

AMENDED IN SENATE MAY 22, 2026

AMENDED IN ASSEMBLY MARCH 11, 2026

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

ASSEMBLY BILL

No. 2180

Introduced by Assembly Member Ward

(Coauthors: Senators Arreguín, Becker, Blakespear, and Padilla)

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 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, 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. *The bill would specify that its provisions do not apply to fees for water connections or sewer connections, or capacity charges, as specified.*

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 historic, existing, estimated, or projected data that
 9 reasonably captures the cost of the service to be provided.
 10 (b) Notwithstanding subdivision (a), when imposing a fee or
 11 charge for water or sewer service, an agency is not required to
 12 provide an exact measure of the cost of the service at each parcel
 13 and an agency may impose uniform or tiered rates to parcel or
 14 customer classes that are defined based on common characteristics
 15 indicative of likely water or sewer use, including, but not limited
 16 to, the nature and size of improvements to a parcel, land use, the

1 nature or number of plumbing fixtures, meter size, or peak use
2 characteristics.

3 (c) (1) When imposing a tiered rate for water service, an agency
4 may substantiate the proportional cost of the service within each
5 tier by using any reasonable basis for allocating costs attributed
6 to the tier, including, but not limited to, the following:

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

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

9 (C) Contribution to systemwide peak demand projections.

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

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

19 (3) An agency has discretion to determine the costs allocated
20 to each tier, provided that the rate assigned to each tier does not
21 exceed the proportional cost of service reasonably allocated to
22 parcels subject to that tier.

23 (d) *This section shall not apply to fees for water connections or*
24 *sewer connections, or capacity charges, subject to Section 66013.*