

AMENDED IN ASSEMBLY MARCH 11, 2026

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

ASSEMBLY BILL

No. 2180

Introduced by Assembly Member Ward

February 19, 2026

An act to add Section 53751.5 to the Government Code, relating to local government finance.

LEGISLATIVE COUNSEL’S DIGEST

AB 2180, as amended, Ward. Local government: Proposition 218 Omnibus Implementation Act: proportional cost of service.

The California Constitution specifies various requirements with respect to the levying of assessments and property-related fees and charges by a local agency. As part of those requirements, the California Constitution mandates that such fees or charges that are extended, imposed, or increased satisfy certain requirements, including, but not limited to, that the amount of the fee or charge imposed upon any parcel or person as an incident of property ownership not exceed the proportional cost of the service attributable to the parcel.

Existing law, known as the Proposition 218 Omnibus Implementation Act (act), prescribes specific procedures and parameters for local jurisdictions to comply with these requirements and, among other things, authorizes an agency providing water, wastewater, sewer, or refuse collection services to adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water, sewage treatment, or wastewater treatment or adjustments for inflation under certain circumstances.

This bill would authorize a local government to demonstrate the proportional cost of the service attributable to the parcel by any method

that reasonably allocates the ascertainable cost of providing service to all parcels, if substantiated as provided. The bill would, however, provide that for water or sewer service fee or charge impositions, a local government is not required to provide an exact measure of the cost of the service at each parcel and may instead impose uniform or tiered ~~fees or charges~~ rates to parcel or customer classes that are defined based on common characteristics indicative of likely water or sewer use. The bill would provide that the proportional cost of service within each tier of water service may be substantiated by using any reasonable basis for allocating costs attributed to the tier, ~~as described~~; *described, and would provide a local government discretion to determine the costs allocated to each tier as long as the rate for each tier does not exceed the proportional cost of service reasonably allocated to parcels subject to that tier.*

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 53751.5 is added to the Government
- 2 Code, to read:
- 3 53751.5. (a) For any fee or charge adopted under Section 6 of
- 4 Article XIII D of the California Constitution, “the proportional
- 5 cost of the service attributable to the parcel” may be demonstrated
- 6 by any method that reasonably allocates the ascertainable cost of
- 7 providing service to all parcels. That allocation shall be
- 8 substantiated by ~~existing or reasonably estimated~~ *historic, existing,*
- 9 *estimated*, or projected data that reasonably captures the cost of
- 10 the service to be provided.
- 11 (b) Notwithstanding subdivision (a), when imposing a fee or
- 12 charge for water or sewer service, an agency is not required to
- 13 provide an exact measure of the cost of the service at each parcel
- 14 and an agency may impose uniform or tiered ~~fees or charges~~ rates
- 15 to parcel or customer classes that are defined based on common
- 16 characteristics indicative of likely water or sewer use, including,
- 17 but not limited to, the nature and size of improvements to a parcel,
- 18 land use, the nature or number of plumbing fixtures, *meter size*,
- 19 or peak use characteristics.
- 20 (c) (1) When imposing a ~~fee or charge~~ *tiered rate* for water
- 21 service, an agency may substantiate the proportional cost of the

1 service within each tier by using any reasonable basis for allocating
2 costs attributed to the tier, including, but not limited to, the
3 following:

4 (A) The cost of water from various sources.

5 (B) Facilities operation, maintenance, or construction costs.

6 (C) Contribution to systemwide peak demand projections.

7 (D) *Costs that an agency incurs as a result of the use of water*
8 *at various tiers or to implement water conservation or demand*
9 *management measures, or incremental costs, as that term is used*
10 *in Chapter 3.4 (commencing with Section 370) of Division 1 of the*
11 *Water Code.*

12 (2) *An agency is not required to have a cost-based, or any other,*
13 *justification for establishing any tier breakpoint. For purposes of*
14 *this paragraph, “tier breakpoint” means the point where a*
15 *customer leaves one tier and enters another tier.*

16 (2)

17 (3) An agency has discretion to determine the service costs
18 allocated to each tier. ~~That allocation is consistent with subdivision~~
19 ~~(b) of Section 6 of Article XIII D of the California Constitution if~~
20 ~~tier, provided that the rate assigned to each tier reasonably reflects~~
21 ~~the cost of providing service for does not exceed the proportional~~
22 ~~cost of service reasonably allocated to parcels subject to that tier.~~