

SWIFT Water Rescue

Ron Griffin and Sheila Olmstead

Our fresh memory of the 2011 drought and predictions for a drier future have Texans talking about solutions to long-term water problems. In November, voters agreed to siphon \$2 billion from the State's Rainy Day Fund for water investments that might help us to better weather future droughts – the State Water Implementation Fund for Texas (SWIFT). The Texas Water Development Board is currently developing the roadmap for prioritizing SWIFT projects. It is a mistake, however, to think that we can pipeline our way out of this situation, and to think that earmarking some of the money for conservation offers balance.

Large water development projects tend to have costs that exceed their benefits – often by an enormous margin. Economic analysis of the Central Arizona Project (CAP) conducted prior to its approval warned beneficiaries about their eventual bills in spite of large federal subsidies, yet the project went ahead. Post-project economic analysis found that when all of its benefits and costs are considered, the CAP was built 86 years too early, at a net loss of \$2.6 billion.

Unfortunately for Texas, federal subsidies have evaporated for water projects. Every penny of SWIFT's \$2 billion comes from our own pockets. Former Arizona Governor and Secretary of the Interior Bruce Babbitt once expressed his dismay, upon taking the helm at Interior, at being in charge of a “vast, Leninist system” of federal water projects. Wouldn't it be ironic if the State of Texas used SWIFT to create its own such system, at net cost to the State's taxpayers, its natural resources, and its future?

Current events in California offer a sign of what's in store for water projects in water-scarce states. California's State Water Project (SWP) – a massive system of reservoirs, pumping stations, and aqueducts – brings water from the (usually) wetter north to thirsty farms and cities farther south. Due to record low snowpack in the north, the Project will deliver no water to cities and farms this summer – that's right, zero. And over time, its water diversions have devastated the Sacramento-San Joaquin River Delta and contributed to the decimation of salmon and steelhead trout populations. Likely, California's State Water Project encouraged development in all the wrong places. This is no model for Texas to follow.

Texas has an opportunity to design a conservative, sensible approach to expanding water supply in an era of increasing scarcity and variability. Such an approach would have two key components. Both are common precepts outside the public sector.

First, water users that benefit from SWIFT projects must be charged the full economic cost of the water they use. This will and must mean higher water prices. Water managers, mayors and others spend a lot of time and resources exhorting people to conserve water. Low prices directly work against this goal, causing us to use too much water and to make inefficient decisions about where to locate, what to plant, and what appliances and technologies to use. Water prices are signals, and they have been sending the wrong message about the value of Texas water for far too long. Wrongful prices explain where we are today.

Second, the services provided by the State's un-diverted water resources must be “counted” when weighing the costs and benefits of new diversions. If we permanently injure our groundwater aquifers, springs, rivers and streams – the capital assets that produce the flows of services upon which we all rely – industry, households and farms will still be around, but they won't be in Texas. Look, again, to California's example. That state has spent more than \$200 million just coming up

with a plan to try to reverse decades of damage from subsidized water diversions; implementing that plan will cost much more.

We may need judicious new investments in water infrastructure, but these should make economic sense. Texas can show the rest of the country how to innovate our way out of a water supply problem, with everyone paying the full cost of the water supplies that they use, whether they grow rice, lawns, or semiconductors.

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SWP

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OTHERS SAY RON GRIFFIN AND SHEILA OLMSTEAD

Special contributors

SWIFT water plan must make us pay

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