CONCURRENCE IN SENATE AMENDMENTS
AB 2739 (Soria)
As Amended August 21, 2026
2/3 vote. Urgency

SUMMARY

Establishes the Water Affordability and System Stabilization Trust (Trust Fund) as a charitable trust to generate ongoing funding for the Community Water Affordability Program (Affordability Program) administered by the Department of Water Resources (DWR) and the Water Rate Assistance Fund administered by the State Water Resources Control Board (State Water Board).

Senate Amendments

1) Provide that funds for the Affordability Program shall be available upon appropriation by the Legislature (rather than continuously appropriated).

2) Provide that the State Treasurer may enter into an agreement with a fiscal intermediary to support management of the monies in the Trust Fund. The agreement may contain provisions the State Treasurer deems reasonable and proper to grow the Trust Fund to a perpetual source of funding for the Affordability Program and Water Rate Assistance Program.

3) Provide that monies in the Trust Fund shall be invested consistent with requirements for the investment of other surplus state funds (i.e., generally allows for investments in bonds from the U.S. or other governmental entities not in default) and may be invested in the Surplus Money Investment Fund.

4) Clarify that the Controller shall distribute monies from the Trust Fund after coordinating with the State Treasurer.

5) Make technical and clarifying changes.

COMMENTS

California residents are served by various types of water utilities or water systems, including publicly-owned utilities, investor-owned utilities, and small community water systems. 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 set their own water rates; however, the vast majority of these agencies are subject to Proposition 218 (enacted in 1996) that sets state constitutional and statutory requirements that ensure water rates are directly tied to the cost-of-service. As a result, these water agencies are currently not able to increase rates in order to fund low-income rate relief programs for customers and oftentimes face challenges relying on rate revenue to fund water conveyance, storage, and treatment infrastructure.

A 2020 State Water Board report to the Legislature required by AB 401 (Dodd), ″Recommendations for Implementation of a Statewide Low-Income Water Rate Assistance,″ found that California households ″…find it increasingly difficult to satisfy this need 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." The 2020 Report also recommends the creation of a statewide water rate assistance program funded through taxes on personal income, business income, and bottled water, as most water systems are not able to fund low-income assistance programs.

The water affordability outlook does not appear to have improved since 2020. According to the State Water Board 2025 Needs Assessment (2025 Assessment), there was a steady increase in drinking water rates across the state from 2020 to 2023. The 2025 Assessment compares drinking water affordability across all 2,815 community water systems and 363 non-transient non-community water systems that serve K-12 schools. Interestingly, the 2025 Assessment found that 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. Overall, the 2025 Assessment 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).

This bill requires that half of the income generated by the Trust Fund be transferred to the Water Rate Assistance Fund, though this fund does not currently exist and is not created by this bill. SB 1125 (Menjivar) of the current legislative session, however, establishes the Water Rate Assistance Fund and associated Water Rate Assistance Program to be administered by the State Water Board that will receive funding from the Trust Fund created by this bill if both bills are enacted.

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.

Further, the author contends, "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 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 Support
The Irvine Ranch Water District and Rancho Water are co-sponsoring this bill. They note that "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, particularly for households living at or near poverty." The co-sponsors assert that this bill proposes a lasting solution that does not include any new taxes or fees and that will help to advance the Human Right to Water: "[This bill's] proposed funding structure provides predictable, long-term resources without placing new burdens on local governments or

water ratepayers. This approach strengthens water planning, and enhances statewide resilience while preserving local decision-making."

Arguments in Opposition
None on file.

FISCAL COMMENTS

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

1) The State Water Board estimates ongoing costs of about $1.5 million in the first year and $1 million annually thereafter (General Fund) to manage and track fund disbursements, make updates to the Loans and Grants Tracking System, and provide administrative, fiscal, and IT support, among other things.

2) DWR estimates ongoing costs of approximately $600,000 (General Fund) to develop and administer the Affordability Program. However, the magnitude of DWR's workload and associated costs would ultimately depend on the level of funding it receives and must administer. This bill allows DWR to expend up to 5% of the Trust Fund's annual revenue on reasonable administrative costs.

3) The State Treasurer's Office raises concerns that it does not traditionally administer trusts, and estimates that its costs are unknown but significant (ongoing, General Fund).

4) General Fund cost pressure of an unknown but significant amount, potentially in the millions of dollars (one-time or annually), to fund the Water Affordability and System Stabilization Fund principal, subject to transfer by the Legislature from the General Fund. The State Treasurer, acting as the trustee, must invest this principal under standard fiduciary rules, theoretically earning the Trust Fund investment income over time. For the first 25 years, the trustee must reinvest 10% of the Trust Fund's annual income to grow the principal and increase future earnings.

VOTES:

ASM WATER, PARKS, AND WILDLIFE: 12-0-1
YES: Papan, Jeff Gonzalez, Alanis, Alvarez, Ávila Farías, Bains, Bennett, Boerner, Caloza, Hart, Muratsuchi, Rogers
ABS, ABST OR NV: Gallagher

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

ASSEMBLY FLOOR: 78-0-2
YES: 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
ABS, ABST OR NV: Muratsuchi, Celeste Rodriguez

UPDATED

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