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FISCAL IMPACT REPORT

SPONSOR Herrera/Cates/Gonzales/Lundstrom LAST UPDATED _____
ORIGINAL DATE 2/25/2025
BILL
SHORT TITLE Acequia & Water Rights as Material Facts NUMBER House Bill 502
ANALYST Davidson

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
OSE		Up to \$127.5	Up to \$127.5	Up to \$255	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Office of the State Engineer (OSE)
Acequias Association (ACE)

SUMMARY

Synopsis of House Bill 502

House Bill 502 proposes to establish the purchase, sale, transfer, or transaction of water rights or acequias as a material fact in real estate transactions.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

House Bill 502 could increase the workload of the Office of the State Engineer (OSE) and the processing of the sale and purchase of water rights. This analysis estimates implementation of the bill could require the agency to need one additional attorney at a cost based on the agency's Litigation and Adjudication Program average salary.

SIGNIFICANT ISSUES

The Acequias Association (ACE) notes the bill would ensure the rights of acequias and community ditches are known to new owners, which can lead to the proper upholding of the rights of acequias and community ditches. ACE analysis notes the bill does not mention acequia easements, a potentially critical issue when it comes to changes in land ownership. ACE analysis

notes the terms in the bill, acequia rights and obligations, can be interpreted to mean easements but recommend the bill having greater specificity to avoid complications.

Analysis from the Office of the State Engineer (OSE) notes the bill may not be necessary. Due to how agricultural tracts are currently listed for sale and how important to those transactions water rights are, OSE analysis presumes buyers and sellers already consider water rights as material to the transaction.

OSE analysis further expresses concern about creating such specificity in statute as it could create uncertainty with respect to possible other material facts that are not specified in statute.

TECHNICAL ISSUES

OSE analysis notes the bill is not clear as to whether the new statute would apply to all water rights or only water rights associated with specifically acequias.

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