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2007 Republican Basin Water Legislation

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CORNHUSKER ECONOMICS

2007 Republican Basin Water Legislation

Market Report	Yr Ago	4 Wks Ago	7/20/07
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$80.17	\$86.05	\$89.00
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	135.39	*	129.50
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	119.95	*	119.08
Choice Boxed Beef, 600-750 lb. Carcass	144.12	142.70	142.83
Western Corn Belt Base Hog Price Carcass, Negotiated	67.89	75.98	67.82
Feeder Pigs, National Direct 50 lbs, FOB	49.27	56.00	48.54
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	73.77	78.20	75.31
Slaughter Lambs, Ch. & Pr., Heavy, Woolled, South Dakota, Direct	100.00	103.25	105.00
National Carcass Lamb Cutout, FOB	229.50	256.96	253.59
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu	4.61	5.21	5.33
Corn, No. 2, Yellow Omaha, bu	2.06	3.54	3.03
Soybeans, No. 1, Yellow Omaha, bu	5.46	7.32	7.53
Grain Sorghum, No. 2, Yellow Columbus, cwt	3.16	5.86	4.96
Oats, No. 2, Heavy Minneapolis, MN, bu	2.18	2.70	2.54
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	135.00	135.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton	87.50	92.50	92.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	82.50	*	*
* No market.			

Under the 2002 Republican River Compact settlement, Nebraska has agreed to significantly reduce water use in the Republican Basin in “water short years.” This newsletter discusses how LB701 affects water policy choices for dealing with water short years.

How is compact settlement compliance determined? It is a little difficult, because each state doesn’t know how much water they were entitled to until several months after the irrigation season ends. In view of this, states use a five-year average for both water supply and consumptive water use in determining whether each state is within its allocation or not. But, in a “water short” year, two-year averaging is used.

Where are we overall, regarding settlement compliance? Generally, given current Natural Resources District (NRD) restrictions on ground water irrigation pumping, Nebraska should be in compliance in normal years. However, in dry years we will have problems. The Nebraska Department of Natural Resources (DNR) has estimated that dry years will occur 25 to 33 percent of the time.

Why does Nebraska have to use less water in dry years? Under the settlement, how much Republican Basin surface water and ground water Nebraskans are allowed to use is determined by Republican River streamflow. So if there is less streamflow, we have to use less surface water and ground water to stay within our allocation.

What can be done in dry years? Reduce or stop surface water irrigation, and reduce or stop ground water irrigation. Virtually all the water use in the Republican Basin is for irrigation.

When must Nebraska begin settlement compliance? If we had received normal precipitation in 2003-2006, the first year would have been 2007. However, compact settlement compliance is required as early as 2006 if we have a dry year

in 2005. Under the compact, 2005, 2006 and 2007 are all “water short” years, so compact compliance officially began in 2006.

How did we do in 2006? It is difficult to say because the official compact 2006 water supply and consumptive use figures haven’t officially been approved yet. But for 2005, Nebraska’s allocation was 198,940 acre-feet (AF) and we overused by 41,785 AF or 21 percent. This means that assuming 2006 looked a lot like 2005, Nebraska would have had to reduce irrigation water use by about 20 percent in 2006 to stay in compliance.

Is this what happened? No. I would guess that for 2006 we overused roughly the same amount as we did in 2005.

Who determines how much water irrigators get to use in the Republican? For ground water, the DNR and local NRDs negotiate ground water pumping levels. If there is a disagreement, the Governor appoints a committee to resolve the dispute.

What about 2007? My guess is that it will look a lot like 2005 and 2006. We are likely to have overused our allocation, probably similarly to what occurred in 2005 and 2006.

What is Kansas going to do? That remains to be seen. The compact settlement does not specify what happens when a state is out of compliance, so it is up to Kansas to decide what it should do. The 2006 compact figures will be formally approved in December 2007, and Kansas will probably determine what it will do at that time.

But Nebraska will be out of compliance? Oh, yes – the only question is how much.

What has been done about this? After the 2006 irrigation season, the DNR recommended that ground water irrigators cut back pumping significantly in 2007 – at least 20 percent. But NRDs and ground water irrigators didn’t agree. So the 2007 Unicameral enacted LB701 which authorizes NRDs to issue bonds to, among other things, pay irrigators not to irrigate. With a lot of effort NRDs could probably get a program going to pay irrigators not to irrigate in 2008. If we are for example, 20 percent over in 2006 and another 20 percent over in 2007, NRDs could decide to pay 40 percent of the basin ground water irrigators not to irrigate in 2008, in order to balance our account in one year. Alternatively, NRDs could pay 20 percent of ground water irrigators not to irrigate for two years, etc. Whether NRDs will move this aggressively, and whether this approach would satisfy Kansas, both remain to be seen.

Where would the money come from? NRDs are authorized by LB701 to issue bonds to purchase or lease surface water rights or ground water rights. NRDs will pay for the bonds from a tax on irrigated land of up to

\$10/acre, from a special 10¢ property tax, or a combination of both.

That seems like a pretty big change! It is a huge policy change. Essentially, LB701 enables the NRDs to decide on the mix of ground water pumping limits, paying irrigators not to irrigate, and taxing irrigators as well as basin property owners to fund the irrigation leases and buyouts. If anything, LB701 enlarges the NRD role in Republican River water policy decision making. Basically, the statute says if ground water irrigators want to take advantage of current high corn prices, they need to pay themselves not to irrigate to stay within the limits of the compact settlement. And if they don’t, ground water irrigators will probably face significant pumping cutbacks down the road.

What will the state role be? The Governor’s water fund is part of LB701, and state funding is \$2.7 million per year. From October 1, 2012 to October 1, 2019 a 6/10¢ corn and sorghum checkoff will go into the water fund. Three million dollars is available this year to lease surface water from the Bostwick Irrigation District.

Most importantly, the DNR will prepare an annual forecast on Republican water availability. This would help guide the DNR and the NRDs regarding whether irrigation needs to be cut back in the upcoming year, and if so, how much. Ideally these calculations would be integrated with Nebraska’s compact water accounting, so everyone would know for example how much water Nebraska owes Kansas, etc. This will facilitate both DNR and NRD water buying and water leasing decision-making.

So where is this going to end up? I think the LB701 system could work. But NRDs and ground water irrigators in particular will have to be willing to “pay to play.” If NRDs cannot persuade their constituents to pay the irrigation fees and/or higher property taxes to fund the significant water buyouts and leases, then the Unicameral will likely authorize the DNR to mandate major pumping cutbacks in dry years.

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