
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 93 (Papan) - Water resources: data centers

Version: July 17, 2025

Policy Vote: N.R. & W. 5 - 2, L. GOV. 5 - 2

Urgency: No

Mandate: Yes

Hearing Date: August 18, 2025

Consultant: Ashley Ames

Bill Summary: This bill would require data center owners to submit specified information on water use when they apply for a local business license or renew an existing one.

Fiscal Impact:

- The Department of Water Resources (DWR) estimates limited-term costs of \$1.7 million over four years (General Fund) to implement the provisions of this bill.

Background: 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.” 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.” A mid-sized data center uses 300,000 gallons of water a day, enough for 1,000 households, and data centers rank among the top ten industrial and commercial water users.

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

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.

Proposed Law: This bill would require 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, the bill would require that they must self-certify, under penalty of perjury, on the application, that they have provided the data center's water supplier with an estimate of the expected water use. When it renews the business license, it must self-certify a report on its annual water use.

Related Legislation:

AB 222 (Bauer-Kahan), of the current legislative session, would require publication of energy use associated with the development and use of artificial intelligence, requires the CEC to track energy usage of data centers in the state, and tasks the California Public Utilities Commission to minimize utility costs related to data center development.

AB 755 (Papan, Chapter 542, Statutes of 2023) requires a public entity to conduct a water usage demand analysis, before completing, or as part of, a cost-of-service analysis conducted to set fees and charges for water service.

Staff Comments: 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.

-- END --