

*Colorado Legislative Council Staff Fiscal Note*

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 15-0589  
**Prime Sponsor(s):** Rep. Arndt

**Date:** January 27, 2015  
**Bill Status:** House Agriculture  
**Fiscal Analyst:** Clare Pramuk (303-866-2677)

**BILL TOPIC:** FLEXIBLE WATER MARKETS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	Minimal workload increase.	
FTE Position Change		
Appropriation Required: None.		

\* This summary shows changes from current law under the bill for each fiscal year.

**Summary of Legislation**

Colorado water law prohibits speculation in water rights. Under the anti-speculation doctrine, an applicant who wishes to change the beneficial use of an irrigation water right must identify for the water court the specific use for which the water will actually be used. The bill excludes flex use from the anti-speculation doctrine and describes the procedures for approval or reconsideration of a flex use change-in-use decree and a flex use substitute water supply plan. It allows a holder of an irrigation water right to change the beneficial use to any beneficial use, including a compact obligation, within the geographic area of historical use. This holder can then implement fallowing, regulated deficit irrigation, reduced consumptive use cropping, or other alternative cessation of agricultural irrigation on the property that is served by the water right.

**State Expenditures**

This bill amends the change-in-use and substitute water supply plan application process and is expected to create a minimal increase in workload for the Division of Water Resources (DWR) in the Department of Natural Resources and the water courts in the Judicial Department.

**Assumptions.** Because flexible water markets are a new concept in water law with no historical experience to consider, the following assumptions are used in the fiscal note.

- Being able to sell water identified as flex use enables holders of irrigation water rights to more easily sell those rights to other users.
- The availability of flexible water markets will gradually increase the number of change-in-use applications.

***Department of Natural Resources.*** The DWR is expected to review an increased number of water court applications for change-in-use, as well as adjudicate an increased number of applications for substitute water supply plans. This increase is expected to be minimal and will not require additional appropriations.

***Judicial Branch, Water Courts.*** Water courts are expected to adjudicate an increased number of change-in-use applications as a result of this bill. This increase is expected to be minimal and will not require additional appropriations.

**Effective Date**

The bill takes effect June 1, 2015.

**State and Local Government Contacts**

Judicial Department

Natural Resources