

# Water rights' cost draws scrutiny

## News



by **SCOTT SORIANO** posted 02.24.2015

A provision in California's landmark 2014 Water Bond Act, Proposition 1, could lead California into overspending on water — and that has sparked concern from the Legislature's nonpartisan fiscal adviser.

The voter-approved, \$7.54 billion bond provides, among other things, watershed protection and restoration. The bond offers "\$1.5 billion for various projects intended to protect and restore watersheds and habitat throughout the state." Of that \$1.5 billion, \$200 million is put aside to enhance stream flows, of which \$39 million is proposed to be spent in the governor's budget for the 2015-16 fiscal year, which begins July 1.

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Enhancing stream flows is not just returning water to a stream, but it also may prevent water from being taken from streams by those who hold water rights, usually farmers.

Water rights nowadays do not come cheap. Bloomberg reports that within a year's time the cost of an-acre foot of water in the Fresno area jumped from \$140 per to \$1,100. The San Jose Mercury News reported a 2014 water auction in Madera that topped \$2,000 per acre foot.

"One of the challenges is that there is no centralized clearinghouse for water prices. There are regulations about water transfers regarding fish and wildlife, but there is no cap on what we pay," says Anton Favorini-Csorba of the Legislative Analyst's Office.

The LAO's Helen Kerstein adds: "The challenge that the market is not developed in this area as many other areas. If

you have an area where there is a well-functioning market than typically you wouldn't need price ceilings because the market."

| *If you are buying long term transfers during a drought are you paying a higher price*

Often, deals on water are made person to person. The price per acre-foot may be influenced by things other than market forces, such as personal relationships. Friendships, or being a neighboring farmer, can drive the price down. At the same time, some sellers hope to make up for money lost in past years and try for the highest price possible.

"Given that the transfers have to be for a long period of time, if you are buying long term transfers during a drought are you paying a higher price? Obviously it could be very important if you need water this year, for fish or whatever else but what if there is a long stretch of wet years?" He suggests that, along with the LAO's suggestion of "reverse auctions" for water, that contracts provide some protection for the state if there is a future water surplus during the life of the transfer.

The LAO was critical of a past effort to deal with water contracting, CalFed's "Environmental Water Account," which became a system of paper water trades in which the state wound up buying back water it sold to a few wealthy farmers for millions more than it was sold to them.

The agency responsible for overseeing the Stream Enhancement Program is the Wildlife Conservation Board. The WCB has issued a draft of grant guidelines for the project, although there is nothing in the draft addressing the LAO's concerns about overpaying for water rights. The board's next quarterly meeting is Feb. 25.