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**State Water Resources Control Board**

**NOTICE OF PROPOSED EMERGENCY RULEMAKING**

**Water Rights Fees for Fiscal Year 2017-2018**

**Amendments to Division 3 of Title 23 of the California Code of Regulations**

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**Required Notice of Proposed Emergency Action**

Government Code section 11346.1, subdivision (a)(2) requires that, at least five working days prior to submission of a proposed emergency action to the Office of Administrative Law (OAL), the adopting agency must provide a notice of the proposed emergency action to every person who has filed a request for notice of regulatory action with the agency. This document provides the required notice. Upon receiving the proposed emergency regulation, OAL shall publish the notice on their website and allow interested persons five calendar days to submit comments on the proposed emergency regulation as set forth in Government Code section 11349.6.

**Proposed Emergency Action**

Effective January 1, 2004, the Water Code was amended to require the State Water Resources Control Board (State Water Board) to adopt emergency regulations revising and establishing fees to be deposited in the Water Rights Fund in the State Treasury (Wat. Code, §§ 1525, 1530, 1551, 13160.1). The Water Code requires the State Water Board to review and revise the fee schedule each fiscal year as necessary to conform to the amounts appropriated by the Legislature for expenditure, from the Water Rights Fund for support of water rights program activities.

On September 19, 2017, the State Water Board adopted an emergency regulation amending water rights fee schedules in title 23, division 3, chapter 5, sections 1062, 1064, 1066, 1070, and adding section 1070.5 to the California Code of Regulations. In general, the emergency regulation will (1) increase annual water right fees to conform to amounts appropriated by the Legislature from the Water Rights Fund, (2) adjust the caps on application and petition filing fees based on the consumer price index, and (3) incorporate new fees related to the addition of cannabis related water rights activities.

**Proposed Text of Emergency Regulation**

See the attached proposed text of the emergency regulation.

**Finding of Emergency** (Gov. Code, § 11346.1, subd. (b))

The State Water Board has a mandatory legal duty to assess fees and to adopt the schedule of fees by emergency regulation (Wat. Code, §§ 1525, 1530, 13160.1). Water Code sections 1530, subdivision (b) and 13160.1, subdivision (d)(2) state that “[t]he adoption of these regulations is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health, safety, and general welfare.” Notwithstanding chapter 3.5 (commencing with section 11340) of part 1 of division 3 the Government Code, the emergency regulation shall remain in effect until revised by the State Water Board (Wat. Code, §§ 1530, 13160.1).

Moreover, the State Water Board finds that the proposed amendments to the Board’s fee regulations must be adopted immediately in order to allow for the timely collection of fees to conform to amounts appropriated by the Legislature from the Water Rights Fund for the support of water right program activities. Without fee revenue in the amounts appropriated, much of the water rights program would be in danger of being shut down. Continued administration of the water rights program is essential to the economy and environment of the State of California. Without funding for the program, critical water transfers and changes in water project operations would not be approved, the security of water rights needed for the state's water supply projects would be undermined, and the environment would be threatened. New water supply projects for irrigation or municipal use, and modification of existing projects involving changes in permitted or licensed water rights, could not move forward. The water rights program also is important for the protection of public health. For example, the water rights program applies and enforces Bay-Delta water quality standards that protect the drinking water supplies for 22 million Californians. In sum, adoption of the proposed regulation is necessary for the immediate preservation of the public health and welfare.

The State Water Board is unable to address the situation through non-emergency regulations because, as discussed above, it has a mandatory legal duty to adopt the fee schedules by emergency regulation.

**Authority and Reference** (Gov. Code, § 11346.5, subd. (a)(2))

Water Code sections 1058 and 1530 provide authority for the emergency regulation. The emergency regulation implements, interprets, or makes specific Water Code sections 386, 1228.3, 1228.5, 1228.7, 1425, 1426, 1525, 1535, 1536, 1537, 5006, 5101, 5202, 10735.4, and 10735.6.

**Informative Digest** (Gov. Code, § 11346.5, subd. (a)(3))

Under the Water Code and existing regulations, a person filing a water right application, petition, registration, groundwater recordation or other filing, must pay a filing fee to the State Water Board. Existing regulations also establish annual fees for water rights permits, licenses, water leases, and applications. In addition, the existing regulations establish requirements for filing a petition for reconsideration of a fee determination made by the State Water Board. The water rights fee regulations are contained in division 3 of title 23 of the California Code of Regulations. An overview of the objectives and benefits of the regulations is provided above, under “Finding of Emergency.”

The proposed emergency regulation would adjust the fee schedule in FY 2017-18 to: (1) increase annual water right fees to conform to amounts appropriated by the Legislature from the Water Rights Fund, (2) adjust the caps on application and petition filing fees based on the consumer price index, (3) incorporate new fees related to the addition of cannabis related water rights activities, and (4) create a new, lower fee for petitions to split existing permits or licenses under certain circumstances.

There is no comparable federal statute or regulation. The proposed regulation is not inconsistent or incompatible with existing state regulations.

**Other Matters Prescribed by Statute** (Gov. Code, § 11346.5, subd. (a)(4))

No other matters are prescribed by statute or regulation applicable to the State Water Board's water right fees.

**Local Mandate** (Gov. Code, § 11346.5, subd. (a)(5))

The proposed emergency regulation does not impose a mandate on local agencies or school districts because it does not mandate a new program or a higher level of service of an existing program. The fee schedule applies equally to public and private entities, and is not unique to local government. No state reimbursement is required by part 7 (commencing with section 17500) of division 4 of the Government Code.

**Estimate of Cost or Savings** (Gov. Code, § 11346.5, subd. (a)(6))

Under the proposed emergency regulation's increase in annual permit and license fees, most local and state agencies will pay more in annual fees than last year. The California Department of Water Resources holds water rights for projects associated with the State Water Project for which the increased cost will be approximately \$56,166 for FY 2017-18. However, it is assumed the Department of Water Resources will pass its fees through to the State Water Project contractors; therefore, any increase in costs will not be borne by the State. All other state agencies with water rights will only incur increased costs for FY 2017-18 of less than \$50 per water right and should be able to absorb these costs within their existing budgets. Furthermore, other state and local agencies may also pass their costs to their contractors or constituents.

Under the proposed emergency regulations, there will be an increase in the caps for application and petition filing fees. As a result, local and state agencies may be subject to increased costs. However, it is impossible to predict what filings the State Water Board will receive, though it can be assumed that state and local agencies are unlikely to submit new water right applications or petitions for amounts exceeding the current filing fee cap. If a state or local agency were to be subject to fees greater than the current filing fee cap, they typically will pass along all water right fees to the contractors or otherwise recover such costs. Therefore, it is unlikely that any state or local agencies will see increased costs due to the increase in caps on the application and petition filing fees.

There is no cost to any local agency or school district for which reimbursement is required.

There is no cost or savings in federal funding to the state.