

## HOUSE BILL NO. 337

INTRODUCED BY B. HAMLETT, B. BROWN, Z. BROWN, P. CONNELL, J. FIELDER, C. GLIMM,  
J. KNOKEY, W. SALES, S. STEWART-PEREGOY, C. VINCENT

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A REVIEW OF STATE WATER RESERVATIONS  
AND A SUMMARY OF THE REVIEW TO BE PROVIDED TO THE WATER POLICY INTERIM COMMITTEE BY  
SEPTEMBER 15, 2026; AND AMENDING SECTION 85-2-316, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 85-2-316, MCA, is amended to read:

**"85-2-316. State reservation of waters.** (1) The state, any political subdivision or agency of the state,  
or the United States or any agency of the United States may apply to the department to acquire a state water  
reservation for existing or future beneficial uses or to maintain a minimum flow, level, or quality of water  
throughout the year or at periods or for a length of time that the department designates.

(2) (a) Water may be reserved for existing or future beneficial uses in the basin where it is reserved, as  
described by the following basins:

- (i) the Clark Fork River and its tributaries to its confluence with Lake Pend Oreille in Idaho;
- (ii) the Kootenai River and its tributaries to its confluence with Kootenay Lake in British Columbia;
- (iii) the St. Mary River and its tributaries to its confluence with the Oldman River in Alberta;
- (iv) the Little Missouri River and its tributaries to its confluence with Lake Sakakawea in North Dakota;
- (v) the Missouri River and its tributaries to its confluence with the Yellowstone River in North Dakota; and
- (vi) the Yellowstone River and its tributaries to its confluence with the Missouri River in North Dakota.

(b) A state water reservation may be made for an existing or future beneficial use outside the basin  
where the diversion occurs only if stored water is not reasonably available for water leasing under 85-2-141 and  
the proposed use would occur in a basin designated in subsection (2)(a).

(3) (a) The department shall adopt rules that are necessary to determine whether or not an application  
is correct and complete based on the provisions applicable to issuance of a state water reservation. The rules  
must be adopted in compliance with Title 2, chapter 4.

(b) An applicant shall submit a correct and complete application. The determination of whether an

1 application is correct and complete must be based on rules adopted under this subsection (3) that are in effect  
2 at the time the application is submitted. The department shall proceed in accordance with 85-2-302 with regard  
3 to any defects in the application.

4 (c) The application must be made on a form prescribed by the department. The department shall make  
5 the forms available through its offices.

6 (d) Upon receiving a correct and complete application, the department shall proceed in accordance with  
7 85-2-307 through 85-2-309. After the hearing provided for in 85-2-309, the department shall decide whether to  
8 reserve the water for the applicant. The department's costs of giving notice, holding the hearing, conducting  
9 investigations, and making records incurred in acting upon the application to reserve water, except the cost of  
10 salaries of the department's personnel, must be paid by the applicant. In addition, a reasonable proportion of the  
11 department's cost of preparing an environmental analysis must be paid by the applicant unless waived by the  
12 department upon a showing of good cause by the applicant.

13 (4) (a) Except as provided in 85-20-1401, the department shall issue a state water reservation if the  
14 applicant establishes to the department by a preponderance of evidence:

- 15 (i) the purpose of the reservation;
- 16 (ii) the need for the reservation;
- 17 (iii) the amount of water necessary for the purpose of the reservation;
- 18 (iv) that the reservation is in the public interest.

19 (b) In determining the public interest under subsection (4)(a)(iv), the department shall issue a water  
20 reservation for withdrawal and transport for use outside the state if the applicant proves by clear and convincing  
21 evidence that:

- 22 (i) the proposed out-of-state use of water is not contrary to water conservation in Montana; and
- 23 (ii) the proposed out-of-state use of water is not otherwise detrimental to the public welfare of the citizens  
24 of Montana.

25 (c) In determining whether the applicant has proved by clear and convincing evidence that the  
26 requirements of subsections (4)(b)(i) and (4)(b)(ii) are met, the department shall consider the following factors:

- 27 (i) whether there are present or projected water shortages within the state of Montana;
- 28 (ii) whether the water that is the subject of the application could feasibly be transported to alleviate water  
29 shortages within the state of Montana;
- 30 (iii) the supply and sources of water available to the applicant in the state where the applicant intends to

1 use the water; and

2 (iv) the demands placed on the applicant's supply in the state where the applicant intends to use the  
3 water.

4 (d) When applying for a state water reservation to withdraw and transport water for use outside the state,  
5 the applicant shall submit to and comply with the laws of the state of Montana governing the appropriation, lease,  
6 use, and reservation of water.

7 (5) If the purpose of the state water reservation requires construction of a storage or diversion facility,  
8 the applicant shall establish to the department by a preponderance of evidence that there will be progress toward  
9 completion of the facility and accomplishment of the purpose with reasonable diligence in accordance with an  
10 established plan.

11 (6) (a) Upon issuing a state water reservation for the purpose of maintaining a minimum flow, level, or  
12 quality of water, the appropriation of water is complete.

13 (b) The department shall limit any state water reservations after May 9, 1979, for maintenance of  
14 minimum flow, level, or quality of water that it awards at any point on a stream or river to a maximum of 50% of  
15 the average annual flow of record on gauged streams. Ungauged streams are not subject to the limit under this  
16 subsection (6)(b).

17 (7) A state water reservation issued under this section has a priority of appropriation dating from the filing  
18 of a correct and complete application with the department.

19 (8) (a) A person desiring to use water reserved to a conservation district for agricultural purposes shall  
20 make application for the use with the district, and the district, upon approval of the application, shall inform the  
21 department of the approved use and issue the applicant an authorization for the use. The department shall  
22 maintain records of all uses of water reserved to conservation districts and be responsible, when requested by  
23 the districts, for rendering technical and administrative assistance within the department's staffing and budgeting  
24 limitations in the preparation and processing of the applications for the conservation districts. The department  
25 shall, within its staffing and budgeting limitations, complete any feasibility study requested by the districts within  
26 12 months of the time that the request was made. The department shall extend the time allowed to develop a plan  
27 identifying projects for using a district's reservation as long as the conservation district makes a good faith effort,  
28 within its staffing and budget limitations, to develop a plan.

29 (b) Upon actual application of water to the proposed beneficial use, the authorized user shall notify the  
30 conservation district. The notification must contain a certified statement by a person with experience in the design,

1 construction, or operation of project works for agricultural purposes describing how the reserved water was put  
2 to use. The department or the district may then inspect the appropriation to determine if it has been completed  
3 in substantial accordance with the authorization.

4 (9) A state water reservation issued under this section may not adversely affect any rights in existence  
5 at that time. The department may issue a state water reservation subject to terms, conditions, restrictions, and  
6 limitations it considers necessary to satisfy the criteria of this section.

7 (10) (a) Except for a reservation provided in subsection (6) or a reservation provided in 85-20-1401, the  
8 department shall, at least once every 10 years, review existing state water reservations to ensure that the  
9 objectives of the reservations are being met.

10 (b) ~~An existing state water reservation subject to the review in subsection (10)(a) that was not reviewed~~  
11 ~~in the 10 years prior to April 23, 2015, must be reviewed by July 1, 2016.~~ The department shall provide the water  
12 policy interim committee, established in 5-5-231, a summary of the reviews before September 15, ~~2016~~ 2026.

13 (c) Following a review pursuant to this subsection (10), at the request of the entity holding a water  
14 reservation or when the objectives of a state water reservation are not being met, the department may:

15 (i) extend the time period to complete the appropriation of water;

16 (ii) modify the reservation; or

17 (iii) revoke the reservation.

18 (d) Any undeveloped water made available as a result of a revocation or modification under this  
19 subsection (10) is available for appropriation by others pursuant to this part.

20 (11) Except as provided in 85-20-1401, the department may modify an existing or future order originally  
21 adopted to reserve water for the purpose of maintaining minimum flow, level, or quality of water, so as to  
22 reallocate the state water reservation or portion of the reservation to an applicant who is a qualified reservant  
23 under this section. Reallocation of water reserved pursuant to a state water reservation may be made by the  
24 department following notice and hearing if the department finds that all or part of the reservation is not required  
25 for its purpose and that the need for the reallocation has been shown by the applicant to outweigh the need  
26 shown by the original reservant. Reallocation of reserved water may not adversely affect the priority date of the  
27 reservation, and the reservation retains its priority date despite reallocation to a different entity for a different use.  
28 The department may not reallocate water reserved under this section on any stream or river more frequently than  
29 once every 5 years.

30 (12) A reservant may not make a change in a state water reservation under this section, except as

1 permitted under 85-2-402 and this subsection. If the department approves a change, the department shall give  
2 notice and require the reservant to establish that the criteria in subsection (4) will be met under the approved  
3 change.

4 (13) A state water reservation may be transferred to another entity qualified to hold a reservation under  
5 subsection (1). Only the entity holding the reservation may initiate a transfer. The transfer occurs upon the filing  
6 of a water right ownership update form with the department, together with an affidavit from the entity receiving  
7 the reservation establishing that the entity is a qualified reservant under subsection (1), that the entity agrees to  
8 comply with the requirements of this section and the conditions of the reservation, and that the entity can meet  
9 the objectives of the reservation as granted. If the transfer of a state water reservation involves a change in an  
10 appropriation right, the necessary approvals must be acquired pursuant to subsection (12).

11 (14) This section does not vest the department with the authority to alter a water right that is not a state  
12 water reservation.

13 (15) The department shall undertake a program to educate the public, other state agencies, and political  
14 subdivisions of the state as to the benefits of the state water reservation process and the procedures to be  
15 followed to secure the reservation of water. The department shall provide technical assistance to other state  
16 agencies and political subdivisions in applying for reservations under this section.

17 (16) Water reserved under this section is not subject to the state water leasing program established under  
18 85-2-141."

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