The Economics Associated with Inter-Basin Transfers

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“Charting the Course”
R. W. Beck was retained by the Texas Water Development Board (TWDB) in July 2006 to examine the socio-economic impact of major interbasin transfers in Texas.
Background:

- Senate Bill 1, as passed in the 75th Texas Legislature, reduced the legal status of water rights transferred out of the basin of origin.

- As legal status changes, it is perceived that economic value also changes.

- Concern that “alternative water management strategies” have been relied upon to the exclusion of potential interbasin transfers (IBTs).
Despite the perceived change in economic value, our findings would indicate that IBTs still represent a viable and sometimes the only feasible water management strategy.

Therefore, any legislation that might impact the use of IBTs must be studied.
Key Elements in an IBT:

- Basin of Origin
- Receiving Basin
- Conveyance System
Regional Perceptions Regarding IBTs:

For
- Extensively used in Texas
- Water not always located where it is needed
- Regional water plans for major metropolitan areas rely on IBTs
- Surface water belongs to the people of the State of Texas
Regional Perceptions Regarding IBTs:

**Against**
- Retains water in the basin of origin for future economic development
- Bays and estuaries protected
Research Questions:

1. Is the junior priority provision as contained within Texas Water Code Section 11.085 negatively impacting the consideration of interbasin transfers by the regional water planning groups in the state?
Research Questions (cont’d):

2. Are there other readily identifiable factors which are impacting the consideration of interbasin transfers in the regional planning process?
3. What is the economic impact of selected interbasin transfers, and are they viable water management strategies as compared to alternative strategies considered by the regional water planning groups?
Research Questions (cont’d):

4. Has the junior priority provision negatively impacted the marketing of water rights in the state?
Study Methodology:

Studied the following IBTs:

- Bedias – SJRA Interbasin Transfer
- Toledo Bend Interbasin Transfer
- Lower Guadalupe Water Supply Project
Regional Water Planning Groups
Cost Comparison:

IBTs vs. Alternative Strategies

- Capital costs
- Operating costs
- 50 year life cycle/ NPV analysis
- Cost per acre-foot
Economic Impact of the IBT:

- Cost/benefit analysis of the IBT
- Use of economic multiplier
- IMPLAN software utilized
Market Survey:

- Water rights acquisitions since April 2001 analyzed (TCEQ database)

- “Water Strategist” reviewed dating back to January 1999

- Selected parties identified and contacted
Next steps:

- Draft Report – provided to TWDB staff in November
- Final Report – issued in December/January
Questions?

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