



Update on Groundwater Trading and Sustainable Groundwater Management Act Implementation

Introduction

In March 2021, the Secretaries for Natural Resources, Environmental Protection, and Food and Agriculture, requested that the Commission initiate the Action 3.6 of California's Water Resilience Portfolio, which calls on the Department of Water Resources (DWR), the State Water Board, the California Department of Fish and Wildlife (CDFW), and the California Department of Food and Agriculture (CDFA) to: *"Create flexibility for groundwater sustainability agencies to trade water within basins by enabling and incentivizing transactional approaches, including groundwater markets, with rules that safeguard natural resources, small- and medium-size farms, and water supply and quality for disadvantaged communities."* In response, the Commission led a thorough and inclusive public dialog to frame state considerations around how groundwater sustainability agencies (GSAs) might shape well-managed groundwater trading programs that include appropriate safeguards for communities, farms, and the environment. The Commission developed a white paper, [A State Role in Supporting Groundwater Trading with Safeguards for Vulnerable Users: Findings and Next Steps](#), that draws on the public discussions and includes a set of conclusions. The white paper also tasked DWR with suggested next steps to implement, in coordination with the State Water Board, CDFW, and CDFA.

In response to a previous request by the Commission, DWR staff will provide an update on State activities related to the Commission's May 2022 white paper on groundwater trading. DWR staff will also update the Commission on implementation of the Sustainable Groundwater Management Act (SGMA).

Background

California's groundwater supply is a critical natural resource, providing between 40 and 60 percent of the State's total water supply in a given year. In 2014, the Sustainable Groundwater Management Act (SGMA) created a new regulatory framework for California to sustainably manage groundwater.

DWR is tasked with two key roles under SGMA: to provide regulatory oversight for groundwater sustainability planning, and to support local implementation with State assistance. DWR is also required to prioritize the State's 515 groundwater basins into one of four priority categories: high, medium, low or very low. The 94 high and medium priority groundwater basins account for 96 percent of the State's groundwater use and cover 88 percent of California's overlying population. Of these high and medium priority basins, 21 are designated as critically

overdrafted and account for approximately 62 percent of the State's groundwater pumping. SGMA requires the medium and high priority basins to form local groundwater sustainability agencies (GSAs) and develop groundwater sustainability plans (GSPs) to achieve their sustainability goals over a 20-year planning horizon. More than 250 local GSAs were formed across the State. By 2022, all 94 basins required to submit GSPs to DWR met that milestone. DWR continues to work to complete the initial review of GSPs and thus far has approved 36 basins. DWR also determined that 6 basins are "Inadequate." Those basins are now under State Water Resources Control Board (State Water Board) oversight, a process called State Intervention. SGMA included this process to help GSAs get back on track towards sustainability and eventually return control to the local agencies.

SGMA gives local GSAs the authority and responsibility to manage and allocate groundwater resources within a basin. SGMA has transitioned from planning to implementation where GSAs are managing water budgets, monitoring and evaluating their sustainable management criteria and interim milestones towards sustainability, and carrying out projects and management actions that will bring the basin into sustainability. Under SGMA, GSAs must achieve their sustainability goals, operating to a sustainable yield while avoiding undesirable results, within 20 years (by 2040 or 2042, depending on the basin).

Groundwater trading is one voluntary management action that a GSA could decide to employ to aid in the management of groundwater. There is potential for groundwater trading to be used broadly by GSAs. To date, several GSAs are already developing trading programs and the prolonged drought periods recently experienced may be hastening the timelines to account, allocate, and trade groundwater. The decision to design and implement a local groundwater trading program rests solely with GSAs.

This agenda item will continue the advancement of Goal One of the Commission's Strategic Plan, which calls on the Commission to "serve as a primary public forum for the discussion of improving water management policy to assist regions in achieving climate resiliency."

Meeting Overview

Paul Gosselin, DWR Deputy Director of Sustainable Groundwater Management, will provide an update on SGMA implementation and the initial steps on groundwater trading, consistent with the Commission's white paper.

This is an informational item.

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