

CAL MATTERS

Money for clean drinking water threatened by Newsom administration's climate overhaul

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Seven years ago, California Gov. Gavin Newsom signed a law to bring safe and affordable drinking water to the state's most disadvantaged communities.

Last week, Newsom celebrated the program's accomplishments.

“Over 1 million people that didn’t have access to clean, safe drinking water today have access to clean, safe drinking water,” Newsom told a conference room filled with California’s water leaders, to a round of applause.

“I’m not saying that to impress you, but to impress upon you real progress. A lot more work to be done.”

But that work could lose critical funding as the Newsom administration overhauls its source: California’s carbon market. The changes to the program’s funding priorities and revenue threaten efforts to bring clean drinking water to schools, homes and communities across California.

“If that funding goes away,” said Sherry Hunter, who has long battled the arsenic leaching into the water supply in the historic Tulare County town of Allensworth, “Oh my god, I can’t even imagine.”

Climate money for clean water

A critical piece of California’s clean water funding is linked to the state’s carbon market, which sets a declining cap on greenhouse gas emissions that oil refineries, power plants and manufacturers can meet by buying and trading carbon credits.

Lawmakers tap this fund for environmental efforts, like combatting unsafe drinking water in rural communities.

In 2019, Newsom signed a law that gave rise to the Safe and Affordable Funding for Equity and Resilience, or SAFER, drinking water program at the State Water Resources Control Board. The law called for funding it with \$130 million a year from carbon market revenues through 2030.

It can be a risky source of funding, subject to the rise and fall of credit auctions. But the law came with a promise: When the proceeds fell flat, the state’s general fund would make up the rest.

This isn’t the only pot of money that California draws on for its safe drinking water efforts, but it’s the most versatile, paying for emergency and other types of assistance that bonds and more restrictive funding can’t.

When Newsom and California lawmakers don’t budget enough to provide bottled water for households and schools with dry or dangerous taps, this fund covers the costs.

When low-income communities can’t pay for the technical expertise to manage their water systems or compete for grants needed to drill new wells and connect to safer water, the safe and affordable drinking water fund can help bridge that gap.

Thousands of households and dozens of schools rely on this money for emergency supplies — like Hope Elementary School in Porterville, where the taps flow with elevated levels of nitrate. The contaminant is linked to cancers, pregnancy complications and a life-threatening condition in infants known as “blue baby syndrome” when consumed in high enough quantities.

More than \$83,000 has been awarded from the fund since 2021 to supply the school with bottled water and roughly \$110,000 for technical assistance as the school district works to connect to safer supplies, according to the water board.

The funding lets school officials put their budget to work in the classroom.

“Thank goodness,” said Melanie Matta, the school district’s superintendent and principal. About three-quarters of the students are socioeconomically disadvantaged, Matta said. “That water can get expensive, right? We’re already running on a pretty tight budget.”

Matta has a message for Newsom: She’d like him to tour her school, and witness why this money is so important.

“When you meet our kids and walk our small school community, you’ll see exactly why this fight matters and why this funding must be protected,” Matta said in an email. “Safe water is not a gift. It’s a promise. And we need your help to keep that promise.”

‘There’s nothing left’

The cuts began in September, when Newsom and lawmakers struck a deal to reauthorize the state’s carbon market after weeks of tense and chaotic negotiations — renaming it “cap and invest.”

The new laws deprioritized funding lawmakers had promised to safe drinking water, clean air, fire resilience, affordable housing and other programs — shifting their priority behind \$1 billion for high-speed rail and \$1 billion for lawmakers to direct through the budget.

The laws removed the 2030 expiration for the safe and affordable drinking water program. But they also dropped the original promise to make up any funding shortfalls from the carbon market — putting \$100 million at risk through 2030, according to a Department of Finance forecast in January.

Assemblymember James Gallagher, a Republican from Chico, called the new priority system “unfortunate” and “misplaced” at a budget subcommittee hearing in March.

“If you ask these Central Valley communities, these rural communities, ‘What would you prefer? Would you want safe drinking water coming out of your faucet, or do you want a high-speed rail in your community?’” he said. “I’m pretty sure I know the answer.”

Now, climate regulators on the California Air Resources Board — chaired by Newsom appointee Lauren Sanchez — are proposing to overhaul the carbon market in ways that could cut revenues in half.

If adopted, the changes could leave no funding at all for safe drinking water and other third-tier programs as soon as the 2027–28 fiscal year, according to legislative analyst Helen Kerstein — though, Kerstein added, the forecasts are uncertain.

Sanchez, who was Newsom’s top climate advisor before leading the air board, defended the staff proposal at a Senate oversight hearing last week.

“Do you believe the Legislature intended to eliminate funding for affordable housing, transit, drinking water, wildfire prevention and clean air programs with the reauthorization?” Sen. Eloise Gómez Reyes, a Democrat from San Bernardino and chair of a Senate budget subcommittee, asked Sanchez.

Sanchez said the staff proposal didn’t specifically call for defunding those programs.

“Let me stop you for a moment. That will be the effect,” Reyes said. “There’s nothing left ... and those are the most important programs that have served the community.”

Newsom deflected, pointing to the Legislature.

“Any suggestion that California is ‘trading away’ clean drinking water ignores both the current budget proposal, and the Legislature’s ongoing role in funding these priorities,” spokesperson Anthony Martinez said in an emailed statement.

Martinez hinted at, but did not specify, something coming in Newsom’s May budget revision. But Thursday came and went without Newsom proposing new funding.

‘Many of them were left behind’

Roughly 613,000 people still rely on water systems that fail to meet state requirements for safe and reliable drinking water. Regulators at the state water board deem another 661 water systems serving nearly 2 million people “at risk” of failure.

Still, almost one million more people have safe drinking water than in 2019 — which state water officials attribute to the safe drinking water program and its unique, flexible pot of money.

“When we were relying on the community to spend its own time and money to get ready, many of them got left behind,” said Darrin Polhemus, who leads the state water board’s Division of Drinking Water. “The safe drinking water fund has allowed us to prepare communities to do long-term projects, faster.”

The program, which draws from other state and federal funding sources, has awarded more than \$1.8 billion in grants for disadvantaged communities. It’s helped around 320 water systems serving 3.3 million people come off the state’s failing list, even as other, at-risk suppliers stumble onto it.

The safe and affordable drinking water fund also has helped pay for emergency repairs, technical assistance, bottled water supplies and even some construction costs in communities from San Bernardino to Tulare, Monterey and Sutter counties — all contending with aging and contaminated water systems.

“We could not have done it without them,” said Sherry Hunter in Allensworth, which started work on a new well and storage tank in January to bring clean water to a town struggling with arsenic and other water problems for over a century.

“There’s a lot of other smaller disadvantaged communities that depend on them as well,” Hunter said.

The costs for fixing these water systems and household wells could hit billions of dollars in the coming years, according to a 2024 water board analysis. And Polhemus said the challenge will grow — even as funding shrinks — as water suppliers face new limits on contaminants like hexavalent chromium.

“If we’ve started and committed to a project, we’ve got the funding reserve to see it through,” Polhemus said. “It’s just, we won’t be starting new projects.”

Federal money is also running out. A Biden-era funding boost ends this year, slashing another, more restrictive fund for drinking water infrastructure projects from hundreds of millions of dollars to tens of millions, according to federal and water board data. Congressional earmarks could eat into what remains.

Tami McVay, emergency services director for the nonprofit Self-Help Enterprises, which connects rural communities to affordable housing and safe drinking water, is worried.

Her program provides bottled water to more than 3,000 households in the San Joaquin Valley, and trucks water to refill storage tanks at roughly 700 more. Her team helps replace domestic wells and test their water. And it relies on state funding.

Seeing the potential cuts, she said, “it definitely made our mouths drop a little.”

Polhemus said he understands communities are nervous.

“We’re going to work with the funds we’re given to continue the program as best we can, because we know the need still exists,” he said. “The question of how much of it exists, of course, comes out of our hands and into the political arena.”