

found “Statewide, the average drinking water customer charges have increased by \$6.64 (10%) since 2020.” The affordability challenge is even more acute in poorer communities. Of the water systems assessed, 45% are experiencing a low affordability burden, 12% are experiencing a medium affordability burden, and 3% are experiencing a high affordability burden (40% of systems are experiencing no affordability burden).

Existing law:

- 1) Establishes DWR (Water Code (WAT) §120) and grants it broad authority to manage and oversee various aspects of water management in California, including dams (WAT §6000 *et seq.*), flood control projects (WAT §8300 *et seq.*), the State Water Project (WAT §11419 *et seq.*), sustainable groundwater management (WAT §10720 *et seq.*), and the California Water Plan (WAT §10004 *et seq.*).
- 2) Declares the responsibility of the state to assist local governments in providing certain essential services and facilities where water resource construction projects financed, in whole or in part, by the state or by the state jointly with the federal government create an undue burden on a local area’s ability to provide these services and facilities (WAT §12950).
- 3) Declares that it is state policy that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes and directs all relevant state agencies to consider this policy when administering programs (WAT §106.3).
- 4) Defines “community water system” as a public water system that serves at least 15 service connections used by yearlong residents or regularly serves at least 25 yearlong residents of the area served by the system (Health and Safety Code § 116275).

PROPOSED LAW

This bill would:

- 1) Enact the Water Affordability and System Stabilization Act (Act).
- 2) Create the Water Affordability and System Stabilization Fund (Trust Fund) for holding the trust property of the Water Affordability and System Stabilization Trust (Trust) and for the purpose of implementing the Act. The primary purpose of the Trust, as a charitable trust, is to provide perpetual source of funding to the Water Rate Assistance Fund (Water Rate Fund) and Community Water Affordability Assistance Fund (Community Water Fund), which would be established by the bill.
 - a) Continuously appropriate all moneys in the Trust Fund to the trustee for expenditure in accordance with the Act.
 - b) Transfer distributions by the trustee from the income of the Trust to the State Water Board and DWR for deposit into, and expenditure from, the Water Rate Fund and the Community Water Fund.

- c) Prohibit moneys in the Trust Fund from being available for appropriation or being borrowed for use for any purpose not established by the Act.
 - d) Authorize funding of the principal of the Trust and provide that such funding is subject to transfer by the Legislature from the General Fund into the Trust Fund.
 - e) Provide that all future transfers to the Trust Fund are irrevocably transferred from the General Fund during the fiscal year the moneys are transferred to the trustee for deposit into the Trust Fund for distribution and investment.
 - f) Prohibit moneys deposited into the Trust Fund or to fund the trust from being transferred to the General Fund.
- 3) Require the trustee to hold the property of the Trust for the primary benefit of the trust's beneficiary.
- a) Require the trustee to hold, manage, and invest the principal of the Trust in accordance with existing law with the obligation of providing a growing perpetual source of annual funding to the Water Rate Fund and the Community Water Fund, beginning 25 years after the Legislature transfers funding from the General Fund to the Trust Fund.
 - b) Require the trustee to collect, receive, and monetize the income of the Trust and to distribute the income of the Trust annually as follows:
 - i) During the first 25 years following the Legislature's first transfer from moneys from the General Fund to the Trust Fund:
 - (1) Transfer 45 percent of the total income deposited into the Trust Fund during the prior fiscal year to the Water Rate Fund for the State Water Board to expend in accordance with the Water Rate Assistance Program, which would be established by SB 1125 (Menjivar).
 - (2) Transfer 45 percent of the total income deposited into the Trust Fund during the prior fiscal year to the Community Water Fund for DWR to expend in accordance with the Community Water Affordability Program, which would be established by the bill.
 - (3) Invest 10 percent of the total income deposited into the Trust Fund during the prior fiscal year as part of the trust principal.
 - ii) After the first 25 years:
 - (1) Transfer 50 percent of the total income deposited into the Trust Fund during the prior fiscal year to the Water Rate Fund for the State Water Board to expend in accordance with the Water Rate Assistance Program.
 - (2) Transfer 50 percent of the total income deposited into the Trust Fund during the prior fiscal year to the Community Water Fund for DWR to expend in accordance with the Community Water Affordability Program.

- c) Prohibit the trustee from selling, purchasing, exchanging, or otherwise dealing with or disposing of all or any parts of the principal of the Trust.
 - d) Require the trustee to exercise its administration of the trust as a fiduciary to the beneficiary.
 - i) Require the trustee to abide by the Uniform Prudent Investor Act and vests in the trustee all powers, obligations, and responsibilities described in the Uniform Prudent Investor Act that are not inconsistent with the purposes of the Act.
 - e) Require the trustee to:
 - i) Have the power to accept donations, which shall be deemed property of the Trust and increase the principal of the Trust. The bill would prohibit donations from being expended or transferred until the Legislature transfers funding from the General Fund to the Trust Fund.
 - ii) Use no more than 1 percent of the income of the Trust earned between July 1 and June 30, inclusive, of each fiscal year to pay for necessary and reasonable expenses incident to the administration of the Trust during the same period.
 - f) Require the trustee to provide for appropriate audit, accounting, and fiscal management services, plans, and reports relative to the Trust Fund, as specified.
 - g) Require the trustee to annually provide the State Water Board and DWR with an accounting of the investments of the Trust Fund and a forecast of the projected income to be distributed from the Trust Fund in future fiscal years.
- 4) Require DWR, subject to transfer from moneys into the Community Water Fund, develop and administer the Community Water Affordability Program to provide funding in the form of grants to community water systems for local water infrastructure projects that include, but are not limited to, projects that improve water supplies, resiliency, or quality, and projects that reduce energy costs for a community water system.
- a) Continuously appropriate moneys in the Community Water Fund to DWR and prohibit moneys in the fund at the end of the fiscal year from reverting to the General Fund.
 - i) Prohibit moneys in the fund from being available for appropriation or borrowed for any use for any purpose not established by the Act unless the use of the moneys is authorized by statute that receives an affirmative vote two-thirds of each house of the Legislature.
 - b) Require DWR to develop and adopt program guidelines and project solicitation documents, which would not be subject to the Administrative Procedure Act. Require the program guidelines to:

- i) Require an applicant for a grant to provide at least 25 percent of the total funding required for the project. DWR may waive or reduce this amount if it would cause extreme financial hardship on the applicant.
- ii) Establish a methodology for evaluating projects for purposes of grant award by consideration of factors that include, but are not limited to, the net present value of the cost avoided on a per account basis over a 25-year period of time, the applicant's ability to complete the project in a timely manner, the number of households it would benefit, and the benefits the system received in the past year from the Water Rate Assistance Fund averaged across the system's total residential connections.
- c) Before adopting program guidelines and project solicitation documents, require DWR to hold at least 3 public workshops throughout the state on draft program guidelines and provide at least 45 days of public comment on the draft.
- d) Require DWR to annually post a report on the revenues, expenditures, and benefits of the Community Water Fund for the prior fiscal year. The report is required to include the cumulative and fiscal year number of households the Community Water Affordability Program has benefited and the estimated cost the program has caused to be avoided.
- e) Require DWR to coordinate with the State Water Board for projects that seek to combine funding from the Community Water Affordability Program and the State Water Board.
- f) Authorize DWR to do the following to implement the Community Water Fund:
 - i) Provide for the deposit of federal contributions; voluntary contributions, gifts, grants, or bequests; or financial participation by a public agency in an activity authorized for funding from the Community Water Fund.
 - ii) Enter into agreements for contributions to the Community Water Fund from the federal government, local or state agencies, or private corporations or nonprofit organizations.
 - iii) Take additional action as appropriate for administration and operation of the Community Water Fund.
- g) Authorize DWR to set appropriate requirements as a condition of funding, including, but not limited to, an audit, improvements to reduce costs and increase efficiencies of the infrastructure project funded, and evaluation of alternatives.

ARGUMENTS IN SUPPORT

According to the author, "Water affordability and system stability are increasingly interconnected challenges across California. Rising costs associated with infrastructure modernization, climate resilience, regulatory compliance, and energy continue to place pressure on water systems and the communities they serve, which is especially true for households living at or near poverty.

“The California Water Affordability and System Stabilization Act proposes a durable, California-based solution by addressing affordability at the household, system, and community levels. The Act advances a sustainable funding solution to support a statewide Low-Income Rate Assistance (LIRA) program for water while also supporting strategic investments that stabilize water systems and help reduce cost pressures before they are passed on to ratepayers.”

ARGUMENTS IN OPPOSITION

None received

COMMENTS

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

Tracking cost avoidance. This bill would create the Community Water Affordability Program to provide grants to community water systems for local water infrastructure projects. The bill would also require DWR to annually post on its website a report on the revenues, expenditures, and benefits of the fund, including the “estimated amount of cost the program has caused to be avoided” (proposed WAT 12968(b)(3)). According to the author’s staff, the intent of program is to help fund projects that would otherwise increase costs for ratepayers if those projects did not receive grant funding. As such, “estimated amount of cost the program has caused to be avoided” refers to the amount of projected cost to ratepayers via rate increases that would have otherwise been necessary to fund the infrastructure project.

The Water Rate Assistance Program and Water Rate Assistance Fund does not exist. The primary purpose of the Water Affordability and System Stabilization Trust, which is created by this bill, is to provide perpetual source of funding each year to the Water Rate Fund and the Community Water Fund and requires that a specified percentage of money in the Trust Fund be transferred into these funds each year. However, the Water Rate Fund does not exist but, rather, is being proposed by a current legislative proposal, Senate Bill 1125 (Menjivar) (SB 1125). SB 1125 is currently pending before the Assembly Environmental Safety and Toxic Materials Committee.

If this bill is enacted, with reference to the Water Rate Fund, and SB 1125 is not, references to the Water Rate Fund will likely cause confusion and it is unclear how the bill will be implemented. According to the author’s staff, there are ongoing conversations with the author of SB 1125 to eventually make the two bills contingent on each other.

Legislative oversight through the budget process. One of the more effective ways the Legislature exercises oversight over executive agencies is through annual appropriations in the budget process. Providing for a continuous appropriation undermines the ability of the Legislature to provide oversight through the budget process.

In view of this, the Committee may wish to remove the continuous appropriation language from the Community Water Fund. See *Amendments #1*.

Technical amendment to eliminate redundancy. The Act would define “board” and “department” as the State Water Board and DWR, respectively (see proposed WAT §12966(b) and (d), and proposed WAT §12968(a)(1) and (3)). However, Water Code §22 already provides that, for purposes of the Water Code, that “department” means the Department of Water Resources; and Water Code §25 provides that, for purposes of the Water Code, “Board” means the State Water Resources Control Board. Therefore, it is not necessary to additionally define these terms in proposed Water Code §§12966 and 12968.

The Committee may wish to remove these definitions. See *Amendments #2 and #3*.

Committee amendments will be taken in Senate Environmental Quality

Committee. Due to time constraints, if the committee wishes to amend the bill and the bill is passed out of this committee, the amendments will be taken in the Senate Environmental Quality Committee’s hearing on this bill.

Related legislation

SB 1125 (Menjivar) of the current legislative session establishes the Water Rate Assistance Program to provide financial assistance to help low-income customers pay their water and wastewater bills. SB 1125 is pending before the Assembly Environmental Safety and Toxic Materials Committee.

SB 350 (Durazo, 2025) would have established the Water Rate Assistance Program and the Water Rate Assistance Fund to provide financial assistance to help low-income customers pay their water and wastewater bills. SB 350 was held in the Senate Appropriations Committee.

AB 532 (Ransom, 2025) would have authorized public urban retail water suppliers to provide water rate assistance to their ratepayers. AB 532 was held in the Senate Appropriations Committee.

SB 1255 (Durazo, 2024) would have required a retail water supplier that serves over 3,300 residential connections to establish a water rate assistance program to help eligible low-income customers pay their water and wastewater bills. Funding would come from voluntary contributions paid by other customers through charges on water bills. Would have required the State Water Board to conduct a needs assessment for a similar program for low-income customers of smaller water suppliers. SB 1255 was held in the Assembly Appropriations Committee.

SB 222 (Dodd, 2022) would have required the State Water Board to develop and administer a statewide Water Rate Assistance Program to provide rate assistance to low-income residential ratepayers of a community water system or wastewater system. SB 222 was vetoed by the Governor.

SB 200 (Monning, Chapter 120, Statutes of 2019) establishes the Safe and Affordable Drinking Water Fund (SADWF) to help water systems provide an adequate and affordable supply of safe drinking water in both the near and the long term. Beginning

in fiscal year 2020-21 and until June 30, 2030, it annually transfers five percent of the proceeds of the Greenhouse Gas Reduction Fund (but no more than \$130 million) to SADWF. Further requires the State Water Board to adopt a fund implementation plan and requires expenditures of the fund to be consistent with the plan.

SB 401 (Dodd, Chapter 662, Statutes of 2015) requires the State Water Board, in collaboration with the State Board of Equalization and stakeholders, to develop a plan for the funding and implementation of a new program to provide water rate relief for low-income ratepayers by January 1, 2018, and provide a corresponding report to the Legislature by February 1, 2018.

AB 685 (Eng Chapter 524, Statutes of 2012) enacts the Human Right to Water state policy.

SUGGESTED AMENDMENTS

AMENDMENT 1

Amend proposed Water Code Section 12968 as follows:

12968(e). The Community Water Affordability Assistance Fund is hereby established in the State Treasury. ~~Notwithstanding Section 11340 of the Government Code, all~~ All moneys in the fund are ~~continuously appropriated available~~ to the department, ~~without regard to fiscal year upon appropriation by the Legislature~~, in accordance with this chapter.

AMENDMENT 2

Amend proposed Water Code §12966 as follows:

- ~~(b) "Board" means the State water Resources Control Board.~~
- ~~(c)~~ (b) "Community Water Affordability Assistance Fund" means the Community Water Affordability Assistance Fund established pursuant to Section 12968.
- ~~(d) "Department" means the Department of Water Resources.~~
- .
- .
- . (re-letter as appropriate)

AMENDMENT 3

Amend proposed Section Water Code §12969(a) as follows:

- (a) For purposes of this chapter, the following definitions apply:
 - ~~(1) "Board" means the State Water Resources Control Board.~~
 - ~~(2)~~ (1) "Community water system" has the same meaning as defined in Section 116275 of the Health and Safety Code.
 - ~~(3) "Department" means the Department of Water Resources.~~
- (re-number as appropriate)

SUPPORT

Association of California Cities - Orange County
Association of California Water Agencies
California Chamber of Commerce
California Council for Environment and Economic Balance (CEEB)
California Farm Bureau Federation
California Municipal Utilities Association
California Special Districts Association
California State Association of Counties (CSAC)
California Water Association
Calleguas Municipal Water District
City of Sacramento
City of Thousand Oaks
Clean Water Action
Community Water Center
Contra Costa Water District
County of Los Angeles
Crescenta Valley Water District
East Bay Municipal Utility District
Eastern Municipal Water District
El Dorado Irrigation District
El Toro Water District
Elsinore Valley Municipal Water District
Honorable Bryan Osorio, Councilmember, City of Delano
Honorable Gregorio Gomez, Councilmember, City of Farmersville
Honorable Joe Soria, Mayor Pro Tem, City of Lindsey
Honorable Krista Bernasconi, Mayor, City of Roseville
Honorable Jose Sigala, Councilmember, City of Tulare
Irvine Ranch Water District
Leadership Counsel for Justice and Accountability
League of California Cities
Metropolitan Water District of Southern California
Mission Springs Water District
Mountain Counties Water Resources Association
Municipal Water District of Orange County
Orange County Business Council
Rancho California Water District
Regional Water Authority
Rincon Del Diablo Municipal Water District
San Diego County Water Authority
San Joaquin Valley Water Collaborative Action Program
Santa Fe Irrigation District
Santa Margarita Water District
South Coast Water District
South Orange County Economic Coalition
Southern California Water Coalition
Southwest California Legislative Council
Three Valleys Municipal Water District
Upper San Gabriel Valley Municipal Water District

Valley Water
Walnut Valley Water District
West Basin Municipal Water District
Western Municipal Water District

OPPOSITION

None received

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