
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1125 (Menjivar) - Water Rate Assistance Program

Version: March 25, 2026
Urgency: No
Hearing Date: May 4, 2026

Policy Vote: E.Q. 5 - 1, E., U. & C. 14 - 1
Mandate: Yes
Consultant: Ashley Ames

Bill Summary: This bill would establish a water rate assistance program, upon appropriation by the Legislature, to provide rate assistance to low-income residents.

Fiscal Impact:

- Very significant ongoing cost pressures, potentially in the hundreds of millions of dollars annually (Water Rate Assistance Fund) to provide funding for ratepayer assistance. Of that amount, up to 10% could be used by the State Water Board to administer the Low-Income Water Rate Assistance Program.
- The State Water Board estimates ongoing costs of at least \$17 million annually and one-time costs of at least \$1 million (Water Rate Assistance Fund or other fund) to develop, implement, administer, and oversee the water rate assistance program. Staff notes that, as currently written, this bill would require State Water Board costs to be capped at no more than ten percent of the average annual deposits into the Water Rate Assistance Fund for program administration.
- To the extent that the Attorney General, at the request of the State Water Board, brings an action in to restrain a practice declared in this bill to be unlawful—including nonparticipation by a public water system—unknown, potentially significant cost pressures to the state-funded trial courts due to additional workload (Trial Court Trust Fund, General Fund).

Background:

Water utilities. California residents are served by various types of water utilities or water systems, including publicly owned utilities (POU), investor-owned utilities (IOU), and small community water systems. The majority of California's residential water customers are served by POUs, which are operated and governed by cities, special districts, and mutual water companies. As established by Proposition 218 (1996), the majority of these utilities are subject to state constitutional and statutory requirements that ensure water rates are restricted to cost-of-service. As a result, these water utilities are limited in their ability to increase rates on customers in order to fund programs or provide rate relief to other customers. These limitations are not imposed on the CPUC-regulated utilities whose rates are set by the CPUC which has jurisdiction over water companies, or privately owned water utilities (also known as IOUs).

Water IOUs provide water service to about 16% of California's residents. Approximately 95% of those residents are served by nine large water IOUs, each serving more than 10,000 service connection. Known as Class A water utilities, combined, the nine largest utilities serve nearly 1.2 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 IOUs, the CPUC regulates the rates of the water utilities under its jurisdiction. Under existing law, the CPUC generally has authority over the regulation of utility services and rates to assure that California residents have access to safe and reliable utility infrastructure and services from IOUs, including water companies, at just and reasonable rates. In comparison, the SWRCB has regulatory authority over the quality of the state's water resources and drinking water, including the authority to adopt regulations to address contaminant levels.

CPUC-regulated water utilities' low-income assistance programs. The CPUC has authorized the largest nine water IOUs to offer low-income rate assistance programs similar in concept to those provided to electricity customers through California Alternate Rates for Energy (CARE). However, each program varies in terms of the amount of the assistance provided to customers and the collection of the surcharge from non-participating customers to cover the cost of the program. All nine Class A water utilities, one Class B in a few districts, and one Class C water utility offer discounts on their monthly bills for qualifying low-income customers. Water utilities have been slowly transitioning the unique names of their low-income assistance programs to the uniform name Customer Assistance Program pursuant to CPUC Decision (D.) 20-08-047. Discounts and surcharges supporting the programs are reviewed in each utility's general rate case.

SB 401 (Dodd, Chapter 662, Statutes of 2015) required report on funding a statewide low-income rate assistance program. SB 401 required the SWRCB, 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. In February 2020, the SWRCB released its final recommendations to implement a statewide low-income water rate assistance program. The SWRCB 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 via their rates. For qualifying customers, the program recommended by the SWRCB will support bill discounts, crisis assistance, and a tax credit for renters who pay for their water indirectly through rent. These bill discounts are modeled on the low-income assistance program for customers of CPUC-regulated energy utilities, and the crisis assistance is modeled on the federal energy crisis program known as Low Income Heating and Assistance Program (LIHEAP), administered by CSD in California. The SWRCB estimates the first-year cost for the recommended program, including administrative costs, at \$606 million. Roughly \$140 million would be for direct bill credits to approximately 1.766 million households.

Proposition 218 and 26. 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 report: "[Proposition 218 and Proposition 26]... 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 [water low-income rate assistance] 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.”

Recent efforts to provide water utility assistance. There has been a number of recent actions by the state and federal governments to provide one-time funding, especially to address impacts from COVID-19 pandemic. Most notably, the Legislature and Governor approved one billion dollars in funding to help address water utility debt relief caused by the COVID-19 pandemic. Rental Assistance enacted by the Legislature in response to COVID-19 crisis provides flexibility to apply assistance towards both rent and utilities. However, it seems reasonable to assume that given the arrears on rent and the desire to prevent evictions, most eligible renters will apply the majority (if not all) of the rental assistance towards the debt owed on their rent. In December 2020, Congress passed and the President signed the COVID relief bill that provides limited one-time relief for water utilities and ratepayers. Specifically, \$638 million was appropriated nationwide for emergency low-income drinking and wastewater assistance with California receiving approximately \$60-70 million given the state’s share of the national population. CSD is administering the program for the state. Additionally, existing safety-net programs provide assistance for utility service. CalFresh participants, funded via the federal Supplemental Nutrition Assistance Program (SNAP) are also eligible for utility assistance allowance that can range from \$130 to over \$400, according to the program’s website. This assistance can be used towards any utility service: water, energy, sewer, etc.

Proposed Law: This bill would:

1. Establish the Water Rate Assistance Program and establish the Water Rate Assistance Fund in the State Treasury, available upon appropriation by the Legislature, to provide water affordability assistance for residential water services to low-income residential ratepayers, as specified.
2. Require the SWRCB to take various actions in administering the fund, including, among other things, tracking and managing revenue in the fund separately from all other revenue.
3. Require the SWRCB in consultation with relevant agencies and after a public hearing, to adopt guidelines for implementation of the program and to adopt an annual report to be posted on the SWRCB’s internet website identifying how the fund has performed, as specified.
4. Require the guidelines to include minimum requirements for eligible systems, including the ability to confirm eligibility for enrollment through a request for self-certification of eligibility under penalty of perjury.
5. Require the CPUC to establish a mechanism for electrical corporations and gas corporations to regularly share data that includes customer names and account addresses with third-party providers regarding enrollment in the California Alternate Rates for Energy (CARE) low-income assistance program.
6. Impose a state-mandated local program by expanding the crime of perjury.

7. Require the SWRCB to take various actions in administering the program, including, but not limited to, providing guidance, oversight, and funding for low-income rate assistance for residential ratepayers of eligible systems.
8. Authorize the Attorney General, at the request of the SWRCB, to bring an action in state court to restrain the use of any method, act, or practice in violation of these provisions, except as provided.
9. Make the implementation of all of these provisions contingent upon an appropriation by the Legislature.

Related Legislation:

SB 350 (Durazo) of 2025, the Water Rate Assistance Program and the Water Rate Assistance Fund in the State Treasury, available upon appropriation by the Legislature, would have provided water affordability assistance, for both drinking water and wastewater services, to low-income residential ratepayers. The bill was held on Suspense in this committee.

SB 1255 (Durazo) of 2024, would have required qualified systems, defined as any retail water supplier that serves over 3,300 residential connections, to begin providing water rate assistance to low-income residential ratepayers by July 1, 2027. The bill was held on Suspense in the Assembly Appropriations Committee.

SB 222 (Dodd) of 2022, would have required the SWRCB to develop and administer a statewide Water Rate Assistance Program to provide rate assistance to low-income residential ratepayers of a community water system or wastewater system. The bill was vetoed.

SB 91 (Committee on Budget, Chapter 2, Statutes of 2021) this trailer bill extended the moratorium on evictions for non-payment of rent due to COVID-19 financial hardship, subject to numerous conditions from January 31, 2021, to June 30, 2021. It also contains an appropriation of federal funds and statutory changes necessary to implement a rental assistance program as part of the 2020 Budget Act.

AB 3088 (Chiu, Chapter 37, Statutes of 2020), a set of temporary measures designed to prevent widespread loss of housing through evictions and foreclosures resulting from the economic impacts of the COVID-19 pandemic. These provisions are set to expire on January 31, 2021.

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 SWRCB, 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.

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 Greenhouse Gas Reduction Fund up to \$130 million. It further requires the SWRCB to adopt a fund implementation plan and requires expenditures of the fund to be consistent with the plan.

Staff Comments: This bill does not identify a specific source of funding for the ambitious goals of this program and explicitly requires an appropriation by the Legislature for the program to be enacted. As noted in the SB 401 report, a low-income rate assistance program would require roughly \$140 million annually for drinking water assistance (in pre-COVID dollars). Additionally, the author may wish to consider removing water efficiency related efforts could be funded from climate and/or drought related funding given that identifying a sustainable funding source for the ongoing low-income water assistance continues to be a hurdle.

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