
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2619 (Papan) - Water resources: data centers

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Urgency: No

Hearing Date: August 10, 2026

Policy Vote: N.R.& W. 5 - 2, L. GOV. 5 - 1

Mandate: Yes

Consultant: Ashley Ames

Bill Summary: This bill would: (1) require data centers, when applying for a business license, to provide a good faith estimate of their expected water use to their water supplier and the appropriate city or county, and, when renewing a license, to report their annual water use; (2) require the Department of Water Resources (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; and (3) require DWR to develop guidance for cities and counties to use in assessing the water impacts of proposed data centers, among other changes.

Fiscal Impact:

- DWR estimates ongoing costs of \$2 million in the first year and \$1 million annually thereafter (General Fund) to develop and maintain water-use guidelines and emerging-technology guidance for data centers. First-year costs include \$1 million for consulting, technical studies, stakeholder facilitation, and publication services, and \$1 million for two permanent positions to develop and update the guidance as technology changes.
- The CEC 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 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 and 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. There is increasing awareness of the energy and water demands, primarily related to cooling, associated with data centers as artificial intelligence and other technologies are deployed.

Data centers and water use. Data centers are estimated to be among the top ten water-consuming industries in the United States, but their water use and related impacts are understudied, and approaches for managing water use and impacts have not kept pace with the industry's growth. According to a February 2026 report by the UC Berkeley Center for Law, Energy & the Environment, *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; an estimated one-fifth of U.S. data centers used water from water-stressed watersheds in 2021, and an estimated two-thirds of data centers built since 2022 are located in areas of high water stress. A data center's onsite water use depends on its location, the cooling technologies it employs, its operational water usage efficiency, and other factors. Estimates of direct onsite water

consumption 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. According to the CLEE report, the exact dimensions and site-specific details of data center water use remain opaque, and greater transparency, reporting, and data analysis would improve understanding of local data center water use and its impacts.

Water conservation in California. The Water Conservation Act of 2009 (SBx7-7, Steinberg) required a 20% statewide reduction in per capita urban water use by 2020. According to DWR, the state surpassed that target, reducing per capita urban water use by 32%, and about 97% (374 of 386) of urban retail water suppliers achieved their targeted 2020 reductions. In 2016, Executive Order B-37-16 established the goal of making water conservation a California way of life and directed the development of 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, over half is residential use and about 3% is commercial, industrial, and institutional (CII) use. In 2018, SB 606 (Hertzberg) and AB 1668 (Friedman), together known as "Making Conservation a California Way of Life," established the long-term water conservation framework in law. The framework required DWR and the State Water Resources Control Board (State Water Board) to work together to develop urban water use objectives for the roughly 400 urban retail water suppliers that supply water to about 95% of Californians. The urban water use objective is the sum of indoor residential water use; outdoor residential water use; outdoor CII use associated with dedicated irrigation meters; water losses; variances, if applicable; and bonus incentives for recycled water, if applicable. The State Water Board's implementing regulations became effective January 1, 2025.

CII water use performance measures. With the exception of outdoor landscape water use, CII water use is not part of the urban water use objective. Instead, to support the CII sector's progress toward improving water use efficiency, the framework directed DWR to develop performance measures for the CII sector — actions to be taken by urban retail water suppliers that will result in increased water use efficiency by CII water users. DWR published its recommendations in September 2022, including a recommendation that urban retail water suppliers classify all CII water users into one of 19 categories; 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 the Energy Star Portfolio Manager's broad categories, and to design a conservation program by June 30, 2029, that targets inefficient CII users and incorporates at least two of the recommended best management practices.

Local business licensing. State law authorizes cities and counties to license businesses carried on within their respective jurisdictions and to set license fees. Almost every city and county in California requires businesses to have a general license to operate; requirements vary by jurisdiction but typically include payment of a fee and registration of the business's name. Local governments license businesses for a range of reasons: to identify individuals operating businesses in their jurisdictions, to ensure compliance with other local laws, to facilitate contact if a problem arises, and to raise money to support public services. Some counties, including Sonoma and San Diego, do not require business licenses for businesses operating in unincorporated areas.

Energy Star program. Administered by the US Environmental Protection Agency (US EPA), the Energy Star program is a voluntary labeling program. The US EPA sets energy efficiency specifications, and products, homes, and buildings that meet those specifications can choose to display the Energy Star logo.

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, a good faith 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, a good faith 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.
 - a. Require, when applying for a renewal, the person to report, under penalty of perjury, the data center's annual water use for the preceding calendar year, including total water use and direct water use.
 - b. Also require the owner or operator, as part of the direct water use reporting, to report the cooling system type of the data center. 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.
3. Require DWR and CEC, by January 1, 2029, to develop guidelines and best practices to maximize the efficient 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.
 - a. Further define the following types of data centers:
 - i. "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.
 - ii. "Type II data center" as a data center with a power consumption of at least 2 megawatts and no more than 25 megawatts.
 - iii. "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, standardized 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.
9. Include findings that 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.
10. Impose a state-mandated local program by expanding the crime of perjury.
11. Provide that no reimbursement is required by this act for a specified reason.

Related Legislation:

AB 2469 (Papan, 2026) would prohibit a local jurisdiction from approving a discretionary or ministerial permit or other entitlement that would result in the construction, or an expansion that increases the maximum 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.

AB 93 (Papan, 2025) would have required data centers to submit certain information relating to their water usage to cities and counties. The bill was vetoed by Governor Newsom.

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: By expanding the crime of perjury and by requiring cities and counties to collect specified water use information from data center owners and operators as part of the business license application and renewal process, this bill would impose new duties on local agencies.

If the Commission on State Mandates determines that these duties create a new program or impose a higher level of service on local agencies, the state would have to provide reimbursement, which would have a General Fund impact. This bill disclaims the state's reimbursement responsibility by citing local agencies' authority to levy service charges, fees, or assessments sufficient to pay for mandated activities and because local agency costs are related to expansion of a crime.

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