



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: SB0178.03 (002): Provide for temporary lease of water rights

Primary Sponsor: Sue Vinton Status: As Amended in House Committee

☐ Included in the Executive Budget ☒ Needs to be included in HB 2 ☐ Significant Local Gov Impact
☐ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$188,251	\$157,279	\$159,307	\$161,369
State Special Revenue (02)	\$28,129	\$23,501	\$23,805	\$24,112
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$14,400	\$14,400	\$14,400	\$14,400
Net Impact	<u>(\$188,251)</u>	<u>(\$157,279)</u>	<u>(\$159,307)</u>	<u>(\$161,369)</u>
General Fund Balance				

Description of fiscal impact

As amended, SB 178 directs the Department of Natural Resources and Conservation (DNRC) to review, analyze and process applications for the temporary leases of a water right. SB 178, as amended, creates a notice and objection process, as well as an updated shortened timeline. This will require an application enhancement, and will require additional administration and staff to evaluate and process these applications. In addition, DNRC will have to go through a rulemaking process.

FISCAL ANALYSIS

Assumptions

Department of Natural Resources and Conservation

1. DNRC anticipates receiving an average of 36 applications per year that must be reviewed, analyzed, and processed with a notice of objection period. The statutory timelines established in SB 178 will require an additional 2.00 FTE in the Water Rights Bureau (WRB).
 - a. 2.00 FTE, water conservation specialist 2, will cost \$176,724 per year in FY 2026 and FY 2027, \$178,996 in FY 2028 and \$181,301 in FY 2029 including salary and benefits. A 1.5% inflationary increase is applied in FY 2028 and FY 2029.
 - b. One-time-only costs for office set-up for 2.00 FTE will cost \$5,600 in FY 2026 (\$2,800 per FTE).
 - c. The 2.00 FTE will require network service at a cost of \$3,070 in FY 2026 and FY 2027 and phone service at a cost of \$536 in FY 2026 and FY 2027. An inflationary rate of 1.5% is applied in FY 2028 and FY 2029 for these operating expenditures for a cost of \$3,660 and \$3,716, respectively.
 - d. Supplies for these positions will be \$450 in FY 2026 and FY 2027. An inflationary rate of 1.5% is applied in FY 2028 and FY 2029 for an operating expense of \$456 and \$464, respectively.

2. WRB staff is at capacity with current workload to maintain current statutory timeliness. The new statutory timelines in SB 178 will require the following:
 - a. Staff will evaluate existing water rights and determine potentially affected water users and provide written notice of the temporary lease within ten days of receipt of the completed application.
 - b. Staff will post applications to the DNRC website upon receipt and notification to be sent to interested parties via the water rights notification tool.
 - c. Staff must evaluate applications and approve or deny within 30 days of receipt.
 - d. Staff must evaluate objections within five business days of receipt of the objection. If a valid objection is received, DNRC will rule on the objection and send a cancellation notice to the water right owner and lessee and provide an opportunity for an administrative hearing.
 - e. Staff must track temporary leases, create an annual report to the Water Policy Interim Committee on the number of leases, amount of water leased, and the number of irrigated acres taken out of production.
3. The Water Rights Information System will require enhancement to receive the new type of application required in SB 178. The enhancement will be done under the current IT contract and will take approximately 200 hours of contractor time at a rate of \$150 per hour, for a total cost of \$30,000.
4. The application filing fee is \$400. With an additional 36 applications filed per year, DNRC assumes an additional \$14,400 in revenue (\$400 x 36) will be received from these filing fees. The revenue received from the additional applications will be deposited in the water rights state special revenue account.
5. The expenses will be funded in alignment with the current structure of 87% general fund and 13% water rights state special revenue.

Fiscal Analysis Table

Department of Natural Resources and Conservation

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
FTE	2.00	2.00	2.00	2.00
TOTAL Fiscal Impact	2.00	2.00	2.00	2.00
<u>Expenditures</u>				
Personal Services	\$176,724	\$176,724	\$178,996	\$181,301
Operating Expenses	\$39,656	\$4,056	\$4,116	\$4,180
TOTAL Expenditures	\$216,380	\$180,780	\$183,112	\$185,481
<u>Funding of Expenditures</u>				
General Fund (01)	\$188,251	\$157,279	\$159,307	\$161,369
State Special Revenue (02)	\$28,129	\$23,501	\$23,805	\$24,112
TOTAL Funding of Expenditures	\$216,380	\$180,780	\$183,112	\$185,481
<u>Revenues</u>				
State Special Revenue (02)	\$14,400	\$14,400	\$14,400	\$14,400
TOTAL Revenues	\$14,400	\$14,400	\$14,400	\$14,400
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$188,251)	(\$157,279)	(\$159,307)	(\$161,369)
State Special Revenue (02)	(\$13,729)	(\$9,101)	(\$9,405)	(\$9,712)

~~NO SPONSOR SIGNATURE~~

4/9

Sponsor's Initials

Date



Budget Director's Initials

4/9/2025

Date