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The October 2003 Quantification Settlement Agreement

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Abstract
The October 2003 Quantification Settlement Agreement Implications for Water Management

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On October 16, 2003 the Secretary of Interior, Gale A. Norton, signed the Quantification Settlement Agreement in Boulder City, Nevada. This constitutes a milestone agreement for water allocation in the arid and semi-arid West. The headline in the New York Times announced "Pact in West Will Send Farms' Water to Cities." This Settlement Agreement required more than fifteen years of tough negotiation and bargaining to come to fruition. It provides the mechanisms through which the conflicts between California, Arizona, and Nevada as well as the Upper Basin States may be resolved over the use of Colorado River Water. The region is experiencing its fifth consecutive year of drought, and the reality of extended water shortages in this region clearly contributed to the conflict resolution codified in this Agreement. Ever since the Colorado River Compact was signed in November 1922 that subsequently led to the building of Hoover Dam and the establishment of allocation limits to the several states of water diverted from the Colorado River, conflicts have existed. In particular, the State of California's allocation of 4.4 million acre-feet of water/year from the Colorado has been exceeded for many years. Differential development in California in comparison with Arizona and Nevada resulted in California taking more than its annual allotment of water. Consequently because of the growth in demand for water in both of these lower basin states, means had to be found to enable California to reduce its excessive taking of Colorado River water above its approved allotment. For example, California has been taking close to 5.2 million-acre feet of this water recently. This amount exceeds their approved annual allocation by nearly 800 thousand acre-feet per year. This Agreement provides the State of California fifteen years to gradually reduce its 800 thousand acre-feet per year excess use of Colorado River water. The Imperial Irrigation District approved selling 300,000 acre-feet per year of its 2.7 million acre-feet/year annual allotment from the Colorado River. This transfer of water from irrigation to municipalities will net the Imperial Irrigation District nearly $ 50 million per year. The municipalities will purchase the water from the Irrigation District for roughly $258 per acre-foot while the irrigation district purchases the water from the Bureau of Reclamation for roughly $15-16/per acre-foot. The Coachella Valley Irrigation District is also selling a portion of its irrigation water as well. The total sale is 300 thousand acre-feet with roughly 270 thousand acre-feet coming from the Imperial Irrigation District. The principal water buyers are the San Diego District Water Authority and the Metropolitan Water District of Los Angeles. It should be recognized that the current population of Southern California is twenty-two million. The water naturally available in Southern California would support a population of only 500,000. Water imports from Owens Valley, Northern California via the State Water Plan, and the Colorado River provide the lifeblood of Southern California. There is no more water to be had. At present, the transfer of water from agricultural uses to municipal uses in this water-short region is the most feasible means to support the continuing growth in population. As a consequence of the importance of this Quantification Settlement Agreement, this paper will address additional implications for water management and water policy both in this country and overseas. This is a revolutionary agreement that demonstrates one way to begin to shift water from lowered economic valued uses to higher valued economic uses. It demonstrates the type of tradeoff that one can expect to be repeated in the future. This paper will report on the insights to be gained from this very important Quantification Settlement Agreement and how institutional arrangements may be shaped to meet the water policy challenges of the Twenty-First Century.