Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
AB 2469 (Papan) – As Amended April 8, 2026

Policy Committee:	Water, Parks and Wildlife	Vote: 9 - 2
	Local Government	8 - 2

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill prohibits a local agency from approving construction of a new, or expansion of an existing, data center unless an applicant for a data center project provides the local agency with detailed information regarding the data center's water use and meets other requirements related to workforce and infrastructure.

Specifically, this bill, among other things:

1) Prohibits a city, county, or city and county from approving a discretionary or ministerial permit or other entitlement that would result in the construction, or expansion that increases the maximum peak water use, of a data center unless the following conditions are satisfied:

    a) The applicant has provided a water supply assessment (which the bill defines as a report that includes a description of a data center and its operations and specified information regarding water use by the data center).

    b) The applicant has provided a water use assessment, if requested by the city, county, or city and county.

    c) The applicant, beginning January 1, 2028, has provided a water scarcity plan (which the bill defines as a report that includes measures to be implemented under different drought scenarios defined by the U.S. Drought Monitor to reduce water use).

    d) The applicant has provided the data center's projected and actual water use and water efficiency measures.

    e) The applicant has made specified disclosures regarding workforce needs associated with the project.

    f) The applicant has provided all water resource plans, water usage reports, supporting documentation, and any approval issues by a state or local agency related to the plans or applications.

    g) The project is not located in a groundwater basin designated as critically overdrafted by the Department of Water Resources (DWR). DWR may waive this prohibition upon a comprehensive assessment demonstrating the project does not pose a disproportionate risk to the health, welfare, or environment of an environmental justice community or equity investment-eligible community.

h) The applicant assumes responsibility for the full cost of any required water conveyance, treatment or storage, or distribution infrastructure improvements necessary to serve the project as determined by DWR or the applicable water supplier.

2) Requires DWR, in coordination with the State Water Resources Control Board (State Water Board), to conduct necessary studies and investigations and recommend no later than June 30, 2028, a commercial, industrial, and institutional (CII) water use classification system for users that qualify as large consumptive use facilities, including data centers.

3) Requires the State Water Board, in coordination with DWR, to adopt the CII water use classification recommended by DWR pursuant to this bill by December 31, 2029.

4) Requires each urban retail water supplier to implement the CII water use classification adopted pursuant to this bill.

FISCAL EFFECT:

1) By authorizing DWR to waive the prohibition on a local agency's approval of the construction or expansion of a data center if the project is located in a basin designated as critically overdrafted by DWR, this bill imposes ongoing costs on DWR. DWR must conduct a "comprehensive assessment" demonstrating that the project does not pose a disproportionate risk to the health, welfare, or environment of an environmental justice community or equity investment-eligible community.

   For its part, DWR estimates ongoing annual staffing costs of $750,000 (General Fund) to develop assessment criteria, manage waiver determinations, and potentially promulgate regulations. In addition, to conduct studies and investigations and recommend a CII water use classification for large consumptive use facilities like data centers, DWR estimates a one-time contracting cost of $1 million as well as $500,000 in annual ongoing costs for one senior environmental scientist. It is not clear to the committee that the bill requires ongoing work of DWR post-2029 and whether the department requires ongoing funding once it recommends and consults with the State Water Board on the new classification.

2) State Water Board estimates ongoing annual General Fund costs of $250,000 to coordinate with DWR, adopt a new CII water use classification, promulgate a regulation for large consumptive use facilities, and perform subsequent monitoring and updates.

The Legislative Analyst's Office recently warned of General Fund structural deficits of around $35 billion per year in the 2027-28 fiscal year and ongoing.

COMMENTS:

1) **Purpose.** According to the author:

> Data centers represent a new kind of development that can impose significant, highly concentrated water demands on local systems. This gap is particularly important because data centers operate continuously and can drive substantial peak-day demand, often requiring new treatment, storage, or distribution infrastructure. Without timely and standardized information during the entitlement process,

> municipalities and water retailers may lack clear visibility into a project's water needs and the leverage to ensure that adequate supplies, infrastructure capacity, and conservation measures are in place prior to entering into service commitments…[This bill] provides local governments and water suppliers the information they need to evaluate data center water demand before making irreversible siting and infrastructure decisions.

2) **Background.** ***Data Centers and Water Use.*** There is growing awareness of the energy and water demands (primarily related to cooling) associated with data centers as artificial intelligence and other technologies are being rapidly deployed. Data centers can have substantial and sometimes irregular demand for cooling water. Evaporative cooling systems, like those sometimes used in data centers, are consumptive uses of water.

   Consumptive water use means water that is withdrawn or diverted from the environment that is made unavailable for future use because it has evaporated, transpired, been incorporated into products or crops, or otherwise been made unavailable for immediate use. In contrast, non-consumptive uses of water quickly return to the environment. Examples of non-consumptive use include recreation, hydroelectric power generation, or instream flow.

   Data centers need a reliable water supply. Due to the reliability requirement to deliver the demanded water, water infrastructure (both water delivery and wastewater) must be sized to accommodate the peaks in demand. Local water suppliers are then required to build capacity well in excess of average need and potentially may build capacity in excess of any need that materializes, especially if construction is based on limited information about projected water demand. Lack of reliable information about expected usage may result in overbuilding and the risk of stranded assets if data center projects either do not materialize or close.

   CII Water Use. Water use by data centers falls under the CII classification but is not calculated under the urban water use objective in the State Water Board's "Making Conservation A Way of Life" regulation, which is intended to increase water use efficiency in California's urban areas. However, as required by the legislative package that enacted Making Conservation a Way of Life, DWR completed a study in 2022 on CII water use and recommended performance measures to the State Water Board that would improve water use efficiency in the CII sector. One of the study's recommendations was to require urban retail water suppliers to classify their CII users in 19 user types. The State Water Board incorporated this recommendation into the final Making Conservation a Way of Life regulation by requiring urban retail water suppliers to classify CII users into one of 22 categories by June 30, 2027. This bill requires DWR to develop a separate classification for CII users based on their consumptive use.

3) **Support and Opposition.** Writing in support, a coalition of environmental organizations argues that unlike other CII facilities, data centers are "always on" and that this bill "acts on the need for a new water use classification for large consumptive use facilities such as data centers that addresses these differences." The coalition further argues local governments need more information to understand the nature, extent, and timing of data centers' water use and to incorporate this information into their decisions. Many data centers receive potable water from municipal water systems, and small systems lack the capacity to serve large facilities. By requiring data center project applicants to assume responsibility for the costs of water

infrastructure additions required to serve their needs, the coalition argues this bill "ensure[s] ratepayers do not end up bearing the costs of infrastructure they do not create demand for."

Writing in an oppose-unless-amended position, the California Association of Counties, League of California Cities, and Rural County Representatives of California note that while they generally support providing more information to local government permitting authorities to guide the best possible decisionmaking outcomes for data centers, this bill undermines this "locally-driven approach by preempting local governments from making permitting decisions in the absence of the extensive new water use assessment process mandated by the bill."

Local governments argue that the complexity of the new water use assessments and the conditioning of any new permits upon their completion presents substantial new challenges to city and county departments. They assert that local authorities must review the new components of the permitting application process, which is "a costly new duty for governments that are already under immense budgetary strain and a certain source of delays in the review process as staff work with applicants to ensure that applications are complete."

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