Community and Landowner Impacts from Exports of Groundwater in Texas

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Focus on Third Party Impacts (TPI)
- Third party impacts are defined as an economic or fiscal loss (gain) to a person or entity that is a non-participant in the groundwater export transaction that causes the impact.
- Loss in the exporting region
- Gain in the importing

Why May TPI Become a Major Issue?
- Concentration of population in cities
  - Over 80% of Texans live in urban areas
- Future growth will be in and near cities
- Slower growth in rural, agricultural areas
- Municipal and Industrial (M&I) will be a driving force in water demand

Concerns (cont’d)
- Cities will look increasingly to rural, agricultural areas for water as local supplies are exhausted
- Strong incentive to sell and export:
  Value of M&I water $500-$800/acft +
  Value of irrigation water $30-$50/acft
- Perceived link between water and local economic welfare and future development

What’s Happening Elsewhere?
- California – 22 of 58 counties prohibit export of water since 1996
- Colorado – HB03-1113 – would require compensation to supply region for TPI
- Ochiltree Groundwater Conservation District – permits and export fees

Who is Impacted?
- Focus on the negative impacts within the exporting region
- Significant impacts will come from large water transfers only
- Extent of impact depends on importance of irrigation in the exporting region’s economy
Potential Impacts in the Exporting Basin

Tier 1 – Private Sector
- Farm operators who lease land
- Hired farm laborers
- Reduced irrigated acreage and fewer on-farm jobs

Tier 2 – Farm input supply firms
- Farm service firms
- Commodity processing firms
- Less demand for inputs and services
- Less throughput for processors

Tier 3 – Business and personal service firms
- Wholesale and Retail firms
- Generally less demand for “main street” goods and services, reduced income and employment

Tier 4 –
- Schools
- County and City governments
- Special taxing districts
- Loss of sales taxes
- Loss of property taxes

Factors Limiting Impacts

- Impacts will be affected by existing laws, policies and by the response of the local economy
- Farmers change to next best farming alternative for income (dry-land crops or livestock)
- Business impacts are limited to “marginal” businesses (retail, wholesale, transportation)
- Special tax provisions for agriculture (sales and property taxes)

Impact Estimation

- Multipliers developed from Economic Models
  - Employment
  - Personal income
  - Gross Regional Product (value added)

Direct, Indirect and Induced Impacts
Conclusions

- Community impacts will result from any transfer of water out of the basin
- Impacts will be significant to the overall economy only where exports cause a large reduction in agricultural production and alternatives are limited
- Mitigation alternatives already exist

Why Bother with TPI?

- Some large transfers may require EIS and/or HCP (TPI included)
- Senate Bill 1 requires TPI consideration
- Opponents of a water transfer may use TPI to block, hinder or delay implementation of inter-basin transactions

Why Bother (cont’d)

- “Given the public nature of groundwater resources, all impacted stakeholders should be engaged in the public policy process”
- “Groups suffering from neglect, perceived or real, in the process can mobilize resources to affect institutional change”
  - Paul Wilson, U. of Arizona