) Provides that the State Treasurer shall exercise their administration of the Trust Fund as a fiduciary to the beneficiary and shall abide by the Uniform Prudent Investor Act and provides that the State Treasurer shall have the powers, obligations, and responsibilities of a trustee consistent with existing law.
- 11) Provides that the State Treasurer may accept donations to increase the principal of the Trust Fund but prohibits expenditure of donations until the Legislature transfers General Fund dollars into the Trust Fund.
- 12) Prohibits the State Treasurer from using more than 1% of Trust Fund income for costs associated with administering the Trust Fund.
- 13) Requires the State Treasurer to provide the State Water Board and DWR with an annual accounting of investments in, and an annual forecast of projected income from, the Trust Fund to be distributed in future fiscal years.
- 14) Provides that the Trust Fund shall be a charitable trust subject to supervision of the Attorney General.
- 15) Establishes the Affordability Program to be administered by DWR to provide grants to community water systems for local water infrastructure projects including, projects that improve water supplies and quality and reduce energy costs for a community water system. The purpose of the grants shall be to reduce the amount of ratepayer funds required for local water infrastructure projects.
- 16) Requires DWR to develop and adopt program guidelines for the Affordability Program before providing grants. DWR shall solicit public comment and feedback on guidelines. Adoption of the program guidelines shall be exempt from the Administrative Procedures Act.
- 17) Provides that the guidelines for the Affordability Program shall:
 - a) Require a grantee to provide a 25% match. Allows DWR to waive or reduce this amount if it would cause extreme financial hardship on a grant applicant;

- b) Establish a methodology to evaluate a project's net present value of the cost avoided on a per account basis over a 25-year time frame, the applicant's ability to complete a project in a timely manner, and the number of households that will benefit from a project; and
 - c) Prohibit DWR from penalizing an applicant that requests a waiver or reduction of the 25% match requirement.
- 18) Requires DWR to hold at least three public workshops throughout the state and allow for a 45-day public comment period before adopting program guidelines for the Affordability Program.
- 19) Requires DWR to report annually on the Affordability Program's expenditures and benefits, including cumulative benefits of and estimated costs avoided by the Affordability Program.
- 20) Authorizes DWR to accept federal, state, local, or private donations to advance the goals of the Affordability Program.
- 21) Authorizes DWR to expend up to 5% of the annual revenue from the Community Water Affordability Fund for administration of the Affordability Program.
- 22) Establishes the Affordability Assistance Fund in the State Treasury and provides all moneys in the Affordability Assistance Fund are continuously appropriated to DWR for the Affordability Program. Provides monies in the Affordability Assistance Fund shall not revert back to the General Fund and shall not be appropriated or borrowed unless authorized by a 2/3's vote of the Legislature.
- 23) Makes legislative findings and declarations regarding the increasing cost of water service and the need to invest in water system upgrades and a low-income rate assistance program to help Californians afford water service.
- 24) Defines various terms for the purposes of this bill.

EXISTING LAW:

- 1) Establishes DWR (Water Code § 120) and grants it broad authority to manage and oversee various aspects of water management in California, including dams (Water Code § 6000 *et seq.*), flood control projects (Water Code § 8300 *et seq.*), the State Water Project (Water Code § 11419 *et seq.*), sustainable groundwater management (Water Code § 10720 *et seq.*), and the California Water Plan (Water Code § 10004 *et seq.*).
- 2) Declares the responsibility of the state to assist local governments in providing certain essential services and facilities where water resource construction projects financed, in whole or in part, by the state or by the state jointly with the federal government create an undue burden on a local area's ability to provide these services and facilities (Water Code § 12950).
- 3) Declares that it is state policy that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes and directs all relevant state agencies to consider this policy when administering programs (Water Code § 106.3).

- 4) Defines “community water system” as a public water system that serves at least 15 service connections used by yearlong residents or regularly serves at least 25 yearlong residents of the area served by the system (Health and Safety Code § 116275).

FISCAL EFFECT: Unknown. This bill is keyed fiscal.

COMMENTS:

- 1) **Purpose of this bill.** The goal of this bill is to create a mechanism to provide ongoing and reliable funding for low-income rate assistance programs for low-income customers of local water agencies and to support upgrades and rehabilitation of local water systems to reduce cost pressures on water rates. To accomplish this goal, this bill creates a trust fund that is intended to provide a receptacle for future budget appropriations from the General Fund that provide principal for the trust fund. Once the trust fund is capitalized, the interest will be split between low-income rate assistance and the Affordability Program established by this bill.

According to the author, “Water affordability and system stability are increasingly interconnected challenges across California. Rising costs associated with infrastructure modernization, climate resilience, regulatory compliance, and energy continue to place pressure on water systems and the communities they serve, which is especially true for households living at or near poverty.

Further, the author contends “The California Water Affordability and System Stabilization Act proposes a durable, California-based solution by addressing affordability at the household, system, and community levels. The Act advances a sustainable funding solution to support a statewide Low-Income Rate Assistance (LIRA) program for water while also supporting strategic investments that stabilize water systems and help reduce cost pressures before they are passed on to ratepayers.”

- 2) **Background.** California residents are served by various types of water utilities or water systems, including publicly owned utilities, investor-owned utilities, and small community water systems. Most of California's residential water customers are served by cities, special districts, and mutual water companies. These utilities are governed by the city council, or other local governing body, which set their own water rates; however, the vast majority of these agencies are subject to Proposition 218 (enacted in 1996) that sets state constitutional and statutory requirements that ensure water rates are directly tied to the cost-of-service. As a result, these water agencies are currently not able to increase rates in order to fund low-income rate relief programs for customers and oftentimes face challenges relying on rate revenue to fund water conveyance, storage, and treatment infrastructure.

A 2020 State Water Board report to the Legislature required by AB 401 (Dodd), *Recommendations for Implementation of a Statewide Low-Income Water Rate Assistance*, found that California households “...find it increasingly difficult to satisfy this need as the retail cost of water has risen substantially over the last decade and is expected to rise significantly over the coming years...adjusting for inflation, the average Californian household paid around 45% more per month for drinking water service in 2015 than in 2007.” The 2020 Report also recommends the creation of a statewide water rate assistance program funded through taxes on personal income, business income, and bottled water, as

most water systems are not able to fund low-income assistance programs.

The water affordability outlook does not appear to have improved since 2020. According to the State Water Board 2025 Needs Assessment (2025 Assessment), there was a steady increase in drinking water rates across the state from 2020 to 2023. The 2025 Assessment compares drinking water affordability across all 2,815 community water systems and 363 non-transient non-community water systems that serve K-12 schools. Interestingly, the 2025 Assessment found that larger water systems saw the highest increase since 2020, 17% on average, even though smaller systems generally charge more per unit of water than larger systems. Overall, the 2025 Assessment found “Statewide, the average drinking water customer charges have increased by \$6.64 (10%) since 2020.” The affordability challenge is even more acute in poorer communities. Of the water systems assessed, 45% are experiencing a low affordability burden, 12% are experiencing a medium affordability burden, and 3% are experiencing a high affordability burden (40% of systems are experiencing no affordability burden).

Water Rate Assistance Fund. This bill requires that half of the income generated by the Trust Fund be transferred to the Water Rate Assistance Fund, though this fund does not currently exist and is not created by this bill. SB 1125 (Menjivar) of the current legislative session, however, establishes the Water Rate Assistance Fund and associated Water Rate Assistance Program to be administered by the State Water Board that will receive funding from the Trust Fund created by this bill if both bills are enacted.

- 3) **Arguments in support.** Irvine Ranch Water District and Rancho Water (co-sponsors) are co-sponsoring this bill. They note that “water affordability and system stability are increasingly interconnected challenges across California. Rising costs associated with infrastructure modernization, climate resilience, regulatory compliance, and energy continue to place pressure on water systems and the communities they serve, particularly for households living at or near poverty.” The co-sponsors assert that this bill proposes a lasting solution that does not include any new taxes or fees and that will help to advance the Human Right to Water: “[This bill’s] proposed funding structure provides predictable, long-term resources without placing new burdens on local governments or water ratepayers. This approach strengthens water planning, and enhances statewide resilience while preserving local decision-making.”
- 4) **Related legislation.** SB 1125 (Menjivar) of the current legislative session establishes the Water Rate Assistance Program to provide financial assistance to help low-income customers pay their water and wastewater bills. SB 1125 is set for hearing in the Senate Environmental Quality Committee on April 8, 2025.

SB 350 (Durazo) of 2025 would have established the Water Rate Assistance Program and the Water Rate Assistance Fund to provide financial assistance to help low-income customers pay their water and wastewater bills. SB 350 was held in the Senate Appropriations Committee.

AB 532 (Ransom) of 2025 would have authorized public urban retail water suppliers to provide water rate assistance to their ratepayers. AB 532 was held in the Senate Appropriations Committee.

SB 1255 (Durazo) of 2024 would have required a retail water supplier that serves over 3,300 residential connections to establish a water rate assistance program to help eligible low-income customers pay their water and wastewater bills. Funding would come from voluntary contributions paid by other customers through charges on water bills. Would have required the State Water Board to conduct a needs assessment for a similar program for low-income customers of smaller water suppliers. SB 1255 was held in the Assembly Appropriations Committee.

SB 222 (Dodd) of 2022 would have required the State Water Board to develop and administer a statewide Water Rate Assistance Program to provide rate assistance to low-income residential ratepayers of a community water system or wastewater system. SB 222 was vetoed by the Governor.

SB 200 (Monning), Chapter 120, Statutes of 2019, establishes the Safe and Affordable Drinking Water Fund (SADWF) to help water systems provide an adequate and affordable supply of safe drinking water in both the near and the long term. Beginning in fiscal year 2020-21 and until June 30, 2030, it annually transfers five percent of the proceeds of the Greenhouse Gas Reduction Fund (but no more than \$130 million) to SADWF. Further requires the State Water Board to adopt a fund implementation plan and requires expenditures of the fund to be consistent with the plan.

SB 401 (Dodd), Chapter 662, Statutes of 2015, requires the State Water Board, in collaboration with the State Board of Equalization and stakeholders, to develop a plan for the funding and implementation of a new program to provide water rate relief for low-income ratepayers by January 1, 2018, and provide a corresponding report to the Legislature by February 1, 2018.

AB 685 (Eng), Chapter 524, Statutes of 2012, enacts the Human Right to Water state policy.

REGISTERED SUPPORT / OPPOSITION:

Support

Irvine Ranch Water District (co-sponsor)
Rancho California Water District (co-sponsor)
Association of California Cities, Orange County
Association of California Water Agencies
California Chamber of Commerce
California Water Association
City of Roseville
City of Sacramento
Clean Water Action
Eastern Municipal Water District
El Toro Water District
Leadership Counsel for Justice and Accountability
Orange County Business Council
The Honorable Bryan Osorio, Councilmember, City of Delano
The Honorable Gregorio Gomez, Councilmember, City of Farmersville
The Honorable Joe Soria, Mayor Pro Tem, City of Lindsay

The Honorable Jose Sigala, Councilmember, City of Tulare
South Coast Water District
South Orange County Economic Coalition
Southern California Water Coalition
Three Valleys Municipal Water District
Upper San Gabriel Valley Municipal Water District
Western Municipal Water District

Opposition

None on file

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