SENATE COMMITTEE ON NATURAL RESOURCES AND WATER
Senator Josh Becker, Chair
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SUMMARY
This bill 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. This bill would require Department of Water Resources (DWR) and State Energy Resources Conservation and Development Commission (Energy Commission or 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.

BACKGROUND AND EXISTING LAW
Data centers. Data centers are buildings or facilities that "support servers, digital storage equipment, and network infrastructure for the purpose of large-scale data processing and data storage. Increasing demand for data creation, processing, and storage from existing and emerging technologies, such as online platforms/social media, video streaming, smart and connected infrastructure, autonomous vehicles, and artificial intelligence, has led to exponential growth in data center workloads and compute instances."[1] There is increasing awareness of the energy and water demands (primarily related to cooling) associated with data centers as AI and other technologies are being deployed.

Data centers and water use.
Although data centers are estimated to be among the top ten water consuming industries in the United States their water use and related impacts are understudied, and approaches for managing water use and impacts have not kept pace with the industry's rapid growth.[2] According to a report by UC Berkeley Center for Law, Energy & the Environment California, *Regulating Data Center Water Use in California* (CLEE report), water use by data centers can strain local and regional water supplies and adversely impact ecosystems; it is estimated that about one-fifth of U.S. data centers used water from water-stressed watersheds in 2021, and an estimated two-thirds of the data centers built since 2022 are located in areas of high water stress. Some of the

[1] Md Abu Bakar Siddik, Arman Shehabi, and Landon Marston, "The Environmental Footprint of Data Centers in the United States," *Environmental Research Letters*, 16 (2021).
[2] *Regulating Data Center Water Use in California*, UC Berkeley Center for Law, Energy, & the Environment, February 2026

fastest-growing data center hubs in the United States are in semi-arid West – often in areas that experience frequent droughts or chronic water scarcity.

According to the CLEE report, data centers likely use large amounts of water, but the exact dimensions and site-specific details remain opaque. Most available figures are estimates that need refinement. However, the magnitude of those estimates indicates significant water footprint that warrants serious consideration.

A data center's on-site water use depends on its location, the cooling technologies it employs, its operational water usage efficiency, and more. Estimates for direct-onsite water consumption vary by facility type and size. These estimates range from about 18,000 gallons per day for smaller wholesale and retail data centers to approximately 300,000 gallons per day for a mid-sized data center, and around 550,000 gallons per day for a hyperscale data center.

Acknowledging the gaps in knowledge about current water use by data centers, the report points out that it can be "difficult to craft appropriate policy and regulatory responses without a basic grasp of how much water local data centers *actually* use(and from what sources, how that level of use compares to other local demands, what numbers represent efficient water use (based on a data center's size, computing power, cooling system characteristics, etc.) and where and under what conditions data center water use is likely to cause significant negative impacts" (emphasis in original). The report goes on to assert that "greater transparency, reporting, and data analysis would improve our understanding of local data center water use and its impacts."

Water Conservation in California.
The Water Conservation Act of 2009 required a 20% statewide per capita urban water use reduction by 2020 (SBx7-7, Steinberg, Chapter 5, Statutes of 2009/10 7th Extraordinary Session). According to DWR, the state has surpassed the 20% reduction and reduced per capita urban water use by 32%. About 97% (374 of 386) of urban retail water suppliers (urban suppliers) achieved their targeted 2020 water use reduction.

In 2016, then-Governor Brown issued Executive Order B-37-16, which established the goal of "making [water] conservation a California way of life" and directed his administration to develop water use targets as part of a permanent long-term water conservation framework. Including environmental water, urban water use is about 11% of the state's annual water use. Of that 11%, over half (6%) is residential use, 3% is commercial, industrial, and institutional (CII) use, and 1% is "other."

In 2018, the Legislature passed and Governor Brown signed SB 606 (Hertzberg, Chapter 14, Statutes of 2018) and AB 1668 (Friedman, Chapter 15, Statutes of 2018). These two bills, known as "Making Conservation a California Way of Life," established the long-term water conservation framework in law. This framework required DWR and the State Water Resources Control Board (State Water Board) to work together to develop urban water use conservation or efficiency goals (the objectives) for the roughly 400 urban suppliers that supply water to about 95% of Californians. A major aspect of "Making Conservation a Way of Life" are requirements for urban water agencies to improve water use efficiency via the urban water use objective. The urban water use objective is the sum of: (1) indoor residential water use; (2) outdoor residential water

use; (3) outdoor CII use associated with dedicated irrigation meters (DIM); (4) water losses; (5) variances, if applicable; and (6) bonus incentives for recycled water, if applicable.

In general, DWR was directed to perform studies and investigations and provide recommendations to the State Water Board, who would then promulgate regulations. The State Water Board was required to adopt implementing regulations by June 30, 2022. The regulations to Make Conservation a California Way of Life became effective January 1, 2025.

CII Water Use Performance Measures. Under the Making Conservation a Way of Life bill package, with the exception of outdoor landscape water use associated with CII water uses, CII water use is not a part of the urban water use objective. Instead, to support the CII sector's progress towards improving water use efficiency, the bills directed DWR to develop performance recommendations, or performance measures, for the CII sector. Performance measures means actions to be taken by urban retail water suppliers that will result in increased water use efficiency by CII water users.

DWR published the recommendations in September 2022 which include, among others, the following:

- *Require urban retail water suppliers to classify all CII water users into one of 19 categories within five years of the State Water Board's adoption of the recommendation*. According to the report, the 19 categories are sufficient to address major CII water uses and provide adequate differentiation among different CII sectors to facilitate data collection. In the recommendations, data centers were specifically identified in the "manufacturing" category.

  The final regulations require urban retail water suppliers to classify CII users by June 30, 2027, in accordance with Energy Star Portfolio Manager's broad categories.

- *Require urban retail water suppliers to develop a CII-Best Management Practices (BMP) implementation program* targeting the highest CII water users. The BMPs should focus on those that can be implemented by urban retail water suppliers without explicit consent of CII water users or associated property owners, and BMPs that can be implemented with either voluntary actions from CII water users or their property owners, or in response to requests, incentives, or other programs. The report notes that "CII Water User BMPs considered in the CII-BMPs Performance Measure do not include process water BMPs because process water is categorically excluded from the CII water use performance measures (Water Code (WAT) §10608.12(n)). However, urban retail water suppliers are encouraged to collaborate with CII water users to implement process water BMPs, where feasible."

  The final regulations require urban retail water suppliers to design a conservation program by June 30, 2029 that targets inefficient CII users and incorporates at least two of the recommended BMPs.

- *Adopt a conversion threshold* of one area of landscape area irrigated by a mixed use meter on a per-parcel basis for converting to dedicated irrigation meters, allowing for suppliers to better estimate outdoor landscape use in the CII sector.

  The final regulations require urban retail water suppliers to identify CII water users with large landscape areas and, either install dedicated irrigation meters, or calculate a water budget for such users, and then provide BMPs to those users.

Business licenses. Almost every city and county in California requires that businesses have a general license to operate within their respective jurisdictions. The requirements to obtain a business license vary by jurisdiction, but typically require payment of a fee and registration of the business's name [i.e., "doing business as"].

Energy Star Program. Administered by the US Environmental Protection Agency (EPA), the Energy Star Program is a voluntary labeling program. The US EPA sets energy efficiency specifications and those that meet those specifications can choose to display the "Energy Star" logo. The program helps create a market for energy efficient products, homes, and buildings and helps to increase the production and adoption of energy-efficient technologies and practices.

Existing law:

1) Authorizes the legislative body of an incorporated city or a county board of supervisors to license businesses within their respective jurisdictions. (Business and Professions Code (BPC) §§16000, 16100)

2) Establishes the Energy Commission with various responsibilities with respect to developing and implementing the state's energy policies. (Public Resources Code §25000 *et seq.*)

3) Establishes the State Water Board to provide for the orderly and efficient administration of the state's water resources. (WAT §174 *et seq.*)

4) Requires the state to achieve a 20% reduction in urban per capita water use by December 31, 2020 (20x2020 target) and requires each urban retail water supplier to establish their own target to contribute towards achieving the statewide 20% reduction goal. (WAT §§10608.16, 10608.20)

5) Requires DWR, in coordination with the State Water Board, to conduct studies and investigations to develop recommendations for efficient water use by commercial, industrial, and institutional (CII) water users by October 1, 2021. The State Water Board was required to adopt performance measures for CII water use based on these recommendations by June 30, 2022. (WAT §10609.10)

6) Requires urban water suppliers to adopt, and update at least every 5 years, an urban water management plan which includes a description of how much water the agency has on a reliable basis, how much it needs for the foreseeable future, the agency's strategy in meeting its water needs, the challenges facing the agency, and any other information, as prescribed. (WAT §10620 *et seq*.)

a) Requires the urban water management plan to include a water shortage contingency plan which includes, among other things, current year unconstrained demand.

PROPOSED LAW
This bill would:

1) Require a person who owns or operates a data center, before applying to a city or county for an initial business license, equivalent instrument, or permit, to 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.

2) Require, when applying to the city or county for an initial business license, equivalent instrument, or permit, the person to 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. Require, when applying for a renewal, the person to report, under penalty of perjury, the data centers annual water use for the preceding calendar year, including total water use, direct water use, and indirect water use. The owner or operator would also be required, as a part of the direct water use reporting, to report the cooling system type of the data center.

   a) Define "direct annual water use" as the volume of water withdrawn, delivered, or otherwise used onsite for data center operations, including cooling, sanitation, irrigation, and any other operational use, identified by source, including potable water, nonpotable water, or recycled water.

   b) Define "indirect water use" as the volume of water withdrawn for the purpose of generating the electricity consumed by the data center.

   c) Define "total water use" as the sum of direct water use and indirect water use.

3) Require DWR and CEC, by January 1, 2029, to develop guidelines and best practices to maximize the use of natural resources to address the developing and emerging needs of technology that are consistent with urban water use objectives and the US EPA's Energy Star Program.

   a) Require the best practices to include the use of closed-loop systems, the use of nonpotable water, the installation of rainwater and stormwater capture infrastructure, water efficient practices for indoor and outdoor water use, and water efficient practices that are scalable and increased for type I and type II data centers, and location, design, construction, and capacity of cooling water intake structures reflecting the best technology available for minimizing adverse environmental impact.

4) Require DWR, in coordination with other relevant state agencies, by January 1, 2029, to 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 within the context of local and regional water management objectives.

5) Specify that current year unconstrained demand, which existing law requires as part of the urban water supplier's water contingency plan, includes, but is not limited to unconstrained demand of data centers, irrigation, and other large users.

6) Define "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. Further define the following types of data centers:

   a) "Type I data center" or "hyperscale data center" as a data center with more than 10,000 servers or a power consumption of more than 25 megawatts.

   b) "Type II data center" as a data center with a power consumption of at least 2 megawatts and no more than 25 megawatts.

   c) "Type III data center" as a data center with a power consumption of less than 2 megawatts.

7) Make findings and declarations that data centers are considered CII users under the *Making Conservation a California Way of Life* regulations; that the growth of data center operations has created increasing demand for water resources, which have implications for statewide sustainability goals; and that large scale data centers increasingly function as critical infrastructure with substantial and growing demands on water resources and that a similar framework of periodic, standardize facility level reporting is necessary to support statewide water conservation, infrastructure planning, and environmental protection in California

8) Declare that it is the intent of the Legislature that data centers are considered commercial, industrial, and institutional users under the state's "Making Conservation a California Way of Life" regulation, consistent with urban water use objectives.

ARGUMENTS IN SUPPORT

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 major 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."

"AB 2619 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. It requires data centers to report their water use through

the existing business licensure process, directs the Department of Water Resources 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. AB 2619 continues that tradition by making sure our policies keep pace with emerging technologies while protecting our most precious resource committee."

ARGUMENTS IN OPPOSITION

A coalition letter representing groups such as TechNet, California Chamber of Commerce, and Silicon Valley Leadership Group, among others, argue that "data centers are the backbone of [the] digital economy." The coalition argues that "selecting a cooling technology [is] a matter of balancing energy consumption and water usage. If newly proposed guidelines or best practices fail to account for this relationship, data centers risk being unable to implement the most appropriate and efficient cooling solutions based on local conditions." Second, the coalition states that the bill imposes "disparate reporting and efficiency best practices on data centers" and that "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." Third, the coalition argues that the "proposed water reporting requirements could force businesses to disclose sensitive trade secrets, harm their competitive edge, and risk creating safety and security vulnerabilities."

COMMENTS

This bill is double referred. This bill is double referred with the Senate Local Government Committee, with this committee being the committee of first referral. Elements of this bill under the jurisdiction of the Senate Local Government Committee are included here for context and completeness only and will be discussed before that Committee.

Having a full picture of water usage is essential to understanding water availability. This bill requires data centers, when applying for a business license, to provide its water supplier and the appropriate city or county with an estimate of its expected water use, and when renewing a business license to report its annual water use. As acknowledged in the letter from California Chamber of Commerce, Silicon Valley Leadership Group, and TechNet, among others, the "servers, IT equipment and other hardware housed in a data center generate a significant amount of heat;" and that heat needs to be dissipated. As such data centers have the potential to use tremendous amounts of water in order to keep their equipment cool. During a time when water supply is limited, it is important for water suppliers and local jurisdictions to know how this finite resource is being used. As pointed out by the UC Berkeley report, "understanding water use and consumption…, its impact on water resources and communities, and mitigation options is important, especially in drier regions. This includes understanding in what local contexts data center water use is likely to have the most- and least-impacts."

You look familiar. Last year, this Committee heard AB 93 (Papan), which is similar to this bill. Like this bill, AB 93 would have required data centers to submit certain information relating to its water usage to cities and counties. A comparison between this bill and AB 93, as it was heard in this committee, shows that:

- Both bills require data centers to submit their estimated water use, anticipated source of water, and projected water volume for the maximum day, maximum month, and average year to their water supplier before applying for an initial business license and to the city or county when applying for the initial business license. This bill additionally requires that the projected water volume include the maximum day, maximum month, and average year.

- Both bills require a data center, when renewing a license, to include the annual water use for the preceding year. This bill requires more specificity by requiring that the total water use, direct water use, indirect water use, and the type of cooling system used.

- Both bills require DWR to develop guidance for cities and counties to use in assessing projected water use, water efficiency measures, and cumulative water resource impacts of proposed data centers. This requirement was later removed from AB 93.

AB 93 was passed out of this committee with a vote of 5 – 2, and was passed off of the Senate Floor 30 – 10. AB 93 was vetoed by Governor Newsom. In his veto message, Governor Newsom wrote, “While I appreciate the author's intent, I am reluctant to impose rigid reporting requirements about operational details on this sector without understanding the full impact on businesses and the consumers of their technology.”

Related legislation
AB 2469 (Papan), of the current legislative session, would prohibit a local jurisdiction from approving a discretionary or ministerial permit or other entitlement that would result in the construction or expansion that increases peak water use of a data center unless certain conditions are met, including that the applicant provides the local jurisdiction with certain information such as a water scarcity plan, a water supply assessment, and a water use assessment. This bill is pending before this Committee.

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

AB 755 (Papan, Chapter 542, Statutes of 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.

SUGGESTED AMENDMENTS: Discussions are underway to potentially address concerns of stakeholder groups.

SUPPORT
7th Generation Advisors
California Coastal Protection Network
California Coastkeeper Alliance
California Initiative for Technology & Democracy, a Project of California Common Cause
Center for Biological Diversity
Center for Public Environmental Oversight
Clean Water Action
Cleanearth4kids.org
Fix the World Consulting, LLC
Los Angeles Waterkeeper
Planning and Conservation League
Resource Renewal Institute
Restore the Delta
Santa Clara Valley Water District
Sierra Club California

OPPOSITION
Associated General Contractors, California Chapters (unless amended)
Bay Area Council
Building Owners and Managers Association of California
CalAsian Chamber of Commerce
California Broadband & Video Association (unless amended)
California African American Chamber of Commerce
California Business Properties Association
California Chamber of Commerce
California Hispanic Chambers of Commerce (CHCC)
CTIA – the Wireless Association (unless amended)
Data Center Coalition
NAOIP California
Silicon Valley Leadership Group (SVLG)
TechCA
TechNet
US Telecom – the Broadband Association (unless amended)

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