
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 532 (Ransom) - Water rate assistance program

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Urgency: No

Hearing Date: August 18, 2025

Policy Vote: E.Q. 8 - 0, L. GOV. 7 - 0

Mandate: No

Consultant: Ashley Ames

Bill Summary: This bill would allow a public urban retail water supplier to provide water rate assistance to its ratepayers.

Fiscal Impact:

- The State Water Board estimates ongoing costs of about \$250,000 annually to collect the reported data as well as one-time costs of \$500,000 for contracts to make changes to the SAFER Clearinghouse (Safe Drinking Water Account).

Background:

Federal Safe Drinking Water Act (SDWA). The federal SDWA was enacted in 1974 to protect public health by regulating drinking water. California has enacted its own safe drinking water act to implement the federal law and establish state standards under the state SDWA. The United States Environmental Protection Agency (U.S. EPA) enforces the federal SDWA at the national level. Most states, including California, have been granted "primacy" by the US EPA, giving them the authority to implement and enforce the federal SDWA at the state level. In accordance with the federal SDWA, the U.S. EPA provides funds to states for their drinking water loan programs, conducts an annual oversight review of each state's program, and issues an annual program evaluation report.

California's drinking water program. Senate Bill 861 (Committee on Budget and Fiscal Review, Chapter 35, Statutes of 2014) transferred the drinking water program from the California Department of Public Health to the State Water Board effective July 1, 2014, creating the new Division of Drinking Water within the State Water Board and made other statutory changes to create efficiencies and adoption and administration of the drinking water program.

The State Water Board directly enforces the federal SDWA for all large water systems (those with 200 or more service connections), including those water systems regulated under the CPUC, Division of Corporations, or Department of Housing and Community Development (DHCD). For small water systems (those with less than 200 connections), local health departments can be delegated to have regulatory authority as the local primacy agency. Along with the regulation of drinking water, the State Water Board and the Regional Water Quality Control Boards (Regional Water Boards) are responsible for protecting the waters of the state, including drinking water sources, both surface water and groundwater supplies.

Human right to water. In 2012, California became the first state to enact a Human Right to Water law, AB 685 (Eng, Chapter 524, Statutes of 2012). Public policy continues to

be focused on the right of every human being to have safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitation. Water supply, contaminants, costs of treatment and distribution systems, affordability to ratepayers, the number and nature of small public water systems, especially in disadvantaged communities, and many other factors will continue to challenge progress in addressing the Human Right to Water.

The growing water affordability challenge. AB 401 (Dodd, Chapter 662, Statutes of 2015) required the State Water Board, in collaboration with the State Board of Equalization and relevant stakeholders, to develop a plan for funding and implementing a Low-Income Water Rate Assistance Program. According to the State Water Board's February 2020 report to the Legislature, Recommendations for Implementation of a Statewide Low-Income Water Rate Assistance, while drinking water is a basic human need, 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 burden of rapidly rising drinking water costs falls disproportionately on the 13 million Californians living in low-income households, many of whom have seen their incomes stagnate during the same period. The high and rising costs of other basic needs for California residents, including housing, food, and other utility services, means that cost increases for any single need, such as water, can force families to make difficult and risky tradeoffs which could harm their health and welfare. Expenditures to meet basic water needs are expected to continue to rise rapidly due to the need for water systems to replace aging infrastructure, meet treatment standards, diversify supplies, and maintain a well-trained workforce."

The Report 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. For qualifying customers, the program recommended by the State Water Board will support bill discounts, crisis assistance, and a tax credit for renters who pay for their water indirectly through rent. The State Water Board estimates the first-year cost for the recommended program, including administrative costs, at \$606 million.

Though this bill is not introducing a statewide administered program, as recommended by the Report, it is a step in the right direction by ensuring public water suppliers have a legal pathway to establish their own individual programs.

Water utilities. 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.

Publicly owned water utilities. The majority 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. As established by Proposition 218 (1996), the majority of these utilities are subject to state constitutional and statutory requirements that ensure water rates are

directly tied to the cost-of-service. As a result, these utilities are currently not able to increase rates in order to fund low-income rate relief programs for customers.

CPUC-regulated water utilities. The CPUC has jurisdiction over private water companies that provide water service to about 16 percent of California's residents with annual water and wastewater revenues totaling about \$1.4 billion. Approximately 95 percent of those residents are served by nine large water utilities, each serving more than 10,000 service connections. Combined, the nine largest utilities serve approximately 1.175 million customers. However, the majority of the CPUC-regulated water utilities (92) have service connections of 2,000 or less, and 87 of those have service connections of 500 or less. As with other investor-owned utilities, the CPUC regulates rates of the water utilities under its jurisdiction, as well as, rules regarding discontinuation of service due to nonpayment.

CPUC-regulated water utilities low-income assistance program. The CPUC has authorized the largest nine water utilities to offer low-income rate assistance programs. However, each program varies in terms of the amount of assistance provided to low-income customers and the collection of the surcharge from non-participating ratepayers to cover the cost of the program. Discounts and surcharges supporting the programs are reviewed in each utility's general rate cases.

Proposition 218. As noted above, non-CPUC-regulated water utilities are subject to differing constraints on their ability to collect rates for rate relief from one customer to another. Specifically, as acknowledged by the SB 401 (Dodd, Chapter 662, Statutes of 2015) report:

"Funding individual water low-income rate assistance (W-LIRA) programs at the system level without violating constitutional restrictions would likely be infeasible for publicly owned water systems. Systems could impose special taxes, but those measures would need to be submitted to the local electorates and approved by a two-thirds majority. Among systems with high eligibility burdens, there may be significant local resistance to approving such taxes."

"Alternatively, systems would almost certainly face legal challenges to recovering W-LIRA expenses from water rates and charges. Article XIII D of the California Constitution, added by Proposition 218 in 1996, requires, among other things, that the revenues derived from property-related fees and charges not exceed the funds required to provide the property-related service. Most importantly for purposes of W-LIRA funding, Proposition 218 also requires that property-related fees and charges not exceed the proportional cost of service attributable to the property. In addition, the service for which a fee or charge is imposed must be immediately available to the property owner, rather than for future or potential use."

"The systems bear the burden of proving compliance with these cost-of-service requirements. Proposition 26, adopted in 2010, places the burden on local governments for proving by a preponderance of evidence that the amount of a fee or charge is "no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits from, the governmental activity."

“These substantive restrictions on ratemaking by publicly owned water systems prevent subsidization of one customer’s water rates by another and would pose serious, if not fatal, obstacles to publicly owned water systems funding individual W-LIRA programs from water rates and charges. As a result, publicly owned water systems instead fund existing W-LIRA programs from revenues derived from sources other than water rates and charges, such as lease revenues or voluntary donations. These non-rate revenue options are limited and considered insufficient to sustainably fund W-LIRA programs throughout the state.”

This bill would promote water rate assistance programs for public water suppliers without violating constitutional restrictions.

Proposed Law: This bill would:

1. Define “Public urban retail water supplier” to mean a public water supplier that directly provides potable municipal water at retail for municipal purposes.
2. Authorize a public urban retail water supplier to provide water rate assistance to its ratepayers and allows the water supplier to use a third party to administer the assistance.
3. Authorize a public urban retail water supplier to use voluntary funds from ratepayers and others, or any funding it has available to provide water rate assistance provided it does not use any funding pursuant to Article XIII D of the California Constitution.
4. Require, beginning January 1, 2028, urban retail water suppliers, including private suppliers, to include in the technical report administered annually by the State Water Board all of the following:
 - a. Whether the supplier provides water rate assistance;
 - b. The amount of funding used to provide any water rate assistance;
 - c. An explanation for any progress made towards implementing a rate assistance program or barriers encountered if the supplier did not provide rate assistance;
 - d. Whether the supplier sought voluntary contributions and the total amount; and,
 - e. The total number of eligible households that were provided with rate assistance.
5. Require, by July 1, 2026, the State Water Board to conduct a voluntary survey of urban retail water suppliers, including private suppliers, on whether the supplier provides water rate assistance.

Related Legislation:

SB 350 (Durazo, 2025) would have established the Water Rate Assistance Program, administered by the State Water Board, to provide rate assistance for drinking water and wastewater services to low-income residential ratepayers. SB 350 was held on the suspense file in this committee.

SB 1255 (Durazo, 2024) would require the State Water Board to update a needs analysis of the state's public water systems to include an assessment of the funds necessary to provide a 20% discount for low-income households served by specified community water systems and for those systems to meet a specified affordability threshold. This bill was held in the Assembly Committee on Appropriations

AB 1188 (Laird, Chapter 680, Statutes of 2022) authorizes the State Water Board to provide reduced or 0% financing to further the purposes of the Safe Drinking Water State Revolving Fund Law of 1997 and grant funding or principal forgiveness to certain water systems.

SB 222 (Dodd, 2021) would establish the Water Rate Assistance Program, with an unknown source of funding, administered by CSD in consultation with the State Water Board, to help provide water affordability assistance, for both drinking water and wastewater services, to low-income ratepayers. SB 222 was vetoed by the Governor due to its significant fiscal impact.

SB 200 (Monning, Chapter 120, Statutes of 2019) established 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 to the SADWF five percent of the proceeds of the GGRF up to \$130 million. It 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 998 (Dodd, Chapter 891, Statutes of 2018) required all public water systems (with more than 200 connections) to have a written policy on discontinuation of residential water service, provide that policy in multiple languages, include provisions for not shutting off water for certain customers that meet specified criteria, prohibit the shutoff of water service until the bill has been delinquent for 60 days, and cap the reconnection fees for restoring water service.

SB 401 (Dodd, Chapter 662, Statutes of 2015) required 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) declared that it is the established policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.

Staff Comments: Due to the constitutional challenges public water suppliers face in acquiring funding to support water rate assistance programs, there needs to be a framework to encourage and promote alternative fundraising approaches. There are ways public water suppliers can get creative in acquiring funds for rate assistance. Sweetwater Authority, a publicly-owned utility serving parts of San Diego County, generates \$500,000/year for its low-income rate assistance program by leasing out its water tanks to telecommunications companies.

This bill would provide authorizations for public water suppliers to provide water rate assistance, promoting a legal framework that some suppliers across the state already use. Its provisions would also incorporate data collection on rate assistance programs (from both public and private water suppliers) into the State Water Board's current reporting process, with metrics that demonstrate statewide progress towards addressing water affordability.

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