
SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair
2025 - 2026 Regular

Bill No: AB 93
Author: Papan
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Fiscal: Yes
Consultant: Peterson

WATER RESOURCES: DATA CENTERS

Requires data center owners to submit specified information on water use when they apply for a local business license or renew an existing one.

Background

Local business licensing. The California Constitution allows a city or county to “make and enforce within its limits, all local, police, sanitary and other ordinances and regulations not in conflict with general laws, known as the police power of cities.” It is from this fundamental power that local governments derive their authority to regulate behaviors, business operations, and land uses. Local agencies also use this police power to abate nuisances and protect public health, safety, and welfare.

As an extension of the police power, state law lets local governments require businesses operating in their jurisdictions to obtain a license and impose related licensing fees. If a business operates in multiple jurisdictions, the fees imposed by any one jurisdiction are supposed to fairly reflect the amount of business that goes on in that jurisdiction. Local governments license businesses for lots of reasons: to identify individuals operating businesses in their jurisdictions, to ensure compliance with other local laws, to facilitate contact in case a problem arises, and to raise money to support public services that support those businesses.

While most cities and counties require businesses to operate under a business license, some counties do not require business licenses for businesses operating in unincorporated areas. For example, both Sonoma and San Diego counties do not require business licenses for businesses operating in these areas.

Data centers. 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/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.”¹ Data centers use a lot of water. This is because, “Like cooling systems in large office buildings, water often is evaporated in data center cooling towers, leaving behind salty wastewater known as blowdown that has to be treated by local utilities.”² A mid-sized data center uses 300,000 gallons of water a day, enough for

¹ Md Abu Bakar Siddik, Arman Shehabi, and Landon Marston, “The Environmental Footprint of Data Centers in the United States,” *Environmental Research Letters*, 16 (2021).

² <https://www.npr.org/2022/08/30/1119938708/data-centers-backbone-of-the-digital-economy-face-water-scarcity-and-climate-ris>

1,000 households, and data centers rank among the top ten industrial and commercial water users.³

To better understand data center water usage in California, the author wants to collect more information on data center water usage.

Proposed Law

Assembly Bill 93 requires a data center owner, prior to applying for an initial business license, to provide its water supplier an estimate of the expected water use. When the owner applies for a business license from a city or county, they must self-certify, under penalty of perjury, on the application, that they have provided its water supplier an estimate of the expected water use. When it renews the business license, it must self-certify a report on its annual water use.

Comments

1. Purpose of the bill. According to the author, “[a]s technology has evolved into the new frontier of Artificial Intelligence, the demand for data centers has exploded, and with it increased competition over our most precious natural resources. Even with recent developments in water efficiency, data centers use a considerable amount of water. Since data centers prioritize cheap energy sources and proximity to customers, many data centers are being developed in water stressed areas. As California’s needs for data processing grows, a better understanding of the ratepayer impacts and environmental tradeoffs must be understood. AB 93 is a pragmatic solution that carefully considers a delicate balance of resource demand, local resources constraints, and revenue benefits of data center expansion.”

2. Costs versus benefits. AB 93 requires cities and counties to ask for new information in their business license applications to ascertain if data center owners sent water usage information to their water suppliers. This requires them to update their application processes. Local agencies may have to increase business license costs to comply with this new requirement. However, the measure does not require local agencies to do anything with this information: they just have to collect it. While interested parties could request this information, unless they do, it will collect dust in local agencies’ file cabinets. While data centers’ water usage is worthy of scrutiny, it is unclear how the benefits of incorporating a self-certification process in the local government business license process outweigh the costs to local agencies and businesses to implement it.

3. Sure, but will it work? Since local agencies manage business licenses at the local level, jurisdictions vary in the requirements that they impose and even whether or not a particular business is required to obtain a license. For example, businesses in unincorporated areas that do not require a business license would not be subject to this new requirement, which means AB 93 may not successfully ensure that all data centers report to their water suppliers.

4. Let’s be clear. The Committee may wish to consider the following clarifying and technical amendments to AB 93:

- AB 93 requires businesses renewing their business license to self-certify a report of annual water use on their application, but it does not specify what they must do with the

³ Ibid.

report. The Committee may wish to consider amending the bill to clarify that the business must self-certify that they sent a copy of the report to their water supplier.

- AB 93 requires businesses to send information to water providers, but does not define “water providers.” The Committee may wish to consider amending the bill to define the term.

5. Charter city. AB 93 says that its statutory provisions apply to charter cities. To support this assertion, the bill includes a legislative finding and declaration that water conservation is a matter of statewide concern, not a municipal affair. Because the Constitution does not define “municipal affairs,” the courts determine whether a topic is a municipal affair or whether it is an issue of statewide concern.

6. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because AB 93 imposes new duties on local governments, Legislative Counsel says it imposes a new state mandate. AB 93 disclaims the state’s responsibility for providing reimbursement by citing local governments’ authority to charge for the costs of implementing the bill’s provisions and because the bill creates a new crime.

7. Incoming! The Senate Rules Committee has ordered a double referral of AB 93: first to the Committee on Natural Resources and Water, which approved AB 93 at its June 24th hearing on a vote of 5-2, and second to the Committee on Local Government.

Assembly Actions

Assembly Water, Parks, and Wildlife Committee:	10-1
Assembly Local Government Committee:	8-1
Assembly Appropriations Committee:	11-2
Assembly Floor:	51-14

Support and Opposition (7/11/25)

Support: 350 Bay Area Action

City of Santa Barbara

County of Los Angeles Board of Supervisors

The Climate Reality Project Orange County Chapter

The Climate Reality Project San Diego Chapter

The Climate Reality Project, Bay Area Chapter

The Climate Reality Project, California State Coalition

The Climate Reality Project, Los Angeles Chapter

The Climate Reality Project, San Fernando Valley CA Chapter

Opposition: Data Center Coalition

Silicon Valley Leadership Group

Technet

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