
THIRD READING

Bill No: AB 2739
Author: Soria (D), et al.
Amended: 8/21/26 in Senate
Vote: 27

SENATE NATURAL RES. & WATER COMMITTEE: 7-0, 6/23/26

AYES: Becker, Seyarto, Allen, Cabaldon, Grove, Laird, Stern

SENATE ENVIRONMENTAL QUALITY COMMITTEE: 7-0, 7/1/26

AYES: Blakespear, Valladares, Allen, Dahle, Gonzalez, Hurtado, Menjivar

ASSEMBLY FLOOR: 78-0, 5/26/26 - See last page for vote

SUBJECT: Water: affordability and system stabilization

SOURCE: Irvine Ranch Water District
Rancho California Water District

DIGEST: This bill establishes the Water Affordability and System Stabilization Trust as a charitable trust to fund the Community Water Affordability Program administered by the Department of Water Resources (DWR) and the Water Rate Affordability Assistance Fund administered by the State Water Resources Control Board (SWRCB).

Senate Floor amendments of 8/21/26 provide DWR and the State Treasurer's Office (STO) with some flexibility to carry out this bill's provisions and shift certain responsibilities from the STO to the State Controller's Office (SCO).

ANALYSIS:

Existing law:

- 1) Gives DWR broad authority to manage and oversee various aspects of water management in California, including dams, flood control projects, the State

Water Project, sustainable groundwater management, and the California Water Plan.

- 2) Declares it is the responsibility of the state to help local governments when state or joint state and federal water resource construction projects create an undue burden on a local area's ability to provide certain services and facilities.
- 3) Defines a "community water system" as a public water system serving at least 15 service connections used by yearlong residents or one that regularly serves at least 25 yearlong residents of the area.

This bill:

- 1) Enacts the Water Affordability and System Stabilization Act (Act).
- 2) Creates the Water Affordability and System Stabilization Fund (Trust Fund) to hold the trust property of the Water Affordability and System Stabilization Trust (Trust). The primary purpose of the Trust is to provide perpetual source of funding to the Water Rate Assistance Fund (WRAF) and Community Water Affordability Assistance Fund (CWAAF).
- 3) Creates the CWAAF, but does not create the WRAF, which does not exist in statute.
- 4) Transfers distributions by the trustee (the State Treasurer's Office (STO)) from the income of the Trust to the SWRCB and DWR for deposit into, and expenditure from, the WRAF and the CWAAF. Includes requirements to:
 - a) Prohibit Trust Fund money from being used for any purpose not established by the Act;
 - b) Require the trustee to hold, manage, and invest the principal of the Trust in accordance with existing law to providing a growing perpetual source of annual funding to the WRAF and the CWAAF.
 - c) Transfer specific percentages of money to the WRAF and the CWAAF, and invest a specific percentage of money at specified time intervals.
- 5) Creates a number of responsibilities for and imposes a number of limitations on the trustee, and allows the trustee to accept donations to the Trust.
- 6) Requires DWR to develop and adopt program guidelines and project solicitation documents, and exempts those from the Administrative Procedure Act.

- 7) Requires DWR to develop and administer the Community Water Affordability Program to provide grants to community water systems to improve water supplies, resiliency, or quality, and reduce energy costs.
- 8) Establishes a methodology for DWR to evaluate grant applications and requires grant applicants to cover at least 25% of the cost of any project, though DWR can waive or reduce this amount based on a showing of extreme financial hardship.
- 9) Requires DWR to hold public hearings and allow for public comment on its proposed program guidelines and requires DWR to post an annual report on the operations, spending, and benefits of the program.

Background

Water Service. California residents are served by various types of water utilities or water systems, including publicly owned utilities (POUs), investor-owned utilities (IOUs), and small community water systems (CWS). Most of California's residential water customers are served by cities, special districts, and mutual water companies. These utilities are governed by the city council, or other local governing body, which sets the water rates, which in the vast majority of cases are subject to 1996's Proposition 218 that ties the rates to the cost of providing water service. This restriction limits an agency's ability to increase rates to fund low-income *rate relief programs* for customers.

Affording The Cost of Water. A 2020 SWRCB report to the Legislature, *Recommendations for Implementation of a Statewide Low-Income Water Rate Assistance*, found California households "...find it increasingly difficult to satisfy ... [the need for water] ... as the retail cost of water has risen substantially over the last decade and is expected to rise significantly over the coming years ... adjusting for inflation, the average Californian household paid around 45% more per month for drinking water service in 2015 than in 2007."

A 2025 SWRCB needs assessment found there was a steady increase in drinking water rates across the state from 2020 to 2023, concluding larger water systems saw the highest increase since 2020, 17% on average, even though smaller systems generally charge more per unit of water than larger systems. 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).

Comments

Purpose of the bill. 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.”

Tracking cost avoidance. This bill creates the Community Water Affordability Program to provide grants to community water systems for local water infrastructure projects. It also requires 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.” The goal is to help fund projects that – absent grant funding – would lead to ratepayer increases to finance the projects. So, the “estimated amount of cost the program has caused to be avoided” refers to what the project would have cost ratepayers had they been required to finance the infrastructure project.

Referring to a fund that doesn't exist. The primary purpose of the trust created by this bill is to provide an ongoing source of funding to the Water Rate Assistance Fund (WRAF) and the Community Water Affordability Assistance Fund (CWAAF). While this bill creates CWAAF, the WRAF does not exist. Rather it would be created by SB 1125 (Menjivar), which is pending on the Assembly Floor.

If this bill is enacted, with reference to the WRAF and SB 1125 – which creates the WRAF – is not signed into law, references to the WRAF in this bill will likely cause confusion and it is unclear how the bill will be implemented.

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee’s analysis, the bill creates General Fund cost pressure of an unknown but significant amount, potentially in the millions of dollars (one-time or annually).

SUPPORT: (Verified 8/5/26)

Irvine Ranch Water District (co-sponsor)
Rancho California Water District (co-sponsor)
Association of California Cities - Orange County
Association of California Water Agencies
California Chamber of Commerce
California Council for Environment and Economic Balance
California Farm Bureau Federation
California Municipal Utilities Association
California Special Districts Association
California State Association of Counties
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 Jose Sigala, Councilmember, City of Tulare
Honorable Krista Bernasconi, Mayor, City of Roseville
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
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: (Verified 8/5/26)

None received

ASSEMBLY FLOOR: 78-0, 5/26/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Muratsuchi, Celeste Rodriguez

Prepared by: Evan Goldberg/ N.R. & W. / (916) 651-4116
8/24/26 13:35:58

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