SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2469 (Papan) - Data centers: water use disclosures

Version: July 2, 2026
Policy Vote: N.R. & W. 4 - 1, L. GOV. 5 - 2
Urgency: No
Mandate: Yes
Hearing Date: August 10, 2026
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Bill Summary: This bill would prohibit cities and counties from approving a discretionary or ministerial permit for the construction or expansion of a data center unless the applicant has provided specified water use and workforce information and assumed the full cost of water infrastructure needed to serve the project. It would also require the Department of Water Resources (DWR) to develop an estimate of annual water consumption for CII water users that qualify as large consumptive-use facilities, including data centers.

Fiscal Impact:

- DWR estimates ongoing costs of $2 million in the first year and $500,000 annually thereafter (General Fund or other fund) to collect data, conduct technical studies and analysis, and coordinate with water suppliers in developing a definition and estimate of annual water consumption for these facilities, and to continue coordinating with water suppliers as the data center sector grows and changes.
- The State Water Board anticipates its costs would be minor and absorbable.

Background: Data centers are buildings or facilities that support servers, digital storage equipment, and network infrastructure for large-scale data processing and storage. Increasing demand for data creation, processing, and storage from existing and emerging technologies, including artificial intelligence, has led to rapid growth in data center workloads, and with it increasing attention to the energy and water demands — primarily for cooling — associated with these facilities. Estimates of direct onsite water consumption vary by facility type and size, ranging from about 18,000 gallons per day for smaller facilities to approximately 300,000 gallons per day for a mid-sized data center and around 550,000 gallons per day for a hyperscale facility. Because data centers shift between cooling technologies depending on weather and server load, their water demand can be irregular, with peaks well above average use.

Water supply assessments. Existing law requires a water supply assessment for a proposed residential, commercial, or industrial project that exceeds specified water use thresholds. The assessment is prepared by the public water system identified to serve the project or, where none is identified, by the city or county, and must be incorporated into the project's review under CEQA. The assessment describes the project's expected water use and the supplier's ability to meet it; where supplies are found insufficient, the preparer must set forth plans for acquiring additional supplies.

Existing CII water use classification requirements. Existing law required DWR, in coordination with the State Water Board, to conduct studies and develop recommendations for efficient water use by commercial, industrial, and institutional (CII) water users. DWR's study, completed in 2022, recommended that urban retail water suppliers classify their CII users by user type. The State Water Board incorporated this recommendation into its Making Conservation a Way of Life regulations, which require urban retail water suppliers to classify CII users into one of 22 categories by June 30, 2027. Water used in data center cooling falls within the regulations' definition of "process water," which is excluded from state water efficiency targets and reporting.

Water infrastructure and cost recovery. Because water delivery and wastewater infrastructure must be sized to accommodate peak rather than average demand, large new customers with irregular demand patterns can require suppliers to build capacity well in excess of average need, with the risk of stranded assets if projects do not materialize or close. Under existing law, local agencies recover infrastructure costs from new development through connection fees, which pay for the physical facilities needed to connect a structure to the system, and capacity charges, which cover a customer's proportional share of systemwide infrastructure needed to serve added demand; these fees cannot exceed the estimated reasonable cost of providing the service.

Proposed Law: This bill would:

1. Prohibit 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 all of the following conditions are met:

    a. The applicant has provided the city, county, or city and county with all of the following:

        i. A water supply assessment, as described.
        ii. Upon request of the city, county, or city and county, a water use assessment, as defined by the bill.
        iii. Commencing January 1, 2028, a water scarcity plan, as defined by the bill.
        iv. Projected water use and water efficiency measures.
        v. Disclosures regarding workforce needs associated with the project, as specified.

    b. 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. Provide that the above shall not be construed to require a city, county, or city and county to approve a permit, entitlement, or other approval for the construction or expansion of a data center solely because the applicant has satisfied the requirements.

3. Require DWR, in coordination with the State Water Board, to conduct necessary studies and investigations to develop a definition and estimate of annual water

consumption, no later than June 30, 2028, for CII water users that qualify as large consumptive-use facilities, including data centers and similar water consumption patterns, excluding CII outdoor irrigation water use served through a dedicated irrigation meter.

4. Impose a state-mandated local program by expanding the duties of local agencies to administer these provisions.

5. Include findings that the changes proposed by this bill address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities.

6. Provide that no reimbursement is required by this bill for a specified reason.

Related Legislation:

AB 2619 (Papan, 2026) would require data centers, when applying for a business license, to provide their expected water use to their water supplier and to the appropriate city or county and, when renewing a license, to report their annual water use to the appropriate city or county. The bill would also require DWR and the State Energy Resources Conservation and Development Commission (CEC) to develop guidelines and best practices to maximize the efficient use of natural resources to address developing and emerging needs of technology, and would require DWR to develop guidance that cities and counties may use for assessing projected water use, water efficiency measures, and cumulative water resources impacts of proposed data centers.

AB 93 (Papan, 2025) was similar to AB 2619. The bill was vetoed.

AB 755 (Papan, 2023) requires a public entity to conduct a water usage demand analysis before completing, or as part of, a cost-of-service analysis conducted to set fees and charges for water service.

Staff Comments:

Reduced uncertainty. If DWR's definition and consumption estimate improves demand forecasting, there could potentially be some savings associated with planning and avoided overbuilding as a result of this bill, which would accrue mainly to local water suppliers and their ratepayers.

Reimbursable mandate costs. To the extent the Commission on State Mandates determines that the provisions of this bill create a new program or impose a higher level of service on local agencies, local agencies could claim reimbursement of those costs, which could have a General Fund impact. By prohibiting cities and counties from approving a discretionary or ministerial permit as provided, this bill would impose new duties on local agencies. This bill provides that no reimbursement is required because local agencies have the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program.

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