



Sustainable Groundwater Management Act: Update on Groundwater Trading from State and Local Perspectives
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Agenda Item at a Glance

- In 2014, voters in California passed the Sustainable Groundwater Management Act, called “SGMA,” which is a law that makes sure we use the water that is stored underground, called “groundwater”, in a way that we don’t run out of it now or in the future.
- People in some parts of the State have limits for how much water they are allowed to pump out of the ground. Groundwater trading allows people who have reached their limit of groundwater pumping to buy the ability to pump more groundwater from other people who have extra groundwater.
- This is an informational item, important to anyone interested in groundwater trading from a State or local perspective.
- At this meeting, the California Water Commission, called “Commission,” will receive information from staff at the Department of Water Resources, called “DWR,” and the State Water Resources Control Board, called “SWRCB,” and representatives from the Mid-Kaweah Groundwater Sustainability Agency. Commissioners can ask questions of presenters and Commission staff. Tribes and the public will have an opportunity to make a comment to the Commission before the Commission discusses this agenda item.

Introduction

In those parts of California where groundwater pumping has long exceeded replenishment, people are striving to bring groundwater basins into sustainable conditions within 20 years, between 2040 and 2042, as the Sustainable Groundwater Management Act (SGMA) requires. Groundwater trading is one voluntary management action that a groundwater sustainability agency (GSA) could decide to employ to aid in the management of groundwater. In some areas, GSAs – the local agencies tasked with sustainable groundwater management – are beginning to work with other entities and stakeholders to discuss and experiment with the idea of giving groundwater pumpers allocations – allowances to remove a certain amount of water from a groundwater basin – and allowing them to either use their allocation individually or trade allocations between specified parties. Ideally, groundwater trading could ease the economic disruption of cutting back the overall amount of water pumped from a groundwater basin; growers who have less need for pumping could sell their allocation to others willing to pay for

it, helping buyers keep their operations functional while compensating sellers. The use of groundwater trading programs may provide local flexibility for those facing reductions in groundwater availability, but should be carefully managed to avoid harmful impacts and unintended consequences.

In May 2022, the California Water Commission (Commission) released a white paper, titled [A State Role in Supporting Groundwater Trading with Safeguards for Vulnerable Users: Findings and Next Steps](#), that provided a framework for State agencies to engage and develop a workplan for groundwater trading.

At this meeting, staff from the Department of Water Resources (DWR) and the State Water Resources Control Board (SWRCB) will provide an update on the progress in development of the workplan that will provide guidance or support as GSAs move to implement groundwater trading.

State representatives will be joined by a local representative with experience implementing a groundwater trading program. Since 2022, growers and landowners in the Mid-Kaweah Groundwater Sustainability Agency (MKGSA) have been subject to groundwater allocation, which has limited the amount of groundwater available to them through annual allocations. To address this issue, MKGSA developed the Kaweah Subbasin Water Marketing Strategy (Strategy). In early 2024, MKGSA ran two pilot market auctions that successfully traded groundwater credits. The success of the pilot MKGSA groundwater trading was built upon the [lessons learned from Fox Canyon Water Market \(FCWM\)](#). The FCWM opened for basin-wide trading in 2020 and was well received with more than 80 percent of eligible participants enrolling in the FCWM and nearly half of all enrolled participants submitting bids or offers to trade groundwater allocation. The experience in MKGSA provides additional insight regarding groundwater markets implemented under SGMA.

Background

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

SGMA gives local groundwater sustainability agencies (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. Many GSAs have implemented programs to allocate groundwater pumping, commonly known as groundwater allocations. These groundwater allocations are often set to manage groundwater in a way that avoids undesirable results, such as the lowering of groundwater levels, degradation of water quality, and the minimization and avoidance of subsidence.

Agenda Item: 12

Meeting Date: August 20, 2025

Page 3

Groundwater trading is a 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. The decision to design and implement a local groundwater trading program rests solely with GSAs.

This agenda item advances Goal Three, Objective three of the Commission's [Strategic Plan](#), which calls on the Commission to track efforts related to the Commission's issued white papers on conveyance, groundwater trading, and drought strategies, and use the Commission's public forum to daylight State progress on these topics by inviting briefings and public input.

Meeting Overview

At the August meeting, Andrew Morgan and Sarah Sugar, staff from DWR and SWRCB Office of Sustainable Groundwater Management, respectively, will present updates on State actions on groundwater trading. Aaron Fukuda, General Manager of Tulare Irrigation District and Interim Manager of Mid-Kaweah GSA and Dr. Matthew Fienup, Chief Executive Officer of Environmental Marketing Specialists, Inc., will present a local perspective on groundwater trading. The Commission will hear Tribal and public comments and can ask questions of the presenters to help the Commission and the public understand progress on groundwater trading since the release of the Commission's white paper.

This is an informational item.

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