ASSEMBLY THIRD READING
AB 2619 (Papan)
As Amended April 8, 2026
Majority vote

SUMMARY

Requires data center developers to provide information on water use to water suppliers and local governments prior to being issued a business license and upon renewal of a business license, and requires urban water suppliers to consider data center demand in water shortage planning.

Major Provisions

1) Defines "data center" as a facility that houses computing infrastructure, including graphics and central processing units, servers, storage devices, networking equipment, and associated power and cooling systems, for the primary purpose of processing, storing, or distributing electronic data, and defines three types of data center based on power consumption.

2) Requires that prior to applying to a city or county for an initial business license, equivalent instrument, or permit, a person who owns or operates a data center shall provide its water supplier, under penalty of perjury, an estimate of the expected water use, the anticipated source of water, and the data center's projected water use volume for the maximum day, maximum month, and average year.

3) Requires that when applying to a city or county for an initial business license, equivalent instrument, or permit, a person who owns or operates a data center shall report, under penalty of perjury, on the application, an estimate of the expected water use, the anticipated source of water, and the data center's projected water use volume for the maximum day, maximum month, and average year.

4) Requires that when applying to a city or county for a renewal of a business license, equivalent instrument, or permit, a person who owns or operates a data center shall report, under penalty of perjury, the data center's annual water use for the preceding calendar year, including total water use, direct water use, indirect water use, and cooling system type.

5) Requires the Department of Water Resources (DWR) and the State Energy Resources Conservation and Development Commission (California Energy Commission), by January 1, 2029, to develop guidelines and best practices, as specified, to maximize the efficient use of natural resources to address the developing and emerging needs of technology in California that are consistent with urban water use objectives under the Water Code and the Energy Star program of the U.S. Environmental Protection Agency, as that program existed on January 1, 2025, to the extent that the Energy Star program is applicable to water usage.

6) Requires every urban water supplier to include data center demand in its annual water shortage assessment to DWR and as a key data input to the urban water supplier's water shortage contingency plan.

COMMENTS

While California has been home to data centers for decades, in recent years, developments in technology have increased the demand for large data centers capable of storing, processing, and

serving huge amounts of data. California is a desirable destination for data center projects, with a highly skilled workforce, proximity to computing demand, and access to large fiber optic connections around the world. Clusters of data centers exist in Silicon Valley, San Francisco, Los Angeles, and Sacramento, with other projects located around the state.

Data centers can have substantial and sometimes irregular demand for cooling water. All computer chips produce heat as waste energy from the electricity flowing through them. While this heat is minimal in the context of a personal computer, data centers with thousands of servers produce immense amounts of heat that need to be removed from the facility to maintain safety and performance. To remove the heat, data centers may use a variety of cooling technologies, either sequentially or depending on weather conditions and server load.

Data center water use patterns can be irregular as a result of switching between cooling technologies. Research shows that the "peaking factor" (the factor of the peak use over average use) for data centers can be double or more than the peaking factor for other large water users. These high peaks occur because data centers need to shift to evaporative cooling technologies to exhaust waste heat during hot and dry weather conditions, or use more water to remove more heat. Shifting between cooling technologies can result in large surges in demand that need to be accommodated by water distribution infrastructure, even if the average demand is far lower.

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 they are building based on limited information about projected water demand.

Better data about water use, whether during the water supply assessment process (if required, see discussion below) or based on research data from across the sector, would assist local water agencies in planning for actual need. Local water utilities could also work with data centers to understand options for the times of highest demand and collaborate on strategies to deliver water supply reliability. The risk of stranded or overbuilt assets can be mitigated by requiring new large customers to pay for necessary infrastructure upgrades as part of the connection process, potentially extending beyond traditional connection fees to include upgrades to mains, pumping stations, and other infrastructure as needed.

A water supply assessment is required for a proposed project with a water use that exceeds certain thresholds and is completed as part of the California Environmental Quality Act process. To complete the water supply assessment, the project proponent must provide information to municipal planning decisionmakers about the expected water use. The water supply assessment process currently provides the primary opportunity for public input and awareness of water use by a proposed water user. This bill requires data centers to provide information regarding their water use when applying for or renewing a business license with a city or county.

Every five years, urban water suppliers (those water suppliers that provide more than 3,000 acre-feet of water annually or serve more than 3,000 connections) are required to submit urban water management plans to DWR. Each urban water management plan must include, among other information, a water shortage contingency plan. A water shortage contingency plan is a detailed proposal for how an urban water supplier intends to act in the case of an actual water shortage condition, whether caused by drought, climate change, population growth, or any other reason.

The plan must include analysis of the water supply reliability assessment, the procedures for an annual water supply and demand assessment, including key data inputs and methodology, operational plans at standardized shortage levels, communications protocols, enforcement methods and authorities, a financial plan, and reporting and reevaluation procedures. This bill requires urban water suppliers to include information about data center demand as a key data input in their annual water supply and demand assessment conducted under their water shortage contingency plan.

In addition to the full update to the urban water management plan required every five years, urban water suppliers must conduct an annual water supply and demand assessment and submit an annual water shortage assessment report to DWR on or before July 1 of every year. These assessments must include information about anticipated shortage, triggered shortage response actions, compliance and enforcement actions, and communication actions consistent with the supplier's water shortage contingency plan. This bill requires urban water suppliers to include data center demand in their annual water shortage assessment report submitted to DWR.

Following the 2012–2016 drought, the Governor and Legislature negotiated a two-bill package known as "Making Conservation a Way of Life" [SB 606 (Hertzberg) and AB 1668 (Friedman)] to establish a new foundation for long-term improvements in water conservation and drought planning to adapt to climate change. These two bills provided expanded and new authorities and requirements to enable permanent changes and actions to drive more efficient water use and better prepare the state for future droughts. A major aspect of "Making Conservation a Way of Life" is the requirements for urban water agencies to improve water use efficiency via the urban water use objective. The legislation also directed DWR to complete a report and make recommendations for "performance measures" that urban retail water suppliers can implement to incentivize water use reductions in the CII sector.

DWR released its report on performance measures for the CII sector, including data centers, in 2022. The report recommended the adoption of a classification system for CII water users, performance measures for outdoor irrigation, and an implementation program for best management practices. In 2024, the State Water Board adopted final regulations for "Making Conservation a Way of Life." This bill requires DWR and the California Energy Commission to develop guidelines and best practices for data centers, including guidance for cities and counties to use for assessing projected water use, water efficiency measures, and cumulative water resource impacts of proposed data centers.

According to the Author
According to the author, "California's water supply is finite, and recent droughts have made clear that we must plan smarter for the demands of a changing climate. At the same time, California is experiencing rapid growth in data centers that operate around the clock and rely on a dependable water supply. While California has long required reporting from water users to support sound, comprehensive planning, there remains a gap in transparency when it comes to data centers, leaving local governments and water agencies without consistent information about their water demands. [This bill] is about transparency, preparedness, and responsible growth. This bill ensures that local governments and water suppliers have the information they need to plan for new development without compromising water reliability for residents, agriculture, and businesses. [This bill] requires data centers to report their water use through the existing business licensure process, directs [DWR] to develop practical efficiency guidance, and integrates data center demand into drought and water supply planning. California has always led the nation in

both innovation and water stewardship. [This bill] continues that tradition by making sure our policies keep pace with emerging technologies while protecting our most precious resource."

Arguments in Support
California Coastkeeper Alliance, writing for a coalition of environmental organizations, writes: "Data center construction, spurred by the artificial intelligence boom, is rapidly accelerating. But oversight has not kept pace with development, and local entities often lack critical information to help them decide whether to approve a project in their area. In particular, data centers' water use is not transparent. As decisionmakers encounter proposals for new, large facilities, they must be able to understand and assess the demand these facilities impose on water supplies. . . . In addition, [this bill] would put data centers on track to implement efficient and site-appropriate cooling technologies by directing state agencies to develop guidelines and best practices."

Arguments in Opposition
The Data Center Coalition, writing for a coalition of business groups, states: "[This bill] raises concerns regarding competition, privacy, and security for data centers and data center customers, as well as the many residents and businesses across California that depend on digital infrastructure. Rather than imposing disparate reporting and efficiency best practices on data centers, a more equitable approach would acknowledge that data centers are just one water consumer among many diverse industries. Data center operators are actively prioritizing responsible water use through operational best practices and innovative development strategies, often collaborating with local authorities and conservation organizations on water restoration and reclamation projects."

FISCAL COMMENTS

According to the Assembly Appropriations Committee, this bill has the following fiscal impact:

1) DWR will incur annual costs until at least 2029 to develop guidelines and best practices to maximize the efficient use of natural resources to address the developing and emerging needs of technology in California, coordinate with relevant state agencies, and develop guidance that cities and counties may use for assessing projected water use, water efficiency measures, and cumulative water resource impacts of proposed data centers. DWR will need to analyze and include a fairly broad set of topics in its best practices, including the use of closed-loop systems, use of nonpotable water, installation of rainwater and stormwater capture infrastructure, water-efficient practices for indoor and outdoor water use, water-efficient practices that are scalable and higher for certain types of data centers, and location, design, construction, and capacity of cooling water intake structures reflecting the best technology available for minimizing environmental impact.

   For its part, DWR estimates one-time consulting costs of $1 million as well as ongoing annual staffing costs of $1 million to complete this work (General Fund). It is not clear if this bill requires ongoing work by DWR – and whether the DWR requires ongoing funding post-2029.

2) California Energy Commission anticipates minor and absorbable costs to consult with DWR (Energy Resources Programs Account).

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.

VOTES

ASM WATER, PARKS, AND WILDLIFE: 10-2-1
YES: Papan, Alvarez, Ávila Farías, Bains, Bennett, Boerner, Caloza, Hart, Muratsuchi, Rogers
NO: Jeff Gonzalez, Alanis
ABS, ABST OR NV: Gallagher

ASM LOCAL GOVERNMENT: 8-2-0
YES: Carrillo, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward, Wilson
NO: Ta, Johnson

ASM APPROPRIATIONS: 11-4-0
YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
NO: Hoover, Dixon, Ta, Tangipa

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