ASSEMBLY BILL NO. 434—ASSEMBLYMEN LESLIE, PIERCE, CARPENTER, GOICOECHEA, GIUNCHIGLIANI, ANDERSON, ARBERRY JR., ATKINSON, BUCKLEY, CONKLIN, DENIS, GERHARDT, GRADY, HOGAN, HORNE, KIRKPATRICK, KOIVISTO, MANENDO, MORTENSON, MUNFORD, OCEGUERA, OHRENSCHALL, PARKS, PARNELL, PERKINS, SHERER AND SMITH

MARCH 25, 2005

Referred to Concurrent Committees on Government Affairs and Ways and Means

SUMMARY—Makes various changes concerning environmental resources. (BDR 48-206)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State: Contains Appropriation not included in Executive Budget.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets [omitted material] is material to be omitted.

AN ACT relating to environmental resources; providing for goals for water conservation in each county; creating a fund to be used to support the adjudication of existing water rights; requiring the State Engineer to conduct public hearings regarding interbasin transfers of water; conditioning and restricting the approval of certain applications for a permit to use water; providing for civil penalties and suspension or revocation of water permits for certain violations relating to water; revising the considerations and determinations the State Engineer must make before approving certain applications for a permit to use water; creating a fund to be used to protect existing water rights; revising the membership of the State Environmental Commission; providing for an inventory of water resources in this State; providing for a legislative study of water resources and management; providing a civil penalty; making appropriations; and providing other matters properly relating thereto.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- **Section 1.** Chapter 532 of NRS is hereby amended by adding thereto a new section to read as follows:
- 1. For each county, the State Engineer shall adopt by regulation a goal for water conservation. The State Engineer may by regulation revise any goal adopted pursuant to this section. A goal or revised goal adopted pursuant to this section must include, without limitation:
 - (a) A maximum amount of water to use;

- (b) An improvement in the efficiency of water use; and
- (c) A goal for each appropriate category of water user, as determined by the State Engineer.
- 2. The board of county commissioners of each county shall adopt such ordinances as are necessary to achieve the goal or the revised goal set by the State Engineer pursuant to this section for the county, including, without limitation, the goal set for each category of water user.
- Sec. 2. Chapter 533 of NRS is hereby amended by adding thereto the provisions set forth as sections 3 to 6, inclusive, of this act.
- Sec. 3. 1. The Interbasin Transfer Adjudication Fund is hereby created in the State Treasury, as a special fund, to be administered by the State Engineer.
 - 2. The Interbasin Transfer Adjudication Fund is a continuing fund without reversion. The money in the Fund must be invested as the money in other funds is invested. The interest and income earned on the money in the Interbasin Transfer Adjudication Fund, after deducting any applicable charges, must be credited to the Fund. Claims against the Fund must be paid as other claims against the State are paid.
 - 3. The State Engineer may accept gifts, grants and donations from any source for deposit in the Interbasin Transfer Adjudication Fund.
 - 4. Money in the Interbasin Transfer Adjudication Fund must be used by the State Engineer only to pay salaries and expenses to support the adjudication of existing rights to ground water and any surface water that is related to or would be impacted by a proposed interbasin transfer of ground water pursuant to subsection 5 of NRS 533.370.
 - Sec. 4. Before making or enforcing any ruling or order relating to an interbasin transfer of water, the State Engineer shall hold a public hearing regarding the ruling or order. Each meeting or hearing at which the State Engineer makes a decision



regarding the enforcement of a ruling or order relating to an interbasin transfer of water must be open to the public.

Sec. 5. The State Engineer shall reject an application if:

- 1. The State Engineer determines that the application contemplates the application of water to a speculative purpose;
- 2. The applicant cannot demonstrate that he has a beneficial use to which the water will be put; or
 - 3. Pursuant to the application, a person other than the applicant is to put the water to a beneficial use.
- Sec. 6. 1. Except as otherwise provided in this section, a person who violates the provisions of NRS 533.460 is subject to a civil penalty of not more than \$5,000 for each violation and payment of court costs and attorney's fees. Upon the request of the State Engineer, this penalty must be recovered in a civil action brought in the name of the State of Nevada by the Attorney General or by any district attorney in a court of competent jurisdiction.
- 2. Any civil penalty collected pursuant to this section must be deposited by the collecting agency for credit to the Water Distribution Revolving Account continued by NRS 532.210 as a revolving account within the State General Fund.
- 3. For a first violation or, for good cause shown, for a second or subsequent violation, the State Engineer may waive a civil penalty that would otherwise be imposed pursuant to this section. If the State Engineer waives a civil penalty pursuant to this subsection, the State Engineer shall:
- (a) Create a record which sets forth that the civil penalty has been waived and, for a second or subsequent violation, describes the circumstances that constitute the good cause shown; and
- (b) Ensure that the record created pursuant to paragraph (a) is available for review by the general public.
- 4. If a person violates the provisions of NRS 533.460 in conjunction with the use of water pursuant to a permit issued to him pursuant to this chapter and the person has previously had a civil penalty imposed pursuant to this section for such a violation, the State Engineer may permanently revoke or temporarily suspend the permit for good cause after an investigation and a hearing. Notice must be sent to the person at least 15 days before the hearing, by registered or certified mail, describing the violation and the potential consequences pursuant to this subsection. In determining whether to revoke or suspend a permit, the State Engineer shall consider the impact of the violation on the environment and on the use and potential use of water by other persons.



Sec. 7. NRS 533.370 is hereby amended to read as follows:

533.370 1. Except as otherwise provided in this section and NRS 533.345, 533.371, 533.372 and 533.503, *and section 5 of this act*, the State Engineer shall approve an application submitted in proper form which contemplates the application of water to beneficial use if:

- (a) The application is accompanied by the prescribed fees;
- (b) The proposed use or change, if within an irrigation district, does not adversely affect the cost of water for other holders of water rights in the district or lessen the efficiency of the district in its delivery or use of water; and
- (c) The applicant provides proof satisfactory to the State Engineer of:
- (1) His intention in good faith to construct any work necessary to apply the water to the intended beneficial use with reasonable diligence; and
- (2) His financial ability and reasonable expectation actually to construct the work and apply the water to the intended beneficial use with reasonable diligence.
- 2. Except as otherwise provided in this subsection and subsection 7, the State Engineer shall approve or reject each application within 1 year after the final date for filing a protest. The State Engineer may:
- (a) Postpone action upon written authorization to do so by the applicant or, if an application is protested, by the protestant and the applicant.
- (b) Postpone action if the purpose for which the application was made is municipal use.
- (c) In areas where studies of water supplies have been determined to be necessary by the State Engineer pursuant to NRS 533.368 or where court actions are pending, withhold action until it is determined there is unappropriated water or the court action becomes final.
- 3. If the State Engineer does not act upon an application within 1 year after the final date for filing a protest, the application remains active until acted upon by the State Engineer.
- 4. Except as otherwise provided in subsection 7, where there is no unappropriated water in the proposed source of supply, or where its proposed use or change conflicts with existing rights or with protectible interests in existing domestic wells as set forth in NRS 533.024, or threatens to prove detrimental to the public interest, the State Engineer shall reject the application and refuse to issue the requested permit. If a previous application for a similar use of water within the same basin has been rejected on those grounds, the new application may be denied without publication.



- 5. [In determining whether] *Before approving* an application for an interbasin transfer of ground water [must be rejected] pursuant to this section, the State Engineer [shall consider:
 - (a) Whether the must:

- (a) Consider any analysis of the proposed interbasin transfer of ground water submitted to the State Engineer by:
 - (1) The State Department of Agriculture;
 - (2) The Department of Wildlife;
- (3) The Division of Environmental Protection of the State Department of Conservation and Natural Resources;
- (4) The Division of Water Planning of the State Department of Conservation and Natural Resources; and
- (5) The Division of Water Resources of the State Department of Conservation and Natural Resources;
- (b) At the expense of the applicant for an interbasin transfer as determined by the State Engineer, adjudicate any existing rights to the ground water and to any surface water that is related to or would be impacted by the proposed transfer; and
- (c) Find, based upon the best available data and scientific information, that:
- (1) The applicant has justified the need to import the water from another basin;
- [(b)] (2) If the State Engineer determines that a plan for conservation of water is advisable for the basin into which the water is to be imported, [whether] the applicant has demonstrated that such a plan has been adopted and is being effectively carried out;
 - (c) Whether the
- (3) The proposed action is environmentally sound as it relates to the basin from which the water is exported;
 - (d) Whether the
- (4) The proposed action is an appropriate long-term use which will not unduly limit the future growth and development in the basin from which the water is exported; and
 - [(e) Any]
- (5) The applicant has satisfied any other factor the State Engineer determines to be relevant.
- 6. If a hearing is held regarding an application, the decision of the State Engineer must be in writing and include findings of fact, conclusions of law and a statement of the underlying facts supporting the findings of fact. The written decision may take the form of a transcription of an oral ruling. The rejection or approval of an application must be endorsed on a copy of the original application, and a record must be made of the endorsement in the records of the State Engineer. The copy of the application so endorsed must be returned to the applicant. Except as otherwise



provided in subsection 8, if the application is approved, the applicant may, on receipt thereof, proceed with the construction of the necessary works and take all steps required to apply the water to beneficial use and to perfect the proposed appropriation. If the application is rejected, the applicant may take no steps toward the prosecution of the proposed work or the diversion and use of the public water while the rejection continues in force.

- 7. The provisions of subsections 1 to 5, inclusive, do not apply to an application for an environmental permit.
- 8. The provisions of subsection 6 do not authorize the recipient of an approved application to use any state land administered by the Division of State Lands of the State Department of Conservation and Natural Resources without the appropriate authorization for that use from the State Land Registrar.
- 9. As used in this section, "interbasin transfer of ground water" means a transfer of ground water for which the proposed point of diversion is in a different basin than the proposed place of beneficial use.
 - **Sec. 8.** NRS 533.371 is hereby amended to read as follows:
- 533.371 *1.* The State Engineer shall reject the application and refuse to issue a permit to appropriate water for a specified period if he determines that:
 - [1.] (a) The application is incomplete;

- [2.] (b) The prescribed fees have not been paid;
 - [3.] (c) The proposed use is not temporary;
- 26 [4.] (d) There is no water available from the proposed source of supply without exceeding the perennial yield or safe yield of that source;
 - [5.] (e) The proposed use conflicts with existing rights; or
 - [6.] (f) The proposed use threatens to prove detrimental to the public interest.
 - 2. In determining whether the proposed use exceeds the perennial yield or safe yield of the proposed source, the State Engineer must consider the cumulative impact on every stream system and all underground water in any basin affected by the proposed source.
 - **Sec. 9.** NRS 533.440 is hereby amended to read as follows:
 - 533.440 1. All applications for reservoir permits [shall be] are subject to the provisions of NRS 533.324 to 533.435, inclusive, and sections 4 and 5 of this act, except those sections wherein proof of beneficial use is required to be filed. The person or persons proposing to apply to a beneficial use the water stored in any such reservoir [shall] must file an application for a permit, to be known herein as the secondary permit, in compliance with the provisions of



NRS 533.324 to 533.435, inclusive, *and sections 4 and 5 of this act*, except that no notice of such application shall be published.

- 2. The application [shall] must refer to the reservoir for a supply of water and [shall] must show by documentary evidence that an agreement has been entered into with the owner of the reservoir for a permanent and sufficient interest in such reservoir to impound enough water for the purpose set forth in the application.
- 3. Effluent discharged from the point of the final treatment from within a sewage collection and treatment system shall be considered water as referred to in *this* chapter [533 of NRS, and shall be] *and is* subject to appropriation for beneficial use under the reservoir-secondary permit procedure described in this section. Nothing in this section [shall preclude] precludes appropriation in accordance with and subject to the provisions of NRS 533.324 to 533.435, inclusive [.], and sections 4 and 5 of this act.
- 4. When beneficial use has been completed and perfected under the secondary permit, and after the holder thereof [shall have] has made proofs of the commencement and completion of his work, and of the application of water to beneficial use, as in the case of other permits, as provided in this chapter, a final certificate of appropriation [shall] must issue as other certificates are issued, except that the certificate [shall] must refer to both the works described in the secondary permit and the reservoir described in the primary permit.

Sec. 10. NRS 533.450 is hereby amended to read as follows:

533.450 1. Any person feeling himself aggrieved by any order or decision of the State Engineer, acting in person or through his assistants or the water commissioner, affecting his interests, when such order or decision relates to the administration of determined rights or is made pursuant to NRS 533.270 to 533.445, inclusive, and sections 4 and 5 of this act, may have the same reviewed by a proceeding for that purpose, insofar as may be in the nature of an appeal, which [shall] must be initiated in the proper court of the county in which the matters affected or a portion thereof are situated, \vdots but on stream systems where a decree of court has been entered, the action [shall] must be initiated in the court that entered the decree. Such order or decision of the State Engineer [shall be and remain] is in full force and effect unless proceedings to review the same are commenced in the proper court within 30 days following the rendition of the order or decision in question and notice thereof is given to the State Engineer as provided in subsection 3.

2. The proceedings in every case [shall] *must* be heard by the court, and [shall] *must* be informal and summary, but full



opportunity to be heard [shall be had] must be accorded before judgment is pronounced.

- 3. No such proceedings may be entertained unless notice thereof, containing a statement of the substance of the order or decision complained of, and of the manner in which the same injuriously affects the petitioner's interests, has been served upon the State Engineer, personally or by registered or certified mail, at his office at the State Capital within 30 days following the rendition of the order or decision in question. A similar notice [shall] must also be served personally or by registered or certified mail upon the person or persons who may have been affected by such order or decision.
- 4. Where evidence has been filed with, or testimony taken before, the State Engineer, a transcribed copy thereof, or of any specific part of the same, duly certified as a true and correct transcript in the manner provided by law, [shall] must be received in evidence with the same effect as if the reporter were present and testified to the facts so certified. A copy of the transcript [shall] must be furnished on demand, at actual cost, to any person affected by such order or decision, and to all other persons on payment of a reasonable amount therefor, to be fixed by the State Engineer.
- 5. A bond [shall] *must* not be required except when a stay is desired, and the proceedings provided for in this section are not a stay unless, within 5 days following the service of notice thereof, a bond is filed in an amount to be fixed by the court, with sureties satisfactory to such court, conditioned to perform the judgment rendered in such proceedings.
- 6. Costs [shall] *must* be paid as in civil cases brought in the district court, except by the State Engineer or the State.
- 7. The practice in civil cases applies to the informal and summary character of such proceedings, as provided in this section.
- 8. Appeals may be taken to the Supreme Court from the judgment of the district court in the same manner as in other civil cases.
- 9. The decision of the State Engineer [shall] *must* be prima facie correct, and the burden of proof [shall be] *is* upon the party attacking the same.
- 10. Whenever it appears to the State Engineer that any litigation, whether now pending or hereafter brought, may adversely affect the rights of the public in water, he shall request the Attorney General to appear and protect the interests of the State.
 - Sec. 11. NRS 533.520 is hereby amended to read as follows:
 - 533.520 1. Any person who files an application for a permit to appropriate water from above or beneath the surface of the ground for use outside this State, or to change the point of diversion



under an existing water right which has a place of use outside of this State, or to change the place of use of water from a location in this State to a location outside this State under an existing right, must file an application with the State Engineer for a permit to do so pursuant to provisions of NRS 533.324 to 533.450, inclusive, *and sections 4 and 5 of this act*, and chapter 534 of NRS.

- 2. The State Engineer may approve such an application if he determines that the applicant's use of the water outside this State complies with the requirements of NRS 533.324 to 533.450, inclusive, *and sections 4 and 5 of this act*, and those provisions of chapter 534 of NRS pertaining to the appropriation of water. In making his determination, the State Engineer shall consider:
 - (a) The supply of water available in this State;

- (b) The current and reasonably anticipated demands for water in this State:
- (c) The current or reasonably anticipated shortages of water in this State:
- (d) Whether the water that is the subject of the application could feasibly be used to alleviate current or reasonably anticipated shortages of water in this State;
- (e) The supply and sources of water available to the applicant in the state in which the applicant intends to use the water;
- (f) The demands placed on the applicant's supply of water in the state in which he intends to use the water; and
- (g) Whether the request in the application is reasonable, taking into consideration the factors set forth in paragraphs (a) to (f), inclusive.
- 3. The State Engineer may, as a condition to the approval of such an application, require the applicant to file a certificate from the appropriate official in the state in which the water is to be used, indicating to the satisfaction of the State Engineer that the intended use of the water would be beneficial and that the appropriation is feasible.
- 4. A person who is granted a permit pursuant to this section shall comply with the laws and regulations of this State governing the appropriation and use of water, as amended from time to time, and any change in the point of diversion, manner of use or place of use of water under a permit issued pursuant to this section is subject to the requirements of this section.
- 5. The State Engineer may, as a condition of the approval of any permit granted pursuant to this section, require that the use of water in another state be subject to the same regulations and restrictions that may be imposed upon the use of water in this State.
- 6. Upon submittal of an application under this section, the applicant and, if the applicant is a natural person, his personal



representative $\frac{1}{100}$ are subject to the jurisdiction of the courts of this State and to service of process as provided in NRS 14.065.

- Sec. 12. Chapter 534 of NRS is hereby amended by adding thereto a new section to read as follows:
- There is hereby created in the State Treasury a fund to be designated as the Water Rights Protection Fund to be administered by the Board for Financing Water Projects.
- The Water Rights Protection Fund is a continuing fund without reversion. Money in the Fund must be invested as the money in other funds is invested. The interest and income earned on the money in the Fund, after deducting any applicable charges, must be credited to the Fund. Claims against the Fund must be paid as other claims against the State are paid.
- The Board for Financing Water Projects may accept gifts, grants and donations from any source for deposit in the Water Rights Protection Fund.
- 4. Money in the Water Rights Protection Fund must be used by the Board for Financing Water Projects only to make grants to:
- (a) Obtain and provide expert and technical assistance for a local government, Indian tribe or other organization to protect its existing water rights against interbasin transfers of water and any impacts or effects of interbasin transfers of water; or
- (b) Fund projects to enhance or protect the existing water 23 24 rights of a local government, Indian tribe or other organization. 25
 - **Sec. 13.** NRS 445B.200 is hereby amended to read as follows: 445B.200 1. The State Environmental Commission is hereby created within the **State Department of Conservation and Natural**
 - Resources.] Department. The Commission consists of: (a) The Director of the Department of Wildlife;
 - (b) [The State Forester Firewarden;
- 31 (c) The State Engineer; 32
 - (c) The Director of the State Department of Agriculture;
- (d) The Administrator of the Division of Minerals of the 33 Commission on Mineral Resources: 34
- 35 (e) A member of the State Board of Health to be designated by that Board; and 36 37
 - (g) Five

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- (f) Six members appointed by the Governor, one of whom is a general engineering contractor or a general building contractor licensed pursuant to chapter 624 of NRS, [and] one of whom possesses expertise in performing mining reclamation : and one of whom possesses experience and expertise in advocating issues relating to conservation.
- 44 The Governor shall appoint the Chairman 45 Commission from among the members of the Commission.



3. A majority of the members constitutes a quorum, and a majority of those present must concur in any decision.

- 4. Each member who is appointed by the Governor is entitled to receive a salary of not more than \$80, as fixed by the Commission, for each day's attendance at a meeting of the Commission.
- 5. While engaged in the business of the Commission, each member and employee of the Commission is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally.
- 6. Any person who receives or has received during the previous 2 years a significant portion of his income, as defined by any applicable state or federal law, directly or indirectly from one or more holders of or applicants for a permit required by NRS 445A.300 to 445A.730, inclusive, is disqualified from serving as a member of the Commission. The provisions of this subsection do not apply to any person who receives or has received during the previous 2 years, a significant portion of his income from any department or agency of State Government which is a holder of or an applicant for a permit required by NRS 445A.300 to 445A.730, inclusive.
- The State Department of Conservation and Natural 7. Resources Department shall provide technical advice, support and assistance to the Commission. All state officers, departments, commissions and agencies, including the Department Transportation, the Department of Human Resources, the University and Community College System of Nevada, the State Public Works Board, the Department of Motor Vehicles, the Department of Public Safety. the Public Utilities Commission of Nevada. Transportation Services Authority and the State Department of Agriculture may also provide technical advice, support and assistance to the Commission.
- **Sec. 14.** 1. There is hereby appropriated from the State General Fund to the Interbasin Transfer Adjudication Fund, created pursuant to section 3 of this act, the sum of \$3,000,000.
- 2. There is hereby appropriated from the State General Fund to the Water Rights Protection Fund, created pursuant to section 12 of this act, the sum of \$1,000,000.
- **Sec. 15.** 1. There is hereby appropriated from the State General Fund to the State Department of Conservation and Natural Resources the sum of \$12,000,000 to carry out the project described in this section.
- 2. The State Department of Conservation and Natural Resources shall perform an inventory of water resources in this State and submit a report of the inventory to the Legislature on or



before January 15, 2007. The report must include, without limitation:

- (a) An evaluation of the state of the technical information related to the surface water and ground water resources in this State;
- (b) A quantification, using existing information, of the ground water reserves in this State;
- (c) An assessment of statewide water use and the efficiency of urban water use, including, without limitation:
 - (1) Per capita water consumption;
 - (2) Water use by economic sector; and
 - (3) A valuation of the water used; and
- (d) Identification of, and prioritized recommendations for the amelioration of, the weaknesses in the information examined during the creation of the report which could hinder the administration and management of water resources.
- 3. In performing the inventory and creating the report pursuant to this section, the State Department of Conservation and Natural Resources shall consult and accept input from representatives of:
 - (a) Industry;

- (b) Conservation organizations;
- (c) Local governments;
- (d) Other agencies of this State; and
- (e) The Federal Government.
- 4. Any remaining balance of the appropriation made by this section must not be committed for expenditure after June 30, 2007, and must be reverted to the State General Fund on or before September 21, 2007.
- **Sec. 16.** 1. The Legislative Commission shall appoint a subcommittee consisting of three Senators and three Assemblymen to conduct an interim study concerning water resources.
- 2. The study conducted pursuant to this section must include, without limitation, an analysis of and recommendations concerning:
- (a) The nature of the public interest of this State in allocating and managing water resources;
- (b) The effectiveness of existing systems for administering, controlling, allocating, distributing and protecting water resources;
 - (c) Previous state water plans and updates thereto; and
 - (d) The potential for the government of this State to provide technical and policy advice regarding water resources to:
 - (1) Local governments, businesses and other organizations; and
 - (2) Persons who consume water.
 - 3. Any recommended legislation proposed by the subcommittee must be approved by a majority of the members of



the Assembly appointed to the subcommittee and a majority of the members of the Senate appointed to the subcommittee.

- 4. The Legislative Commission shall submit a report of the results of the study and any recommendations for legislation to the 74th Session of the Nevada Legislature.
- **Sec. 17.** 1. Notwithstanding the amendatory provisions of section 13 of this act, the State Forester Firewarden shall continue to serve as a member of the State Environmental Commission until the Governor appoints a member to the Commission pursuant to subsection 2.
- 2. As soon as practicable after July 1, 2005, the Governor shall appoint to the State Environmental Commission a person who is qualified to serve as a member of the Commission in accordance with the provisions of paragraph (f) of subsection 1 of NRS 445B.200, as amended by section 13 of this act.
 - **Sec. 18.** This act becomes effective on July 1, 2005.



