

VETO

Bill No: SB 1125
Author: Menjivar (D), et al.
Enrolled: 8/28/26
Vote: 27

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

SENATE FLOOR: 30-9, 5/27/26

AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon,
Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird,
Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson,
Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener

NOES: Alvarado-Gil, Choi, Grove, Jones, Niello, Ochoa Bogh, Seyarto,
Strickland, Valladares

NO VOTE RECORDED: Dahle

SENATE FLOOR: 31-9, 8/26/26

AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon,
Caballero, Cervantes, Cortese, Dahle, Durazo, Gonzalez, Grayson, Hurtado,
Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes,
Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson,
Wiener

NOES: Alvarado-Gil, Choi, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares

ASSEMBLY FLOOR: 62-10, 8/25/26 - See last page for vote

SUBJECT: Water Rate Assistance Program

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

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

Assembly Amendments establish a minimum implementation amount for the program and modify the effective date based on the appropriation of that amount; expand implementation timelines; authorize the development of necessary data systems for customer enrollment; establish a selection process based on the sufficiency of funding; require the State Water Board to contract with third-party providers for the purpose of providing assistance with customer enrollment; add enrollment authorizations for additional assistance programs; require metric development; and make changes to the reporting requirements.

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 (WC) § 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. (WC § 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 and requires the moneys in the Fund be available upon appropriation by the Legislature to the State Water Board to provide, in consultation with relevant agencies, direct water bill assistance to low-income residential ratepayers served by eligible systems.
- 2) Requires the State Water Board to, upon appropriation by the Legislature of a minimum implementation amount, as defined, expend moneys from the Fund for reasonable costs associated with the administration of the Program, as specified.
- 3) Requires the State Water Board to provide public notice within 30 days after a determination that a minimum implementation amount has been appropriated by the Legislature and makes the date of public notice the effective date. Requires the State Water Board to begin distributing ratepayer assistance within three years of the effective date.
- 4) Establishes an implementation process that takes effect if the State Water Board determines that the Fund contains a minimum implementation amount, but does not contain enough moneys for statewide implementation of the Program.
- 5) Requires the State Water Board to do all of the following in administering the Fund, among other requirements:
 - a) Track and manage revenue in the fund separately from all other revenue and maintain fund balances in conjunction with the Controller, Treasurer, State Auditor's office and the Department of Finance, as appropriate;

- b) Develop and implement a process for the State Water Board to disburse program funds to eligible systems for direct application to the system's low-income residential ratepayer accounts, including controls to prevent fraud, waste, and abuse;
 - c) Expend, upon appropriation by the Legislature of a minimum implementation amount, moneys in the Fund for grants, contracts, or services to provide benefits to eligible residential ratepayers; and
 - d) Identify and contract with third-party providers for the purpose of providing assistance to eligible systems with customer enrollment and establish a process for third-party providers to regularly confirm the eligibility of recipients.
- 6) Requires the State Water Board to, in consultation with relevant agencies, after a public hearing, and within two years of the effective date, as defined, adopt guidelines, as specified, for implementation of the Program.
 - 7) Requires the State Water Board to adopt, and submit to the Legislature, a report four years from the effective date, and a subsequent report every three years thereafter, that reports the expenditures from the fund, number of eligible households, evaluation of remaining affordability issues, methods for public participation and efforts to encourage enrollment; estimates of anticipated funding needs; recommendations regarding future implementation of the program; and evaluation of the performance and success of the program.
 - 8) Requires the California Public Utilities Commission (CPUC) to establish a mechanism for electrical and gas corporations to share data with third-party providers for enrollment purposes and authorizes the State Water Board and third-party providers to enter into agreements with utilities for the purpose of data sharing for enrollment.
 - 9) Requires the State Water Board, to the extent permissible, to make advance payments to eligible systems and require eligible systems to provide the State Water Board an estimate of administrative costs, households enrolled, and expected bill credits.
 - 10) Requires the State Water Board to provide guidance, oversight, and funding; coordinate with the CPUC, coordinate and consult with relevant agencies on options to provide oversight to ensure effectiveness and prevent fraud, waste, and abuse; and consider identifying alternative entities to distribute and track benefits if an eligible system is incapable of applying program funds.

- 11) Provides that this bill does not prohibit an eligible system from administering a local water rate assistance program that is in addition to, or on top of, or different from, the assistance provided through the Program.
- 12) Requires all nontribal community water systems to, within two years of public notice, begin providing water rate assistance to residential ratepayers in compliance with the minimum requirements specified in this bill.
- 13) Authorizes a tribal water system to offer water rate assistance.
- 14) Requires eligible systems to continue to provide water rate assistance to low-income residential ratepayers as long as there is sufficient state or federal funding.
- 15) Authorizes the Attorney General, at the request of the State Water Board, to bring an action in state court to restrain, by temporary or permanent injunction, the use of any method, act, or practice declared by this bill to be unlawful, including nonparticipation by a public water system with the program.
- 16) Provides that implementation of the provisions of this bill is contingent upon an appropriation by the Legislature for its purposes.
- 17) Makes related findings and declarations.

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.

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.”

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

According to the Assembly Appropriations Committee:

- 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.

SUPPORT: (Verified 10/2/26)

Clean Water Action (co-source)
Community Water Center (co-source)
Leadership Counsel for Justice and Accountability (co-source)
Association of California Water Agencies
California Coastkeeper Alliance
California Environmental Justice Alliance
California Municipal Utilities Association
California State Association of Counties
Center for Environmental Health
Central California Environmental Justice Network
City of Burbank
City of Thousand Oaks
Cleaneearth4kids.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 10/2/26)

None received

GOVERNOR'S VETO MESSAGE:

I am returning Senate Bill 1125 without my signature.

This bill establishes the Water Rate Assistance Program, administered by the State Water Resources Control Board (Water Board), and creates the Water Rate Assistance Fund to provide direct water bill assistance to low-income residential ratepayers.

Ensuring access to safe and affordable drinking water in California has been a top priority of my Administration over the last eight years. We have made tremendous progress in bringing clean, affordable drinking water to California's most disadvantaged communities – over one million people who lacked this most basic need now have it thanks to this work. That said, much more work remains, and I deeply appreciate the intent behind this proposal. But by creating a permanent program without identifying a sustainable, ongoing funding source, this bill – as well as AB 2739 – misses the mark. I encourage the Legislature to revisit this issue next year as part of the annual budget process, in order to balance the funding needed to support a proposal of this nature with other fiscal considerations.

For these reasons, I cannot sign this bill.

ASSEMBLY FLOOR: 62-10, 8/25/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NOES: DeMaio, Dixon, Ellis, Hadwick, Johnson, Lackey, Macedo, Patterson, Sanchez, Tangipa

NO VOTE RECORDED: Castillo, Chen, Flora, Hoover, McKinnor, Ta, Wallis

Prepared by: Taylor McKie / E.Q. / (916) 651-4108
10/2/26 11:31:34

****** END ******