Water Markets and Water Banking

In Utah

Water Finance Board

November 5, 2019
Water Banking
Voluntary – Temporary – Local

The Need and Context
Looking Ahead
Pressures

- Increased population
- Development
- Recreation
- Environment and Water Quality
- Agricultural production and efficiency
- Drought and climate
Case Study: Lower Arkansas Valley, CO

Buy and Dry: The purchase and fallowing of agricultural lands in order to transfer and use the water rights for non-agricultural uses, primarily to support expanding urban growth in distant municipalities.

Pueblo and Colorado Springs, Colorado

Estimated **78% growth in population** between 2008 - 2050

“Buy-and-dry” transfers have **fallowed ¼ of the area’s agricultural lands**

= **100,000 Acre-Feet** of water transferred

Estimated **50% of farmland** could be fallowed by 2050 to supply urban growth

Red Dots = taken out of production via buy & dry
Pink = water rights transitioning (replace in place)
Green = productive farmland
Impacts of Buy-and-Dry: Crowley County, CO

70,000 acre-feet transferred to municipal use for Pueblo and Colorado Springs

50,000 acres reduced to 5,000

Poverty rate: 47.4% (2013-2017)

M&I owns 90% of water Twin Lakes Reservoir (primary Crowley County reservoir)

Noxious weeds and dust storms

.1% to - 9.5% wage growth (2008-2009)
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Utah Water Banking Concept
Addressing the Need for a Flexible Alternative
Figure 1: Map of self-identified water banks in the western, continental United States with an overlay of U.S. counties.

Source: Sarah Brennan, A Review of Water Banking in State Legislation of the Western United States, 9 (Sept. 17, 2017), available at: https://ir.library.oregonstate.edu/concern/graduate_thesis_or_dissertations/08612t57r
Why We Are Here?
Voluntary – Temporary – Local

To better support Utah’s growing water demands, water banking could facilitate local, voluntary, and temporary transfers of water that generate income for water right owners and increase access to water.
How We Got to Today: Multiple Threads Leading to Water Banking

- 2017 Sen Iwamoto Instream Flow Bill
- Ag. Optimization Working Group
- Central Utah Water Conservancy District Bonneville Bank efforts
- Governors Water Strategy Report
- Water Banking Working Group Meetings
- Senate Joint Resolution 1 (2019)
- $400,000 Water Banking Appropriation
- 2019 BOR WaterSMART Water Marketing Grant ($400,000)
- DRAFT Legislation
1) Defines Objectives of Water Banking Act:

(1) Promote:
(a) the optimal use of the public’s water;
(b) transparency and access to water markets;
(c) temporary, flexible, and low cost water transactions between water users; and
(d) Utah’s agricultural economy by providing access to water resources and income for Utah’s agricultural industry; and

(2) Facilitate:
(a) robust and sustainable agricultural production while meeting growing municipal and industrial water demands, such as fallowing arrangements;
(b) water quality standards;
(c) water rights administration and distribution; and
(d) a healthy and resilient natural environment.
DRAFT Legislation Key Concepts

2) Addresses Existing Legal Barriers to Water Marketing

- Creates a central local “market” for water rights
- Banked water is exempt from beneficial use requirements
- Allows banked water to be used for water quality and environmental purposes
- Avenue to recognize existing contracts or gentleman’s agreements that may not fully square with water law
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3) Process for Setting Up Banks (Statutory and Contract)
Robust application process that lists criteria local water users must consider before submitting Water Bank Application
- Governing Board
- Leasing type and Practices
- Pricing
- Service Area
- Grievance Procedures
4) Annual Reporting, Continual Assessments, and Sunset

- Banks have annual reporting requirements to Board
- Annual Reporting Requirements to Interim Natural Resources Committee
- WaterSMART Water Marketing Three year Review and State Water Strategy Report
- Continual assessment and tweaking
- 10 Year Sunset Period
Proposed Process

DEVELOP WATER BANK LOCALLY
1. Available to local stakeholders and membership
2. Identify purpose and type of water bank
3. Organize Water Bank

CONTRACT BANKS  STATUTORY BANKS
Proposed Process

APPLICATION TO BOARD OF WATER RESOURCES
- Proposed service area
- Description of operating procedures
- Governing members
- Structure of how water transactions will take place, and more...

CONTRACT BANKS

STATUTORY BANKS

OPERATE WATER BANK
- Board approves complete application
- Complete change applications
- Distribute water

HOLD PUBLIC MEETING
Proposed Process

ANNUAL REPORTING
- To the Board of Water Resources
- Contract and Statutory banks may have different reporting requirements

SUNSET ON LEGISLATION 10 YEARS

CONTRACT BANKS

STATUTORY BANKS
Demonstration Projects

- WaterSMART $$ and State Appropriation intended to support 3 Demonstration Projects

- Fund Project Manager

- Work with local water users on Bank Application

- Support to assist with creation of water banks

  1) Cache Valley Area; 2) Snyderville Basin; 3) Price Area
Thoughts for Moving Forward

VOLUNTARY – TEMPORARY – LOCAL

Not a panacea:
Water banking just one tool we will need to preserve agriculture and create greater access to water

Slow and Steady:
Taking our time to get this right – term legislation; demonstration projects; built in assessment

Consensus:
Designing a concept that is based on input and needs of the broader water community

Exciting:
Opportunity to be innovative and impactful
Next Steps:

We want to hear from you!

info@utahwaterbank.org
Next Steps:
Survey
https://www.surveymonkey.com/r/UtahWaterBank
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Frequently Asked Questions