Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1125 (Menjivar) – As Amended June 9, 2026

Policy Committee:	Environmental Safety and Toxic Materials	Vote:	5 - 1
	Utilities and Energy		13 - 1

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill establishes a statewide program to provide water rate assistance (WRAP) to low-income residential ratepayers and requires the State Water Resources Control Board (State Water Board) to implement and administer the WRAP upon appropriation of funding by the Legislature.

Specifically, this bill, among other things:

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; requires moneys in the Fund be available upon appropriation to the State Water Board to provide direct water bill assistance to low-income residential ratepayers served by eligible systems, as defined; requires the State Water Board to expend monies from the Fund for reasonable costs associated with the administration of this bill; prohibits, commencing 450 days after the effective date of the bill, funds for the State Water Board's administrative costs from exceeding 10% of the average annual deposits into the Fund, as specified; and requires a minimum of 80% of total expenditures from the Fund be directly applied to residential ratepayer accounts commencing 730 days after the bill's effective date.

2) Specifies numerous requirements for the State Water Board in administering the Fund, including identifying and contracting with one or more third-party providers for the purpose of providing assistance to eligible systems with customer enrollment and disenrollment, as specified.

3) Requires the State Water Board to adopt guidelines for implementation of the WRAP within 365 days of the bill's effective date and specifies numerous requirements for these guidelines, including enrollment processes and procedures, minimum requirements for eligible systems, a process for the State Water Board to provide funding for eligible systems for application to ratepayer accounts, guidance to eligible systems regarding payment of reasonable costs for administration of the program, a process for eligible systems to provide a flat bill credit to low-income residential ratepayers of no less than $20 per month and 20% of total water charges if the bill credit is higher than $20, a provision to audit eligible systems receiving funds, a process for exemption of eligible systems from providing rate assistance, a process for determining how funding and implementation will be prioritized if full funding for the WRAP is not immediately available, and notice and public workshop requirements.

4) Requires the State Water Board to publish an annual report that identifies how the Fund has performed and that contains additional specified information.

5) Requires the California Public Utilities Commission (CPUC) to establish a mechanism for electrical and gas corporations to share specified customer data with third-party providers regarding enrollment in certain rate assistance programs within 450 days of the enactment of the bill.

6) Requires the State Water Board to make advance payments to eligible systems for direct water bill assistance, as specified; outlines numerous other requirements for the State Water Board in administering the WRAP; and includes provisions related to eligible systems that offer assistance through a local WRAP.

7) Requires all nontribal community water systems to begin providing water rate assistance to ratepayers within 730 days of the effective date of the bill and allows for delay if the State Water Board does not meet a specified deadline.

8) Authorizes the Attorney General (AG), at the request of the State Water Board, to bring an action in state court to restrain the use of any method, act, or practice declared in this bill to be unlawful and prohibits the State Water Board from requesting an action or the AG from bringing an action against an eligible system for failing to meet specified requirements under certain conditions.

9) Makes implementation of the bill contingent upon appropriation.

FISCAL EFFECT:

1) Very significant ongoing cost pressures, potentially in the hundreds of millions of dollars annually (Fund) to provide funding for water rate assistance. The State Water Board may use up to 10% of the average annual deposits into the Fund to administer the WRAP. This bill does not identify a source of funding and requires an appropriation by the Legislature for the program to be enacted. In 2020, the State Water Board estimated that a low-income WRAP would cost the state roughly $140 million annually (in 2020 dollars). And according to the State Water Board, based on more recent estimates, providing ratepayer assistance at a level of $20 per month for one-quarter of California’s 13 million households would require approximately $780 million in annual funding, assuming costs remain stable.

   The author and sponsors note this bill is a companion measure to AB 2739 (Soria) of the current legislative session. AB 2739 establishes the Water Affordability and System Stabilization Trust as a charitable trust to generate ongoing funding for, among other things, the Fund proposed in this bill. While AB 2739 creates a trust, it does not allocate or identify resources to fund the trust principal.

2) Ongoing costs of up to $17 million annually and one-time costs of at least $1 million (Fund) for the State Water Board to develop, implement, administer, and oversee the WRAP. Specific tasks include, among other things, tracking eligibility; disbursing funds; developing guidelines, policies, and procedures (including for prioritization); reporting; administrative and programmatic support; processing water system data; enforcing and auditing eligible systems’ attestations; one-time data system improvements; managing contracts with various parties; coordinating public outreach and workshops, ongoing information technology

support; and developing fraud control and prevention measures. Absent sufficient initial and ongoing funding, costs not covered by the Fund would likely require an appropriation from the General Fund.

3) The Department of Justice anticipates ongoing General Fund costs of an unknown but potentially significant amount for enforcement-related workload.

4) To the extent the AG, at the request of the State Water Board, brings an action to restrain a practice declared in this bill to be unlawful – including nonparticipation by a public water system – the bill may result in cost pressures of an unknown amount to the state-funded trial courts due to additional workload (Trial Court Trust Fund, General Fund). Actual costs will depend on the number of cases filed and the amount of court time needed to resolve each case. It generally costs approximately $1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on the Trial Court Trust Fund may create a demand for increased funding for courts from the General Fund. The state budget provides annual General Fund backfills to the Trial Court Trust Fund to offset revenue reductions, totaling approximately $117.3 million in 2025-26.

5) The CPUC anticipates minor and absorbable costs.

COMMENTS:

1) **Purpose.** According to the author:

> 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) **Background.** 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. Most of California's residential water customers are served by cities, special districts, and mutual water companies. Water utilities and systems are governed by city councils, or other local governing bodies, which set their own water rates; however, most of these agencies are subject to Proposition 218 (enacted in 1996) that sets state constitutional and statutory requirements that ensure water rates are directly tied to the cost of service. Supporters of this bill note that in 2024, courts overturned a low-income rate assistance program enacted by the Los Angeles Department of Water and Power. As a result, water agencies generally are not able to increase rates to fund low-income rate relief programs for customers and oftentimes also face challenges relying on rate revenue to fund water conveyance, storage, and treatment infrastructure.

   A 2020 State Water Board report to the Legislature required by SB 401 (Dodd), Chapter 662, Statutes of 2015, found that, adjusting for inflation, the average California household paid around 45% more per month for drinking water service in 2015 than in 2007. The 2020 report also recommends the creation of a statewide WRAP as most water systems are unable to fund low-income assistance programs. The water affordability outlook does not appear to have improved much since 2020. According to the State Water Board's 2025 Needs Assessment, there was a steady increase in drinking water rates across the state from 2020 to 2023, and the affordability challenge is even more acute in poorer communities.

Writing in support, a broad coalition of environmental and environmental justice organizations, water agencies, local governments, and other organizations argue that the human right to water, enacted in California in 2012, calls for water to be safe, clean, affordable, and accessible. Yet water rates continue to increase and regularly outpace inflation. Only about one-half of the state's households are served by a public water system that offers low-income rate assistance and the programs that do exist often face limited funding and low enrollment. The coalition writes, "We believe that SB 1125 is a vital step toward lowering utility costs, promoting water equity and ensuring that all Californians, regardless of income, have access to affordable water services."

There is no opposition registered against this bill. For a summary of prior legislation and attempts to establish a statewide WRAP, see the Assembly Environmental Safety and Toxic Materials Committee's analysis of this bill. The bill sponsors argue:

> While prior iterations of SB 1125 have failed, SB 1125 is unique for two reasons: it has broad support in the water community, and public water systems have proposed a funding source [AB 2739]. This provides a path to implementation. Even if funding isn't approved, having the program framework in statute means that the Legislature is committed to utility affordability and will work with us to fully fund the program.

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