resolution within Special Water Management Areas); § 4A-4-08 (funding Special Water Management Areas); §§ 5A-3-01 to 5A-3-03 (judicial review); §§ 6A-1-01 to 6A-4-05 (establishing a water right).

Comparable statutes: Cal. Water Code §§ 22255, 22257, 22258; Colo. Rev. Stat. §§ 37-3-106, 37-41-123, 37-42-127, 37-44-108(3), 37-90-131; Idaho Code §§ 42-233a, 42-5112; Kan. Stat. Ann. § 82a-1029; Mont. Code Ann. §§ 85-2-507, 85-2-508, 85-7-305, 85-7-1911, 85-7-1922, 85-8-702, 85-9-404; Neb. Rev. Stat. §§ 46-157, 46-656.08, 46-656.25 to 46-656.28; Nev. Rev. Stat. §§ 539.233, 541.145, 541.290, 543.595; N.M. Stat. Ann. §§ 72-18-19, 73-14-43, 73-14-51, 73-16-12 to 73-16-24; Okla. Stat. tit. 82, § 1272(19); Or. Rev. Stat. § 568.552; Or. Rev. Stat. §§ 552.330, 552.345; Tex. Water Code Ann. §§ 36.101, 36.102, 36.121, 51.303, 55.241 to 55.244, 58.127 to 58.130; Wash. Rev. Code §§ 57.08.170, 87.84.061(1), (6), 87.84.080; Wyo. Stat. Ann. § 41-3-749(a)(i).

§ 4A-4-07 CONFLICT RESOLUTION WITHIN SPECIAL WATER MANAGEMENT AREAS

- (1) Each Area Water Board shall provide by specific regulation for the resolution of conflict among water users within the boundaries of the Special Water Management Area.
- (2) The State Agency may refer proceedings under administrative dispute resolution to an appropriate Area Water Board when the State Agency determines that appropriate procedures exist in that Special Water Management Area and that the Area Water Board provides an appropriate forum for resolving the dispute.
- (3) Nothing in this Part shall impair any remedy provided to any person under the provisions of this Code or under any applicable general rule of law except to the extent that a regulation creates an administrative procedure that must be exhausted before a person is entitled to resort to a court.

Commentary: As the resolution of conflicts that are more intense in some parts of the State than in others will often be the primary reason for creating Special Water Management Areas, the Area Water Boards are required to devise special procedures for dealing with those conflicts. This section makes clear that any such procedure does not preempt the legal rights of any person, although the regulation can enforce reasonable delays necessary to give the prescribed procedure an opportunity to work before a person can disregard the procedure and resort to some other remedy. The State Agency is authorized, in appropriate cases, to refer a

proceeding brought under section 5A-2-03 (administrative resolution) for determination under the appropriate Area Water Board's procedure. This section is supplemented by, but not preempted by, the provisions on dispute resolution found elsewhere in this Code.

Disputes could be brought to the Area Water Board by the persons involved in the dispute. Or those persons might initiate a proceeding before the State Agency or in a court. Either the State Agency, under subsection (2), or the court, under subsection (3), would refer the decision to the Area Water Board whenever that would be the best method for making an initial attempt to resolve the dispute. As a result, each Area Water Board could be said to exercise primary jurisdiction over disputes relating to water within its Special Water Management Area. Vesting primary jurisdiction in the Area Water Board is appropriate as the members are likely to be more familiar with local conditions and needs than the State Agency with its broader focus and limited resources. Having primary jurisdiction in the Area Water Board might be even more appropriate if the governor's appointment power under section 4A-4-04 is exercised to make the Board broadly representative of the different major interests in the use and protection of water in the Special Water Management Area. If the dispute is transferred from the State Agency, the Area Water Board can exercise functions equivalent to an administrative hearing under the State Agency. The Area Water Board is not authorized to function as the equivalent of a court, and but the Board can undertake mediation and conciliation as well as a formal administrative adjudicatory hearing. The State Agency could also refer a dispute to an Area Water Board as a step in alternative dispute resolution, when the Board could function as a mediation or conciliation service or (as provided in section 5A-2-03) as an arbitral proceeding. In any event, the Area Water Board's responsibility is to pursue the public interest in its dispute resolution processes. The problem is to reconcile individual water rights and other legally protected interests with the preeminent goal of sustainable development. If a conflict resolution proceeding before an Area Water Board produces, or is expected to produce, a binding order or decision, any resulting order or decision is reviewable in the manner provided in section 5A-3-02 for an order or decision of the State Agency.

This section is consistent the policy of the American Society of Civil Engineers supporting alternative dispute resolution. *ASCE Policy Statement* No. 256 on Alternative Dispute Resolution (1999).

Cross-references: § 1A-1-02 (assuring the beneficial use of water); § 1A-1-03 (enforcing temporal priorities among water rights); § 1A-1-13 (recognizing local interests in the waters of the State); § 2A-2-28 (Special Water Management Area defined); § 2A-2-29 (State Agency defined); § 4A-4-01 (purposes of Special Water Management Areas); § 4A-4-02 (Special Water Management Area studies); § 4A-

4-03 (creation of Special Water Management Areas); § 4A-4-04 (area water boards); § 4A-4-05 (area water management plans); § 4A-4-06 (regulatory authority of Special Water Management Areas); § 4A-4-08 (funding Special Water Management Areas); §§ 5A-2-01 to 5A-2-03 (dispute resolution).

Comparable statutes: Colo. Rev. Stat. § 37-92-303; Mont. Code Ann. §§ 85-2-511; Wyo. Stat. Ann. §§ 41-3-914, 41-3-915.

§ 4A-4-08 FUNDING SPECIAL WATER MANAGEMENT AREAS

- (1) The activities of Special Water Management Areas shall be funded by a surcharge on the fees for permits to divert water from water sources within the Area.
- (2) Subject to approval by the State Agency, the Area Water Management Boards shall establish the surcharges by class of use so long as the aggregate surcharges are sufficient to cover the Board's expenses.

Commentary: All Special Water Management Areas require some level of operational funding for their administrative and other expenses necessary to fulfill their water planning and management activities. See generally Dellapenna, Regulated Riparianism, in 1 WATERS AND WATER RIGHTS, § 9.03(a)(5)(A). In most States with existing Special Water Management Area programs, this funding comes from a combination of sources such as general State revenues, locally levied property taxes, special resource management funds, and general water use fees. Id., § 9.03(a)(5)(C). A State might well consider whether to substitute such sources for the surcharge on permit fees indicated here.

Subsection (2) authorizes the Area Water Board to set the surcharge by class of use so long as the overall revenues generated by the surcharges are adequate to cover the Board's expenses. That the Board can set different surcharges for different classes of use allows the surcharges to be used as a management tool as well as as a revenue tool. Some will find this inappropriate if, as provided in section 4A-4-04, the Boards are not representative bodies. Some protection against abuse is provided by requiring the State Agency to approve the surcharges.

One reason for again burdening the permit fees with a surcharge that doubles as a management tool is that Special Water Management Areas, almost by definition, are areas of sustained overuse and conflict over water. Reliance on additional revenues to be generated by surcharges on the permit fees will provide an incentive for those water users who are making low-valued uses to curtail use or to stop using the water altogether, thereby reducing the stress on water sources within the Area. If those procedures are followed correctly by the State Agency and enforced properly

by the courts, the various incentives for low-valued users to discontinue use will come into play solely in times of true shortfalls in water supply, and not as a backdoor way of compelling the shift of water to higher valued uses. The promotion of such shifts is provided for elsewhere in the Appropriative Rights Model Water Code through provisions regarding the forfeiture and modification of permits.

Cross-references: § 2A-2-28 (Special Water Management Area defined); § 4A-1-04 (special funds created); § 4A-1-08 (water use fees); § 4A-4-01 (purposes of Special Water Management Areas); § 4A-4-02 (Special Water Management Area studies); § 4A-4-03 (creation of Special Water Management Areas); § 4A-4-04 (area water boards); § 4A-4-05 (area water management plans); § 4A-4-06 (regulatory authority of Special Water Management Areas); § 4A-4-07 (conflict resolution within Special Water Management Areas).

Comparable statutes: ARIZ. REV. STAT. § 45-615(2); CAL. WATER CODE §§ 22078.5, 22280 to 22283, 23552, 23805 to 23865, 23954 to 23956, 24000 to 24021, 25500 to 26677, 35410 to 35410.2, 35470 to 35481, 36493, 36495 to 36499, 36522, 36531, 36570 to 37214, 75350 to 75642; COLO. REV. STAT. §§ 37-5-101 to 37-5-120, 37-43-114, 37-43-136, 37-43-141, 37-44-119, 37-45-121 to 37-45-125, 37-90-132; IDAHO CODE §§ 42-605A, 42-617 to 42-619, 42-5113, 42-5232, 43-701 to 43-732; KAN. STAT. ANN. §§ 82a-608, 82a-1030, 82a-1345; MONT. CODE ANN. §§ 85-7-206, 85-7-306, 85-7-307, 85-7-2101 to 85-7-2167, 85-8-342, 85-8-601 to 85-8-624, 85-9-406, 85-9-407, 85-9-601 to 85-9-604; NEB. REV. STAT. §§ 46-131 to 46-141, 46-144, 46-1,144, 46-542 to 46-558; Nev. Rev. Stat. §§ 539.453, 539.493, 539.636 to 539.6366, 539.667 to 539.700, 540A.265, 540A.270, 541.160 to 541.270, 543.600 to 543.650; N.M. STAT. ANN. §§ 72-18-20(K), 72-18-21 to 72-18-23, 73-9-22 to 73-9-28, 73-13-6, 73-13-19 to 73-13-27, 73-13-31 to 73-13-31 to 73-13-34; N.D. CENT. CODE §§ 61-04.1-26, 61-08-39, 61-09-01 to 61-09-20, 61-16.1-06 to 61-16.1-08, 61-16.1-23 to 61-16.1-36; OKLA. STAT. tit. 82, §§ 277.7 to 277.9, 277.17, 601 to 611, 634, 635, 637 to 645, 648, 1272(8), 1273 to 1275; OR. REV. STAT. § 545.381 to 545.428, 545.460 to 545.508, 552.325, 552.603 to 552.635, 553.090(9), (10), 553.510 to 553.625, 553.660, 553.720 to 553.740, 558.340, 558.345; S.D. CODIFIED LAWS §§ 46-10A-9, 46A-3E-1 to 46A-3E-15, 46A-4-10, 46A-7-1 to 46A-7-46, 46A-9-47 to 46A-9-49, 46A-9-59 to 46A-62, 46A-18-42, 46A-18-57.1, 46A-14-43 to 46A-14-62; TEX. WATER CODE ANN. §§ 36.160, 36.161, 36.201 to 36.254, 51.305 to 51.321, 51.433 to 51.435, 51.501 to 51.657, 55.351 to 55.3371, 55.581, 55.604, 55.651 to 55.676, 58.301 to 58.321, 58.463, 58.464, 58.501 to 58.585, 58.631 to 58.655, 58.803 to 58.827; WASH. REV. CODE §§ 87.03.240 to 87.03.420, 87.03.470, 87.06.010 to 87.06.120, 87.84.070, 87.84.071; Wyo. STAT. ANN. § 41-3-770 to 41-3-779, 41-7-401 to 41-7-407, 41-7-414.

CHAPTER V ENFORCEMENT AND DISPUTE RESOLUTION

Inevitably, there will be disputes between the State Agency and those subject to its regulatory authority, as well as disputes between holders of water rights. The Appropriative Rights Model Water Code seeks to provide a complete and effective range of remedies for these several kinds of dispute. The Code relies on general law for most of the details of these remedies, but does spell out the essential terms of the rights of persons and of the State Agency to basic remedies and some of the means of proving their claims.

The Code does not automatically require a hearing before any order or decision by the State Agency, but does provide full opportunity for a contested hearing by any person affected by an order or decision. These provisions apply both to specific decisions such as the issuance or denial of a permit or a decision to undertake a Special Water Management Area study, but also apply to decisions of a more general nature, such as the adoption of a regulation. These same provisions generally apply to Area Water Boards and Special Water Management Areas in comparable circumstances. See Part 4 of Chapter IV. The provisions in the first Part of this Chapter spell out the most central features of the right to a hearing. These provisions will apply to any hearing held pursuant to the Code, whether under this Chapter or otherwise.

Consistent with the policy of the American Society of Civil Engineers, the Code emphasizes alternate dispute resolution, both between the State Agency and the persons it regulates and between water right holders. See ASCE Policy Statement No. 256 on Alternative Dispute Resolution (1999). This can include recourse to the dispute resolution facilities of the Area Water Board of the appropriate Special Water Management Area. In the event such devices fail, this Chapter also provides a full panoply of formal dispute resolution methods, including administrative hearings to resolve disputes between holders of water rights. The Code also provides enforcement measures for the State Agency of both a civil nature and of a criminal nature. For a general discussion on the enforcement of permits, see Dellapenna, § 9.03(a)(5)(B).

Part 1 Hearings

The essence of due process of law is fair procedures to assure that any person affected by a government decision has an appropriate opportunity to be heard in the

matter during the decision-making process. This Part provides for hearing generally, and provides the State Agency with authority to compel the production of necessary evidence. The State Agency is also empowered to decline to provide a hearing if requested on frivolous grounds or if no material question is in dispute.

§ 5A-1-01 RIGHT TO A HEARING

- (1) Any person aggrieved by an order or decision of the State Agency, or whose interests in fact are likely to be affected adversely by a regulation proposed or adopted by the State Agency, must submit a written request for a hearing within 30 days of that person's receipt, by any form of mail requiring return receipt, of notice of the order or decision or within 60 days of the publication of the proposed or adopted regulation.
- (2) Notice to the holder of a permit under this Code is sufficient if sent to the address registered with the State Agency pursuant to the terms and conditions of the permit.
- (3) A person requesting a hearing must indicate in the written request the reasons why the person believes the order, decision, or regulation in question should be changed.
- (4) The State Agency shall provide a hearing within 30 days of the receipt of a written request for a hearing pursuant to subsection (1) unless the requesting person has been heard previously on the same matter.
- (5) Nothing in this section shall preclude a person from engaging in informal dispute resolution under sections 5A-2-01 and 5A-2-02 [or from bringing a citizen's suit under section 5A-5-09 (optional)].

Commentary: This section introduces the formal hearing procedure that assures due process to every person involved in or affected by decisions of the State Agency. The section provides for an administrative hearing before an official designated by the State Agency at the request of any person aggrieved by an order or decision of the State Agency or likely to be adversely affect by a regulation adopted by the State Agency. The Appropriative Rights Model Water Code rejects always requiring a mandatory hearing (whether informational or adjudicatory) before the State Agency acts. Such a requirement is found in the law of some States. Still, the Code recognizes that fundamental fairness requires that any person aggrieved by an order or decision or likely to be affected by a proposed or adopted regulation should be heard if that person deems it worth the effort to request the

hearing and to undertake to make a presentation, whether in person or through counsel.

The requirements for requesting a hearing are that the person be "aggrieved" by a decision focusing on specific interests or rights or "interested in fact" in a regulation cast in general terms. These are the usual requirements for "standing" before Federal courts, and are often the law in the States as well. A person is "aggrieved" by an order or decision if her, his, or its legal rights actually are affected by the order or decision. Sierra Club v. Morton, 405 U.S. 727 (1972). A person has an "interest in fact" if their property or activities are likely to be affected adversely by the regulation in question even if no specific legal right is involved. Lujan v. Defenders of Wildlife, 504 U.S. 555 (1992). See also Ashland Drilling, Inc. v. Jackson Cnty., 168 Or. Ct. App. 624, 4 P.3d 748, rev. denied, 331 Or. 429, 26 P.3d 148 (2000). See generally Maxwell Stearns, Standing and Social Choice, 144 U. P.A. L. REV. 309 (1995). The person requesting the hearing must indicate the grounds for the requested hearing in the request for the hearing and shall have the right to the hearing so long as the grounds alleged are not frivolous (according to the next section).

Hawaii provides a considerably more restrictive model. Hawaii limits the right to a hearing to persons who own land within the water basin in which the diversion is to occur or who will be "directly and immediately affected" by the proposed water use. HAW. REV. STAT. § 174C-53(b). This Code is more forthcoming regarding the right to request a hearing, but requires the adversely affected person to act promptly in order to obtain the hearing, within 30 days of receiving written notice of an State Agency order or decision. A longer period of 60 days is allowed for persons seeking a hearing after the State Agency publishes a regulation as the regulation might not come to the attention of adversely affected persons as quickly as an order or decision communicated directly to those affected by the order or decision. If the right to a hearing is invoked by a non-frivolous written request, the hearing must be held within 30 days. Such relatively short time limits both assure fairness to the affected individuals and ensures that the State Agency will be able to implement its orders, decisions, and regulations promptly. A State legislature may choose some other time limit for the holding of the hearing depending on local traditions, anticipated demand for hearings, or other relevant considerations.

In addition to the formal procedure set out in this Part, the Appropriative Rights Model Water Code seeks to promote informal alternatives without limiting them by the requirements of formal proceedings. Subsection (5) makes explicit that the availability of the formal procedure under this Part does not preclude informal proceedings under Part 2 of this Chapter or citizen suits under section 5A-5-09. The language referring to section 5A-5-09 is bracketed because that is an optional provision. If the citizen suit provision is not enacted, the reference here will need to be deleted.

Cross-references: § 1A-1-09 (procedural protections); § 2A-2-22 (person defined); § 2A-2-29 (State Agency defined); § 4A-4-07 (conflict resolution within Special Water Management Areas); § 5A-1-02 (a hearing not required for a frivolous claim); § 5A-1-03 (hearing participation); § 5A-1-04 (authority to compel evidence); § 5A-1-05 (hearings not to delay application of the terms and conditions of a permit); §§ 5A-2-01 to 5A-2-03 (dispute resolution); §§ 5A-3-01 to 5A-3-03 (judicial review); §§ 6A-2-01 to 6A-2-08 (permit procedures); § 7A-3-01 (authority to restrict permit exercise); § 7A-3-04 (restriction of diversions for which no allocation or permit is required).

Comparable statutes: Alaska Stat. §§ 46.35.060(a), 46.36.090; Ariz. Rev. Stat. §§ 45-114, 45-871.01(J); Colo. Rev. Stat. §§ 37-2-104, 37-90-114; Idaho Code § 42-1701A; Kan. Stat. Ann. §§ 82a-1029, 82a-1053(b); Mont. Code Ann. §§ 85-2-309, 85-2-519; Neb. Rev. Stat. § 46-209; N.M. Stat. Ann. §§ 72-2-12, 72-2-17, 72-5-6, 72-6-6, 72-12-1; N.D. Cent. Code §§ 61-02-76, 61-03-22, 61-04.1-17, 61-16.1-18; Okla. Stat. tit. 82, § 105.18; Or. Rev. Stat. § 536.027(2), 536.300, 539.040; S.D. Codified Laws §§ 46-1-16, 46-2A-2, 46-2A-17, 46-6-2; Tex. Water Code Ann. §§ 5.115, 5.117, 5.504, 7.058, 7.074, 11.337, 13.041(c); Utah Code § 73-4-13; Wyo. Stat. Ann. §§ 41-4-303, 41-4-327.

§ 5A-1-02 A HEARING NOT REQUIRED FOR A FRIVOLOUS CLAIM

The State Agency may disallow a hearing if the State Agency determines that the proposed grounds for questioning the State Agency's action are frivolous or otherwise fails to present a material issue, serving notice of that determination on the person requesting the hearing and allowing that person a reasonable opportunity to demonstrate a non-frivolous basis for convening a hearing.

Commentary: Recognizing that some requests for hearings under section 5A-1-01 are made for purposes of delay rather than because of any actual belief that the order or decision is wrong, the Appropriative Rights Model Water Code authorizes the State Agency, upon proper notice and an opportunity to contest the State Agency's conclusion, to disallow the hearing when the State Agency determines that the hearing request is based upon frivolous grounds or otherwise fails to present a material issue. Under the general administrative procedure law of some states, the party responsible for presenting the frivolous claim is subject to the sanction of being ordered to pay the other party's expenses for answering the frivolous claim. See, e.g., Friends of Nassau Cnty., Inc. v. Nassau Cnty., 752 So. 2d 42 (Fla. Ct. App. 2000). This provision provides content to a policy of the American Society of

Civil Engineers. See ASCE Policy Statement No. 364 on Prevention of Frivolous Lawsuits (1999).

Cross-references: § 1A-1-09 (procedural protections); § 2A-2-22 (person defined); § 2A-2-29 (State Agency defined); § 4A-4-07 (conflict resolution within Special Water Management Areas); § 5A-1-01 (right to a hearing); § 5A-1-03 (hearing participation); § 5A-1-04 (authority to compel evidence); § 5A-1-05 (hearings not to delay application of the terms and conditions of a permit); §§ 5A-2-01 to 5A-2-03 (dispute resolution); §§ 5A-3-01 to 5A-3-03 (judicial review); §§ 6A-2-01 to 6A-2-08 (permit procedures); § 7A-3-01 (authority to restrict permit exercise); § 7A-3-04 (restriction of diversions for which no allocation or permit is required).

Comparable statutes: Cal. Water Code § 1351; Mont. Code Ann. § 85-2-309(1).

§ 5A-1-03 HEARING PARTICIPATION

- (1) Any hearing shall be held in any county in which the diversion or use in question is or would be made and shall, except when required to protect confidential business information as provided in § 4A-1-09, be open to the public.
- (2) Where a diversion or use is or would be made in more than one county, the State Agency shall select the county or counties in which hearings are to be held.
- (3) Any person shall be allowed to participate in any hearing in which that person has an interest in fact.
- (4) Any person participating in a hearing pursuant to this Code may be represented by counsel, make written or oral arguments, introduce any relevant testimony or evidence, cross-examine witnesses, or take any combination of such actions.

Commentary: This section sets forth certain limited procedures to be followed in holding a hearing under the Appropriative Rights Model Water Code. The State Agency has the authority to adopt regulations to define in more detail the procedures pertaining to hearings.

Subsection (1) provides that hearings are to be held in any county in which the diversion or use is to be made, and is to be open to the public. If diversions or uses are to occur in several counties, subsection (2) indicates that the State Agency has discretion to select the county in which the hearing. At times, it will be reasonable

to hold a hearing in each county, but at other times it will be sufficient to hold a hearing only one or a few of the counties. If only one person is to be heard, the hearing normally would be held in the county that is most convenient for that person. When numerous people are to be heard, the State Agency would schedule the hearing to optimize the convenience of all concerned, and might even hold the hearing in a number of sessions in several authorized counties. This determination is left to the State Agency.

Subsection (3) allows any person to participate in the hearings, *i.e.*, to be heard, so long as that person is "interested in fact." See Lujan v. Defenders of Wildlife, 504 U.S. 555 (1992). This is a broader right to be heard than is necessary to qualify to request a hearing under section 5A-1-01(1). To request a hearing, one's interests must be adversely affected in some fashion. To be heard at a hearing, one need only have an interest in fact, even if that interest would not be adversely affected by the order, decision, or regulation that is the subject matter of the hearing.

Subsection (4) provides that any participant in a hearing has a legal right to be represented by counsel, to present evidence or witnesses, and to cross-examine adverse witnesses. The major limitation on the openness requirement is the preservation of confidential business information. That protection is not absolute. Confidential business information sometimes can be made public when relevant to an administrative process. *See* section 4A-1-09(6).

Cross-references: § 1A-1-09 (procedural protections); § 2A-2-22 (person defined); § 2A-2-29 (State Agency defined); § 4A-4-07 (conflict resolution within Special Water Management Areas); § 5A-1-01 (right to a hearing); § 5A-1-02 (a hearing not required for a frivolous claim); § 5A-1-04 (authority to compel evidence); § 5A-1-05 (hearings not to delay application of the terms and conditions of a permit); §§ 5A-2-01 to 5A-2-03 (dispute resolution); §§ 5A-3-01 to 5A-3-03 (judicial review); §§ 6A-2-01 to 6A-2-08 (permit procedures); § 7A-3-01 (authority to restrict permit exercise); § 7A-3-04 (restriction of diversions for which no allocation or permit is required).

Comparable statutes: Alaska Stat. § 46.35.060(a); Colo. Rev. Stat. §§ 37-2-105, 37-90-113, 37-90-114; Kan. Stat. Ann. §§ 82a-1029, 82a-1503(d); N.M. Stat. Ann. §§ 72-2-17, 72-6-6; N.D. Cent. Code §§ 61-04.1-17, 61-16.1-18; Okla. Stat. tit. 82, § 105.18; S.D. Codified Laws § 46-2A-23; Wyo. Stat. Ann. § 41-4-312.

§ 5A-1-04 AUTHORITY TO COMPEL EVIDENCE

(1) The State Agency is authorized for all purposes falling within the State Agency's jurisdiction to administer oaths, issue subpoenas, and to