

Date of Hearing: June 16, 2026

ASSEMBLY COMMITTEE ON ENVIRONMENTAL SAFETY AND TOXIC MATERIALS

Damon Connolly, Chair

SB 1125 (Menjivar) – As Amended June 9, 2026

SENATE VOTE: 30-9

SUBJECT: Water Rate Assistance Program

SUMMARY: Establishes a statewide program (Program) to provide water rate assistance to low-income residential ratepayers; and, requires the State Water Resources Control Board (State Water Board) to implement and administer the Program upon the appropriation of funding by the Legislature. Specifically, **this bill:**

General provisions:

- 1) Makes legislative findings about the human right to safe, clean, affordable, and accessible water and declares that it is the intent of the Legislature that funding for a water affordability program be progressive, not create affordability challenges for ratepayers, and be durable.
- 2) Defines "effective date" as the effective date of the appropriation by the Legislature to fund the Program.
- 3) Defines "eligible system" as a community water system, or a participating tribal water system.
- 4) Defines "low-income" as an annual household income that is no greater than 200% of the federal poverty guideline level and consistent with the guidelines established for the California Alternative Rates for Energy (CARE) program.

Water Rate Assistance Fund:

- 1) Creates 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 that 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. Requires the State Water Board to, upon appropriation by the Legislature, expend moneys from the Fund for reasonable costs associated with the administration of the Program.
- 2) Prohibits, commencing 450 days after the effective date, funds for the reasonable costs associated with the administration of the Program, including relevant agencies' administrative costs, from exceeding 10% of the average annual deposits into the Fund.
- 3) Requires the State Water Board to pay eligible systems for reasonable costs associated with the administration of the Program, which shall not count toward the 10% limitation.
- 4) Requires, commencing 730 days after the effective date, a minimum of 80% of total expenditures from the Fund to be directly applied to residential ratepayer accounts.

- 5) Authorizes the State Water Board to undertake the following actions, among others, to administer the Fund:
 - a) Provide for the deposit of any of the following moneys into the Fund: federal or state funding; voluntary contributions, including, but not limited to, gifts, grants, or bequests; and, any previously distributed funds returned to the Fund pursuant to the defined process; and,
 - b) Enter into funding agreements with the federal government, local or state agencies, private entities, or nonprofit organizations.
- 6) Requires the State Water Board to do all of the following in administering the Fund, among other requirements:
 - a) 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; and,
 - b) Expend, upon appropriation by the Legislature, moneys in the Fund for grants, contracts, or services to provide benefits to eligible residential ratepayers.
- 7) Provides that services may include technical assistance to eligible systems serving fewer than 3,300 connections to administer the application of funds to low-income residential ratepayer accounts, including initial startup costs.

Third-party providers and eligibility process:

- 1) Requires the State Water Board to identify and contract with one or more third-party providers for the purpose of providing assistance to eligible systems with customer enrollment and disenrollment, to the extent authorized by government contracting law.
- 2) Provides that the scope of work for a third-party provider shall include, but not be limited to, the receipt of CARE enrollment data, as provided; the receipt of information from eligible systems; the creation of eligible customer lists to be provided to eligible systems; call center services; internet-based enrollments; document intake and processing; and, provision of notices to eligible customers of enrollment into the program and an opportunity for them to opt out of the program.
- 3) Requires the State Water Board to establish a process for contracted third-party providers or other entities responsible for enrollment to regularly confirm the eligibility of recipients, based upon income eligibility pursuant to this bill.

Program guidelines:

- 1) Requires the State Water Board to, in consultation with relevant agencies, after a public hearing, and within 365 days of the effective date, adopt guidelines for implementation of the Program.
- 2) Requires that the Program guidelines include, at minimum, all of the following requirements, among others:

- a) Direction to eligible systems to automatically enroll households in the Program if the residential ratepayer's household is a utility customer enrolled in the CARE program.
- b) A process to enroll, as specified, other households if available information shows that any member of the residential ratepayer's household is a current enrollee in, or recipient of, CalWORKs, CalFresh, general assistance, Medi-Cal, Supplemental Security Income or the State Supplementary Payment Program, or the California Special Supplemental Nutrition Program for Women, Infants, and Children.
- c) Minimum requirements for eligible systems, including all of the following, among others:
 - i) Participation in the statewide Program;
 - ii) A process for enrollment into the Program for households that meet the eligibility criteria established pursuant to this bill;
 - iii) The ability to confirm eligibility for enrollment through a request for self-certification of eligibility under penalty of perjury;
 - iv) A process for eligible systems, at their sole discretion, to elect whether and the extent to which they will rely on third-party providers for the eligibility and enrollment services within the scope of work set forth in this bill, or instead elect to perform one or more of these services itself; and,
 - v) A process for eligible systems to share information with third-party providers, to the extent necessary for third-party providers to provide the services elected by the eligible system.
- d) A process for the State Water Board to provide, as specified, funding to eligible systems for application to eligible low-income residential ratepayer accounts.
- e) Guidance to eligible systems regarding payment of reasonable costs for administration of the program, which include, but are not limited to, staff costs to implement the program; changes to billing systems needed to provide bill credits; and, communication materials to customers about the program.
- f) A process for eligible systems to provide a flat bill credit to low-income residential ratepayers of no less than \$20 per month. Requires the State Water Board to update the flat bill credit annually to reflect changes in the Consumer Price Index.
- g) A process for eligible systems to opt to instead provide a bill credit to low-income residential ratepayers of 20% of the total water charges for a volume of water similar to that identified in sustainable water use and demand reduction law, as specified, if this bill credit would be higher than the flat bill credit developed by State Water Board pursuant to the provision above.
- h) A provision to audit eligible systems receiving funds under this bill regarding the receipt and distribution of those funds.
- i) A process for determining how funding and implementation will be prioritized among eligible systems, in the event that full funding is not immediately available.

- 3) Provides that if an eligible system does not receive funding as part of the prioritization process, the eligible system shall not be required to comply with the provisions of this bill. Requires the State Water Board to provide notice to eligible systems if they are not required to comply with this bill.
- 4) Requires the State Water Board to hold at least three public workshops throughout the state on the draft guidelines, and to provide at least 45 days for public comment on the draft.

Annual report:

- 1) Requires the State Water Board to, in consultation with relevant agencies and after a public hearing, adopt an annual report to be posted on the State Water Board's internet website identifying how the fund has performed, as specified.

Eligibility data transfer:

- 1) Requires, within 450 days of the effective date, the California Public Utilities Commission (CPUC) to establish a mechanism for electrical corporations and gas corporations to regularly share data that includes customer names and account addresses with the third-party providers regarding the utility customers enrolled in, or eligible to be enrolled in, the CARE program. Requires electrical corporations and gas corporations to regularly share that data with third-party providers through the mechanism.
- 2) Authorizes the State Water Board and third-party providers to enter into agreements, as specified, with local publicly owned electric utilities and local publicly owned gas utilities, including, but not limited to, municipal utility districts and irrigation districts, for the purpose of regularly sharing specified data with the third-party provider regarding utility customers enrolled in, or eligible to be enrolled in, affordability programs benefiting low-income residential ratepayers.

Administrative details:

- 1) Provides that administrative regulations and rulemaking law do not apply to guidelines developed by the State Water Board pursuant to this bill.
- 2) Requires the State Water Board to, to the extent permissible and as specified, make advance payments to eligible systems for direct residential water bill assistance, for related administrative costs, and to implement the purposes of this bill.
- 3) Requires an eligible system to provide a full accounting of its expenditures on an annual basis and as requested by the State Water Board.
- 4) Provides that an eligible system shall not be required to establish or maintain the administrative infrastructure, including staff, changes to billing systems, or other reasonable actions necessary to comply with this bill, unless the Fund has sufficient funds therein to comply, and a distribution for reasonable administrative costs has been provided to the eligible system.

Administrative requirements:

- 1) Requires the State Water Board to do all of the following, among other requirements, in administering the program:
 - a) Provide guidance, oversight, and funding for low-income rate assistance for residential ratepayers of eligible systems;
 - b) Coordinate with the CPUC, to the extent reasonable and as specified, to align criteria between all existing water rate assistance programs offered by investor-owned utilities, and to ensure timely processing of payments to investor-owned utilities;
 - c) For an eligible system that is not regulated by the CPUC, consult with relevant agencies on options to provide oversight of the eligible system's application of Program funds to the system's low-income residential ratepayer accounts pursuant to this bill to ensure effectiveness and prevent fraud, waste, and abuse; and,
 - d) Consider identifying alternative entities to distribute and track benefits if the State Water Board determines that an eligible system is incapable of applying program funds to residential ratepayers of the system pursuant to this bill.

Local water rate assistance programs:

- 1) 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. Provides that local water rate assistance programs are administered independently and separately from the Program without oversight from the State Water Board.
- 2) Requires that an eligible system that offers assistance through a local water rate assistance program that is in addition to the assistance provided through the Program to qualifying ratepayers still receives funds from the Program for the eligible portion of the assistance.

Community water system implementation:

- 1) Requires all nontribal community water systems to, within 730 days of the effective date, or by any other date set by the State Water Board based on a process for prioritization among eligible systems, begin providing water rate assistance to residential ratepayers in compliance with the minimum requirements specified in this bill.
- 2) Authorizes a tribal water system to offer water rate assistance.
- 3) 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 available to provide water rate assistance and fund eligible systems for reasonable costs for administration of the Program.

Enforcement:

- 1) 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.

- 2) Prohibits the State Water Board from requesting an action, and the Attorney General from bringing an action, against an eligible system for failing to meet the requirements of this bill, as long as the eligible system makes a good faith effort to implement the provisions of this bill or the eligible system has been notified that they do not need to comply with the requirements of this bill because the Program hasn't been fully funded.

Implementation upon appropriation:

- 1) Provides that implementation of the provisions of this bill is contingent upon an appropriation by the Legislature for its purposes.

EXISTING LAW:

- 1) Declares as established 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)
- 2) Requires the State Water Board, by January 1, 2018, to develop a plan for the funding and implementation of a Low-Income Water Rate Assistance Program, as specified. (WC § 189.5(b))
- 3) 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 a Low-Income Water Rate Assistance Program, including recommendations for needed legislative action. (WC § 189.5 (e))
- 4) Establishes the California Safe Drinking Water Act to provide for the operation of public water systems and imposes on the State Water Board various responsibilities and duties relating to the regulation of drinking water to protect public health. (Health & Safety Code (HSC) §§ 116270 – 116755)
- 5) Requires the CPUC to continue, as specified, the CARE program of assistance to low-income electricity and gas customers with annual household incomes less than 200% of the federal poverty guideline levels. (Public Utilities Code (PUC) § 739.1)
- 6) Declares that access to an adequate supply of healthful water is a basic necessity of human life, and that it shall be made available to all residents of California at an affordable cost. (PUC § 739.8 (a))
- 7) Requires the CPUC to consider, and authorizes it to implement, programs to provide rate relief for low-income ratepayers. (PUC § 739.8 (b))

FISCAL EFFECT: Unknown.

COMMENTS:

Need for the 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."

Human right to water: By enacting AB 685 (Eng, Chapter 524, Statutes of 2012), California became the first state with a Human Right to Water law. AB 685 establishes state policy that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitation. It also requires all relevant state agencies to consider this state policy when revising, adopting, or establishing policies, regulations, and grant criteria. However, according to the State Water Board, "Water is becoming more expensive. California's growing economy and population create continued demand for water. Meanwhile, drought and water leaks tighten available supplies. In addition, pipes and aging infrastructure result in expensive repairs or replacements. These conditions contribute to higher costs. The result is that more low-income households have unaffordable drinking water." These factors, along with many others, such as costs of treatment systems; climate change; and, the number and nature of small public water systems, continue to challenge the State's progress in implementing the Human Right to Water, especially in disadvantaged communities.

Increasing water affordability challenge: Drinking water is a basic human need; however, according to the State Water Board's February 2020 Report, "Recommendations for Implementation of a Statewide Low-Income Water Rate Assistance Program" (2020 report), California households find it increasingly difficult to fulfill this need because the retail cost of water has risen substantially over the last decade and is expected to continue to escalate. The 2020 Report notes that, adjusting for inflation, the average California household paid around 45% more per month for drinking water service in 2015 than in 2007.

Additional data presented in the State Water Board's December 2025, "California Safe Drinking Water Plan 2025" (2025 Safe Drinking Water Plan) states that, "Between 2019 and 2022 the average cost of drinking water increased by over 60 percent across water systems of all sizes. In 2022, the average statewide monthly customer charge for 6 hundred cubic feet (HCF) is \$69. Based on this average volume of usage, small drinking water systems charge on average \$74 a month compared to large water systems averaging \$42 per month. Many economically disadvantaged communities are served by small water systems. As a result, water affordability has become a significant issue among residents in these communities. According to the 2024 SAFER Affordability Assessment, approximately 3% (94) of community water systems face high drinking water affordability burden, 10% (311) may be experiencing medium affordability burden, and 50% (1,588) are likely facing low affordability burden..."

The 2020 Report explains that 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 that could harm their health and welfare. The 2020 Report says that when families are unable to pay their bills, these trade-offs include skipping meals and going hungry, delaying or avoiding medical treatment, risking eviction, or facing potential disconnection for electric, gas, or water services. Unfortunately, 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, among other reasons. Given the staggering rise of costs across sectors since the referenced report was produced, coupled with data from the 2025 Safe Drinking Water Plan, it can be assumed that water affordability has and will continue to worsen.

Low-Income Water Rate Assistance Program report: To better understand and address drinking water affordability, 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. AB 401 also required the State Water Board to submit a report to the Legislature by February 1, 2018, with its findings regarding the feasibility, financial stability, and desired structure of the program, including any recommendations for legislative action that may need to be taken. In response, the State Water Board published the 2020 Report, mentioned previously, but no statewide low-income water rate assistance program has been adopted to date.

The State Water Board, in the 2020 Report, further argues in support of the need for a statewide low-income water rate assistance program as follows:

"...Providing all low-income households with financial assistance to help pay their water bills is a small, but important, way the state can support the provision of basic necessities for all Californians. There are at least four additional rationales for supporting the development of a Water Rate Assistance Program in California:

- 1) The devastating health and livelihood impacts people experience when water is unaffordable,
- 2) The rapidly rising retail cost of drinking water,
- 3) The general absence of robust low-income rate assistance or affordability programs for water, despite the availability of comparable programs for other utility needs, and
- 4) The inability of many individual water systems to self-fund a rate assistance program."

The State Water Board, in the 2020 Report, recommends components of a successful program to help low-income households afford drinking water, including identifying potential program recipients, mechanisms for delivering assistance to low-income households, and possible funding sources to implement a low-income rate assistance program. The recommendations outlined in the report reflect discussions with public interest groups and stakeholders. For qualifying customers, the program recommended by the State Water Board will support bill discounts, crisis assistance, and a tax credit for renters who pay for their water indirectly through rent.

2025 Safe Drinking Water Plan recommendation: The 2025 Safe Drinking Water Plan summarizes the concerns about, and recommendation to remedy, issues surrounding the cost of water in California as, "Over the past decades, the cost of drinking water, adjusted for inflation, has been on the rise and this trend is expected to continue. To address the issue of affordability, there is a need for a statewide rate assistance program, increased funding availability, and an increase in water partnerships to address these [technical, managerial, and financial capacity] challenges in the short and long term."

Statewide versus local programs: The 2020 Report details why a statewide program, rather than solely individual or local programs, is necessary. According to the 2020 Report:

"Only about half of California's population is served by a community water system (CWS) offering some form of rate assistance program, and most of these existing programs have low levels of enrollment and limited financial resources. As a result, less than 20% of the state's low income population served by CWSs currently receives benefits from a low-income rate assistance program.

There are financial obstacles to providing a rate assistance program to water users at the system level. Many of the approximately 2,900 individual CWS cannot operate standalone rate assistance programs because they lack an adequate rate base to support benefit expenditures... Using 200% of the federal poverty level (FPL) as the baseline eligibility criteria for [low income water rate assistance] programs would mean that—for many large systems—more than 50% of their customers would be eligible for assistance. The problem is even more extreme for many smaller systems. To operate individual low-income rate assistance programs, these systems would likely have to impose outsized burdens on higher-income households. Even then, publicly-owned systems would be legally prevented from imposing water rates on non-eligible customers that exceed the cost of serving those customers.

Due to the impracticality of a comprehensive low-income rate assistance program at the system level, the [State Water] Board envisions a statewide program with benefits distributed through water bills, crisis assistance for water ratepayers, and a renter's water credit for residents who pay for their water indirectly through rent.

The [State Water] Board recommends the use of progressive revenue sources (i.e., taxes) for most of the program cost to avoid burdening the very state residents the program seeks to serve. For example, taxes on personal and business income would provide progressive revenues. To balance potential volatility of these sources, the [State Water] Board also recommends taxes on bottled water, which should generate more stable revenue and have a direct nexus to water use."

CPUC-regulated water utilities low-income assistance programs: Some low-income water rate assistance programs are already operating throughout the state. According to the California Water Association, which represents regulated water utilities, in December 2005, the CPUC adopted a Water Action Plan setting forth its policy objectives to assist low-income ratepayers struggling with payments for basic monthly water service. Currently, there are nine Class A water utilities under the CPUC's jurisdiction, each of which has an individualized low-income rate assistance program. These programs were established on a case-by-case basis, without standardization, as part of the utility's General Rate Case. Each program differs in its availability of monthly discounts and recovery of costs. Customers are made aware of the low-income programs through various means, including bill inserts, public participation hearings, and company websites. The majority of low-income customers have been automatically enrolled into these existing low-income rate assistance programs through the CPUC-authorized quarterly customer data exchange between water and energy utilities. Customers who receive automatic enrollment are sent notices by the utilities of their enrollment with an option to opt out of the low-income program. Permanent low-income rate assistance allows investments in infrastructure to occur, alleviating pressure on rates.

Public water agencies are restricted in assisting low-income customers with water bills: The Public Policy Institute of California (PPIC) explains in its 2021 *Water Affordability in California*

fact sheet that while private water utilities have been able to subsidize the bills of low-income customers, in contrast, public agencies have been constrained since the 1996 passage of Proposition 218—a constitutional amendment that requires a tight connection between water rates and cost of service. To launch or expand assistance programs, these agencies need to use non-rate revenue (e.g., property taxes) or seek approval of new taxes by two-thirds of local voters. PPIC points out that as an alternative, the State Water Board recommended a statewide low-income water rate assistance program to benefit about 4.7 million households at a cost of about \$600 million annually in its 2020 Report. The State Water Board also recommended a statewide low-income water rate assistance program in its 2025 Safe Drinking Water Plan.

This bill: This bill establishes a statewide program (Program) to provide water rate assistance to low-income residential ratepayers, and requires the State Water Board to implement and administer the Program upon the appropriation of funding by the Legislature. To fund the Program, SB 1125 creates the Water Rate Assistance Fund in the State Treasury and requires that 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.

To implement the Program, SB 1125 requires the State Water Board to, in consultation with relevant agencies, after a public hearing, and within 365 days of the effective date (after appropriation), adopt detailed guidelines, including, among many other specifications, ratepayer eligibility criteria; minimum requirements for eligible systems; a process for the State Water Board to provide funding to eligible systems for application to eligible low-income residential ratepayer accounts; a process for eligible systems to provide a flat bill credit to low-income residential ratepayers of no less than \$20 per month or to instead provide a bill credit to low-income residential ratepayers of 20% of the total water charges, as specified; and, a process for determining how funding and implementation will be prioritized among eligible systems if full funding is not immediately available.

SB 1125 also requires the State Water Board to identify and contract with one or more third-party providers for the purpose of providing assistance to eligible systems with customer enrollment and disenrollment; to, in consultation with relevant agencies and after a public hearing, adopt an annual report to be posted on the State Water Board's internet website identifying how the fund has performed; and, provide guidance, oversight, and funding for low-income rate assistance for residential ratepayers of eligible systems. This bill explicitly 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 and requires that an eligible system that offers a local water rate assistance program that is in addition to the assistance provided through the Program still receives funds from the Program for the eligible portion of the assistance.

How does the Program align with the 2020 Report recommendations? Clean Water Action, one of the sponsors of SB 1125, notes that the 2020 Report recommended three avenues to address affordability: direct credits on customers' bills, crisis assistance for past due bills, and assistance to users who do not receive a direct water bill. SB 1125 focuses on the first option, direct credits on customers' bills (i.e. discounts), because, Clean Water Action argues, this is the area of both the greatest need and the greatest potential benefit. They note that while the cost of implementing a direct credit program is considerable, if we can reduce water bills upfront and make bills more affordable for customers, we can reduce debt, which benefits both customers

and water systems. The Leadership Counsel for Justice and Accountability, another co-sponsor of the bill, argues that assistance to ratepayers also helps to maintain access to water and reduce disconnections. As to the other two recommendations, while Clean Water Action also supports both approaches, they note that the state provided nearly \$1 billion in arrearage assistance in 2021-2023 (crisis assistance), and it made only a temporary impact on water bill debt; and, as far as assistance to non-ratepayers, they argue that it makes more sense to start with assistance to ratepayers; assistance for non-ratepayers is more difficult to quantify; and, such a program would significantly increase the cost of the bill.

Clean Water Action asserts that additional provisions of SB 1125 respond to the 2020 Report recommendations, including: using the recommended income cutoff for eligibility (200% of the federal poverty level, which, in 2020, included 34% of Californians—roughly 13 million people); delivery of the benefit via the water bill rather than through other mechanisms (e.g., CalFresh), enrollment using CARE customer lists and self-certification, and inclusion of data privacy protections regarding CARE data sharing.

The CARE financial assistance program helps qualifying customers lower their monthly energy (electric and natural gas) bills. Eligibility for CARE is determined by household income versus household size; eligibility for other public assistance programs, such as Medicaid / Medi-Cal, the Women, Infants, and Children Program (WIC), or the Supplemental Nutrition Assistance Program (SNAP, i.e. food stamps); and, other factors determining that a household is low-income and in need of assistance.

SB 222 veto: SB 222 (Dodd, 2021), similar to SB 1125, would have required the State Water Board to develop and administer a statewide program to provide rate assistance to low-income residential ratepayers of a community water system or wastewater system. SB 222 did not have an identified funding source. Governor Gavin Newsom vetoed SB 222 on September 28, 2022, and submitted the following veto message:

"This bill establishes a Water Rate Assistance Program and Water Rate Assistance Fund to provide water affordability assistance for drinking and wastewater services to low-income ratepayers. The State Water Resources Control Board would be required to administer the program, and community water systems and wastewater systems would be subsequently required to provide rate assistance to residential ratepayers. This is a permanent program that would not be implemented or initiated until funding is provided. At this time, there is no sustainable, ongoing funding identified.

Lowering costs and making sure that Californians have access to safe and affordable drinking water is a top priority of this administration. The last two budgets have provided billions in rebates, debt relief, assistance grants, and free support services. For water costs alone, the 2021-22 Budget provided \$1 billion to the State Water Board for the California Water and Wastewater Arrearage Payment Program, which cleared unpaid water and wastewater debts resulting from the pandemic. This year, our 2022-23 budget added an additional \$200 million to the Low-Income Household Water Assistance Program at the Department of Community Services and Development. These are programs that were both approved and funded by the Legislature.

I commend the author and stakeholders for their work during this Legislative session to craft a vision for such a program. However, this bill does not have any funding identified, and

because it is an ongoing program that would require all community water systems and wastewater systems to participate, signing this policy would result in significant General Fund pressures in the billions of dollars to continuously provide such assistance."

Funding for this bill and AB 2739 (Soria): While support for water affordability appears to be universal across stakeholders, SB 1125 has no identified funding source to support the Program established by the bill. That said, the bill sponsors and water agencies have been working for years to identify an appropriate funding source to support a low-income water rate assistance program. This year, the Irvine Ranch Water District and Rancho California Water District co-sponsored AB 2739 (Soria), which establishes the Water Affordability and System Stabilization Trust (Trust Fund) as a charitable trust to generate ongoing funding for the Community Water Affordability Program, administered by the Department of Water Resources, and the Water Rate Assistance Fund, administered by the State Water Board. AB 2739 requires that half of the income generated by the Trust Fund be transferred to the Water Rate Assistance Fund that is established by SB 1125, should both bills be enacted. The Trust Fund is currently unfunded.

AB 2739 was referred to the Senate Committees on Natural Resources and Water and on Environmental Quality, and is supported by a range of stakeholders, including water agencies and associations, clean water advocates, and several California cities and city councilmembers.

Regarding programmatic funding, the sponsors of SB 1125 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 [i.e. 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."

Substantial costs for a statewide program: While the Assembly Appropriations Committee has not yet analyzed SB 1125, the Senate Appropriations Committee indicated that should this bill be enacted, costs to implement the provisions of the bill could potentially include, among other costs, hundreds of millions of dollars annually to provide funding for ratepayer assistance, and ongoing costs of up to \$17 million annually for the State Water Board to develop, implement, administer, and oversee the Program.

Enforcement provisions: This bill 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. It also prohibits the State Water Board from requesting an action, and the Attorney General from bringing an action, against an eligible system for failing to meet the requirements of this bill, as long as the eligible system makes a good faith effort to implement the provisions of this bill or the eligible system has been notified that they do not need to comply with the requirements of this bill because the Program hasn't been fully funded.

Arguments in support: Several dozen environmental justice, environmental, and public health organizations; water agencies and associations; California cities and others, write in support of the bill:

"The Human Right to Water, enacted in California in 2012, calls for water to be safe, clean, *affordable*, and accessible. Yet water rate increases regularly outpace inflation; drinking water services increased by 45% between 2007 and 2015, and a 2025 trade article found that water and sewer bills for a typical U.S. household have increased 24% over the past 5 years. Meanwhile, public water systems are hindered in their attempt to assist their low-income ratepayers by the limitations of Proposition 218. For example, in 2024 courts overturned a low-income rate assistance program enacted by the Los Angeles Department of Water and Power.

At the individual system level, most public water systems face legal and financial barriers to establishing robust affordability programs. Only about half of California households are served by a public water system that offers low-income rate assistance, and those programs that do exist suffer from limited funding and low enrollment. These programs tend to be offered by the largest and most affluent of California's public water systems. Further, large systems, like the Los Angeles Department of Water and Power, have faced significant legal challenges jeopardizing the very existence of their local affordability program, and hundreds of small water systems that serve California households lack the resources and capacity to even consider implementing an affordability program. The problem is particularly acute where the majority of households in a community are low-income. Without outside resources, these systems have no options for helping their customers. We need to address this severe gap in our social safety net.

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."

Arguments in opposition: None on file.

Related legislation:

- 1) AB 532 (Ransom, 2025). Would have authorized a public urban retail water supplier to provide water rate assistance to its ratepayers, as specified. AB 532 was held on the suspense file in the Senate Appropriations Committee.
- 2) SB 350 (Durazo, 2025). Would have established the Water Rate Assistance Program, administered by the State Water Board, to provide rate assistance for drinking water and wastewater services to low-income residential ratepayers. SB 350 was held on the suspense file in the Senate Appropriations Committee.
- 3) SB 1255 (Durazo, 2024). Would have required retail water suppliers that serve over 3,300 residential connections to establish a water rate assistance program to provide assistance to eligible ratepayers for their water and wastewater bills. SB 1255 was held on the suspense file in the Assembly Appropriations Committee.
- 4) SB 222 (Dodd, 2021). Would have required the State Water Board 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. SB 222 was vetoed by Governor Gavin Newsom.

- 5) AB 217 (E. Garcia, 2019). Would have created the Safe Drinking Water for All Act, which would have established the Safe and Affordable Drinking Water Fund to provide a source of funding for safe drinking water for all Californians, and long-term sustainability of drinking water systems. Would have imposed several fees on agricultural activities and a charge on retail water systems that together would have provided the source of revenue to the Fund. AB 217 was subsequently amended into another subject.
- 6) SB 200 (Monning, Chapter 120, Statutes of 2019). Establishes the Safe and Affordable Drinking Water Fund (SADW Fund) to help water systems provide an adequate and affordable supply of safe drinking water in both the near and the long terms. Transfers to the SADW Fund annually, until June 30, 2030, 5% of the proceeds of the Greenhouse Gas Reduction Fund, up to \$130 million.
- 7) AB 401 (Dodd, Chapter 662, Statutes of 2015). Requires the State Water Board to develop a plan for funding and implementation of a statewide Low-Income Water Rate Assistance Program.
- 8) AB 685 (Eng, Chapter 524, Statutes of 2012). Establishes as policy of the state that every human being has the right to clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes and requires relevant state agencies to consider this policy when revising, adopting, or establishing policies, regulations, and grant criteria pertinent to the human uses of water.

Double referral: Should SB 1125 pass the Assembly Committee on Environmental Safety and Toxic Materials, it will be referred to the Assembly Committee on Utilities and Energy.

REGISTERED SUPPORT / OPPOSITION:

Support

Clean Water Action (Co-sponsor)
 Community Water Center (Co-sponsor)
 Leadership Council Action (Co-sponsor)

Allensworth Progressive Association
 Alliance of Californians for Community Empowerment Action
 Asian Pacific Environmental Network Action
 Association of California Water Agencies
 Bryan Osorio, Councilmember, City of Delano
 California Coastkeeper Alliance
 California Environmental Justice Alliance
 California Environmental Voters
 California Municipal Utilities Association
 California National Organization for Women
 California State Association of Counties
 California Water Association
 Center for Environmental Health
 Center on Race, Poverty & the Environment
 Central California Environmental Justice Network

City of Burbank
City of Delano
City of Farmersville
City of Lindsay
City of Roseville
City of Sacramento
City of Sacramento Department of Utilities
City of Tulare
Cleaneearth4kids.org
Courage California
East Bay Municipal Utility District
El Dorado Irrigation District
Environmental Defense Fund
Erin Brockovich, INC.
Friends Committee on Legislation of California
Friends of the River
Integrated Resource Management
Irvine Ranch Water District
Lamont Public Utility District
Los Angeles Alliance for a New Economy
Los Angeles Waterkeeper
Lutheran Office of Public Policy California
Medical Advocates for Healthy Air
Metropolitan Water District of Southern California
Mono Lake Committee
Mountain Counties Water Resources Association
Municipal Water District of Orange County
Physicians for Social Responsibility - Los Angeles
Planning and Conservation League
Rancho California Water District
Regional Water Authority
Restore the Delta
Safer Advisory Group
San Diego County Water Authority
San Francisco Public Utilities Commission
San Joaquin Valley Water Collaborative Action Program
Sierra Club California
The Nature Conservancy
The Unidos Network
Union of Concerned Scientists
Wholly H2O

Individuals:

Bryan Osorio, Councilmember, City of Delano
Destiny Rodriguez, Vice President, State Center Community College District
Eddie Valero, Supervisor, Tulare County District 4
Gregorio Gomez, Councilmember, Farmersville
Irene Cacho, Le Grand Resident, Safer Advisory Group
Joe Soria, Mayor Pro Tem, City of Lindsay

Jose Sigala, Councilmember, City of Tulare
Kari Quintana, Trustee, Sultana Community Services District Board
Tim Prado, President of Board, Lamont Public Utility District

Opposition

None on file.

Analysis Prepared by: Shannon McKinney / E.S. & T.M. / (916) 319-3965