

THIRD READING

Bill No: SB 1125
Author: Menjivar (D), et al.
Amended: 5/14/26
Vote: 21

SENATE ENVIRONMENTAL QUALITY COMMITTEE: 5-1, 4/8/26
AYES: Blakespear, Allen, Gonzalez, Hurtado, Menjivar
NOES: Valladares
NO VOTE RECORDED: Dahle

SENATE ENERGY, U. & C. COMMITTEE: 14-1, 4/21/26
AYES: Allen, Archuleta, Arreguín, Becker, Caballero, Dahle, Gonzalez, Hurtado,
McNerney, Reyes, Richardson, Rubio, Stern, Wahab
NOES: Strickland
NO VOTE RECORDED: Ochoa Bogh, Grove

SENATE APPROPRIATIONS COMMITTEE: 6-1, 5/14/26
AYES: Cervantes, Cabaldon, Dahle, Grayson, Richardson, Wahab
NOES: Seyarto

SUBJECT: Water Rate Assistance Program

SOURCE: Clean Water Action
Community Water Center
Leadership Counsel for Justice and Accountability

DIGEST: This bill establishes a Water Rate Assistance Program, administered by the State Water Resources Control Board (State Water Board), to provide rate assistance for drinking water services to low-income residents.

ANALYSIS:

Existing federal law authorizes, pursuant to the federal Safe Drinking Water Act (SDWA), the United States Environmental Protection Agency (U.S. EPA) to set standards for drinking water quality and to oversee the states, localities, and water

suppliers who implement those standards. (42 United States Code (USC) § 300(f) et seq.)

Existing state law:

- 1) Establishes the California SDWA and requires the State Water Board to maintain a drinking water program to protect public health. (Health & Safety Code (HSC) § 116270 et seq.)
- 2) Establishes as the 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. (Water Code § 106.3)
- 3) Requires the State Water Board, by January 1, 2018, to develop a plan for the funding and implementation of the Low-Income Water Rate Assistance Program, as prescribed. Requires the State Water Board, by February 1, 2018, to report to the Legislature on its findings regarding the feasibility, financial stability, and desired structure of the program, including recommendations for legislative action that may need to be taken. (Water Code § 189.5)

This bill:

- 1) Establishes the Water Rate Assistance Fund (Fund) in the State Treasury to provide water affordability assistance for residential water services to low-income residential ratepayers.
- 2) Requires the Water Rate Assistance Program (Program) to be entirely funded by the Water Rate Assistance Fund or other available state or federal funding.
- 3) Requires the State Water Board to expend monies from the fund for reasonable costs associated with the administration of Program and Fund not to exceed 10% of the average annual deposits into the fund.
- 4) Requires a minimum of 80% of total expenditures from the fund to be directly applied to residential ratepayer accounts commencing 450 days after the enactment of these provisions.
- 5) Authorizes the State Water Board to undertake specified actions to deposit monies into the Fund for the implementation of these provisions.
- 6) Requires the State Water Board, in administering the Fund, to do all of the following:

- a) Track and manage revenue in the Fund separately for all other revenue;
 - b) Develop and implement a process for the State Water Board to disburse funds to eligible systems;
 - c) Manage and maintain fund balances in conjunction with the Controller, Treasurer, State Auditor's Office, and the Department of Finance;
 - d) Expend monies in the fund, upon appropriation by the Legislature, for grants, contracts, or services to provide benefits to eligible residential ratepayers; and
 - e) Establish a process for contracted third-party providers or other entities to confirm the eligibility of recipients.
- 7) Requires the State Water Board to adopt guidelines for implementation of the Program within 270 days of the effective date and requires the guidelines to include at least all of the following:
- a) Direction to eligible systems to automatically enroll households in the program if the ratepayer's household is enrolled in specified rate assistance or benefit programs;
 - b) Eligibility criteria for enrollment into the program;
 - c) Minimum requirements for eligible systems;
 - d) A process for the State Water Board to provide funding to eligible systems for application to eligible ratepayer accounts;
 - e) Guidance to eligible systems regarding payment of reasonable costs for administration of the program;
 - f) A process for eligible systems to provide a flat bill credit to ratepayers of no less than \$20.00 per month and 20% of total water charges if the bill credit is higher than \$20;
 - g) A provision to audit eligible systems receiving funds;
 - h) Parameters and options for providing funding to eligible systems that bill exclusively or partially on the property tax roll;
 - i) A process for exemption of eligible systems from providing rate assistance upon a specified determination by the State Water Board;
 - j) A process for eligible systems to return funds to the state;
 - k) A process for determining how implementation will be prioritized if full funding for the Program is not immediately available; and
 - l) A requirement that the State Water Board provide an eligible system with no fewer than 180 days' notice before the first day that the system will be required to provide water rate assistance.
- 8) Requires the State Water Board to hold at least three public workshops on the draft guidelines and provide at least 45 days for public comment.

- 9) Requires the State Water Board to publish an annual report that identifies how the fund has performed and contains all of the following:
 - a) A report of expenditures from the fund for the prior fiscal year;
 - b) An estimate of the number of households eligible for assistance;
 - c) An evaluation of available relevant information regarding water affordability issues remaining after bill assistance;
 - d) A description of methods to include public participation and encourage enrollment; and
 - e) An estimate of the anticipated funding needs for the next fiscal year.
- 10) Requires the State Water Board to rely on existing data collected from technical reports submitted by public water systems, pursuant to HSC § 116530, for the development of the annual report.
- 11) Requires the CPUC to establish a mechanism for electrical and gas corporations to share specified customer data with third-party providers regarding enrollment in specified rate assistance programs within 365 days of the enactment of these provisions.
- 12) Authorizes the State Water Board and third-party providers to enter into specified agreements with local publicly owned utilities for the purpose of sharing specified customer data eligible for the rate assistance program.
- 13) Requires the State Water Board to make advance payments to eligible systems for direct water bill assistance and requires eligible systems to provide an estimate of the anticipated administrative costs, the number of households enrolled in the program, and the expected bill credits prior to an advance payment.
- 14) Requires the State Water Board to have discretion regarding the terms and conditions that apply to advance payment but prohibits the State Water Board from requiring an eligible system to provide a bill credit without the sufficient funds provided by the State Water Board for that bill credit.
- 15) Requires an eligible system to provide a full accounting of its expenditures on an annual basis.
- 16) Precludes an eligible system from establishing or maintaining administrative infrastructure, changes to billing systems, or other reasonable actions necessary to comply with the provisions of this bill, unless the eligible system has been provided sufficient funds through advance payments for water bill assistance and administrative costs.

- 17) Requires the State Water Board to do all of the following in administering the program:
 - a) Provide guidance, oversight, and funding for low-income rate assistance for ratepayers of eligible systems;
 - b) Coordinate with the CPUC to align criteria between all water rate assistance programs offered by investor-owned utilities;
 - c) Consult with relevant agencies on options to provide oversight of the eligible system's application of program funds to ratepayer accounts;
 - d) Coordinate with relevant state agencies and resolve disputes as necessary; and
 - e) Consider identifying alternative entities to distribute and track benefits if an eligible system is incapable of applying program funds.
- 18) Provides that the provisions of this bill do not prohibit an eligible system from administering a local water rate assistance program in addition to the assistance provided through the Program.
- 19) Provides that an eligible system that offers assistance through a local water rate assistance program shall still receive funds from the Program and authorizes an eligible system to request that the State Water Board allocate funds from the Program to a local program by entering a memorandum of understanding.
- 20) Requires all nontrivial community water systems to begin providing water rate assistance to ratepayers within 450 days of the enactment of these provisions and allows for delay if the State Water Board does not meet a specified deadline.
- 21) Authorizes the Attorney General, at the request of the State Water Board, to bring an action to restrain the use of any method, act, or practices declared in these provisions to be unlawful.
- 22) Prohibits the State Water Board from requesting an action or the Attorney General from bringing an action against an eligible system for failing to meet specified requirements under specified conditions.

Background

- 1) *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 focus 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 ensuring the Human Right to Water.

- 2) *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* (SB 401 Report), 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 SB 401 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 cannot fund low-income assistance programs. The State Water Board estimates the first-year cost for the recommended program, including administrative costs, at \$606 million.

This bill will be the third proposal to establish a statewide water rate assistance program since the SB 401 Report.

- 3) *This looks familiar...* This bill is largely modeled after SB 350 (Durazo, 2025), which followed SB 222 (Dodd, 2021). There are a few notable differences between SB 350 and SB 1125. SB 350 included rate assistance for residential water and wastewater services, whereas SB 1125 only includes rate assistance for residential water services. In addition to guidelines that describe a process to provide a bill credit of 20% or more, SB 1125 also includes a process for providing a flat bill credit of \$20 or more. The guidelines described in SB 1125 include a process to enroll households that are beneficiaries of other statewide assistance programs outside of CARE, whereas SB 350 directed automatic enrollment based on participation in other statewide assistance programs. SB 1125 also exempts water systems from complying with the proposed provisions if they do not receive funding if a prioritization process is implemented and ensures that water systems receive sufficient funds before administering the program or providing rate assistance. SB 350 was ultimately held on suspense in Senate Appropriations and SB 222 was vetoed by the Governor due to its significant fiscal impact.

Comments

- 1) *Purpose of Bill.* According to the author, “Affordability is top of mind for everyone, and people are struggling to make ends meet and pay for their day to day expenses. Approximately 1.6 million households or 1 in 8 Californians have household water debt. Unlike in the energy space, there is no statewide assistance for families who are falling behind on their water bills. SB 1125 will establish, upon appropriation, the foundation for the first-ever statewide low-income water rate assistance program that will provide direct bill credits on water bills to put money directly back into Californian’s pockets and honor their human right to affordable water.”
- 2) *Potential challenges for implementation.* Establishing a state-wide rate assistance program under the proposed provisions would implicate nearly 3,000 community water systems. While the guidelines developed by the State Water Board for the program will support each water system in its implementation, there are still administrative, oversight, and contracting duties that could prove overly burdensome given the scale of the program. A successful water rate assistance program would need to strike a balance with the administrative burdens between the State Water Board and individual water systems. Additionally, the information required to determine eligibility based on participation in other statewide assistance programs may not be accessible to the State Water Board or participating water systems. There are additional

considerations around data sharing and privacy for this information, especially if third-party contractors are sought out to support implementation.

Further, while this bill focuses mainly on providing direct water bill assistance, cutting down costs to a quarter of the original estimated costs, implementing a state-wide rate assistance program is still extremely expensive. This program is estimated to cost \$141 million annually. As proposed in this bill, the administration of the program would begin upon appropriation, but should still consider the administrative costs of implementing the guidelines and fund in the State Treasury as well as ongoing costs associated with sustaining the program. Without an established funding mechanism, the fate of SB 1125 may reflect that of its predecessors. Nonetheless, the author and sponsors would like the opportunity to continue to craft the program as AB 2739 (Soria, 2026) is being considered as a funding mechanism for the implementation of this program.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee, “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. Ongoing costs of up to \$17 million annually and one-time costs of at least \$1 million (Water Rate Assistance Fund or other fund) for the State Water Board 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).”

SUPPORT: (Verified 5/14/2026)

Clean Water Action (co-source)

Community Water Center (co-source)

Leadership Counsel for Justice and Accountability (co-source)

California Coastkeeper Alliance

California Environmental Justice Alliance

California Municipal Utilities Association

Center for Environmental Health
Central California Environmental Justice Network
City of Burbank
Cleaneart4kids.org
East Bay Municipal Utility District
Environmental Defense Fund
Friends Committee on Legislation of California
Leadership Counsel Action
Los Angeles Alliance for a New Economy
Los Angeles Waterkeeper
Lutheran Office of Public Policy - California
Medical Advocates for Healthy Air
Mono Lake Committee
Physicians for Social Responsibility - Los Angeles
Rancho California Water District
Sierra Club California
The Unidos Network
Union of Concerned Scientists

OPPOSITION: (Verified 5/14/2026)

None received

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