

CRISIS/OPPORTUNITY FOR DITCHES AND WHY IT MATTERS

CRISIS: (This discussion is related to Colorado, but applies to prior appropriation states in general.) Water will move to cities in Colorado, as shown by the Statewide Water Supply Initiative studies. Competition for water may move a great deal of water before management innovations can be fully developed (e.g. Denver Post by Olinger, et al. Nov. 05). Benefits and costs from traditional "buy-and-dry", even with lease-backs, are not evenly distributed, and third-party impacts are very important in some rural areas. Ditch and Reservoir Companies are now a few hundred mostly small farming interests with limited technical capacity facing cities and water providers with substantial technical capacity and also bonding and financing capacity. Drought severely impacted many agricultural operations between 2001 and the recent past, and blizzards have done recent damage to many livestock operations. Agricultural land prices, however, are up under the spur of the ethanol boom (Guebert, Ag Journal and others, Nov. 2007), while fertilizer prices skyrocket, with feed prices, increasing turmoil and uncertainty (USDA: <<http://www.ers.usda.gov/Briefing/FarmIncome/nationalestimates.htm>> The ethanol boom and rising corn prices stimulated a very high level of crop-switching, but for how long? Price squeeze is back.

OPPORTUNITY: There is now more support than ever for alternatives to "buy-and-dry" and mitigation or management impacts, as shown in the Colorado 64 Principles, adopted by all counties and the General Assembly (HJR03-1019), the SWSI, the HB05-1177 Inter-Basin Compact Process (charter adopts Colorado 64), and the South Platte Task Force. If the new tools can be developed fast enough to provide assurance of eventual success and reduce "water wars" and chaotic markets, the opportunity for much greater rural stability and agricultural sustainability exists.

POTENTIAL BENEFITS OF BETTER TRANSFERS:

- ◆ **Agricultural income stabilization** from long-term or permanent partnerships, of two kinds, likely involving both annual and "use of water payments" to transferor farmers, and ditch management payments for infrastructural and accounting innovations needed. Aurora and the Rocky Ford Highline Canal lease demonstrated some of the possibilities.
 - ◆ Long-term Rotational Crop Management with predictable "base load" supply to municipal partners while farming continues; scale must be worked out to manage potential problems ("principles" memo). (C.R.S. 37-92-103, 37-92-305 authorize such contracts, but at present there is no known Colorado model; California example of this and of "salvage water" transfer: see websites for Palo Verde Irrigation District and Imperial Irrigation Districts.)
 - ◆ Long-term Interruptible Supply contracts for drought and drought recovery supply, and wet-year transfers to conjunctive use and aquifer storage projects. (C.R.S. 37-92-309 is limited-use and short-term only.)
 - ◆ Water banks for "spot market" surprise and opportunity deals on a quick short-term basis at low cost after initial establishment or acceptance of transferable quantity determinations and limits on use.
- ◆ **Agricultural economy stabilization** from sustainability of farming with great improvements in capitalization possible, retention of appreciation of the asset value, and continuation of the forward and backward linked businesses in the regional and local economies. *Investment depends on a future. Resilience includes financial predictability.*
- ◆ **Rural economy support** from stabilization of these parts of the tax base and establishment of a more foreseeable and manageable future, enabling county cost management, resource allocation improvements, and increased attractiveness for small towns. Defense of the core activities and quality of life are necessary though perhaps not sufficient for regional rural revitalization adding incremental small business growth, tax-rational residential and second home growth, and cooperatively developed service improvements. Some impacts would be reduced and spread, others eliminated.
- ◆ **Municipal advantages:** "pay-as-you-go" for water matches costs to benefits, avoids interest/bond debt, and avoids ownership of farms or revegetation obligations which may be unpredictably expensive and lengthy. May avoid major infrastructure if supplies replace (firm) drought-reduced supply.

ROLE OF DITCHES: We should treasure and defend agricultural water distribution for many reasons.

- ◆ Many of the richest parts of the rural landscape were created by water distribution, partly replacing the riparian areas converted to other uses and affected by flow regulation; the highest values in urban and suburban land reflect proximity to amenity, often ditches as linear parks and recreational ways, and reservoirs and other water features and their environmental benefits to all, from the birds to the tax base.
- ◆ The groupings of interest that can act on the landscape, for better or for worse, are the owners of the land, and their interests rise and fall as the group together – this is *social as well as physical capital*, symbolically and literally. New-comers want what these people created and we and the beneficiaries enjoying them should support continued provision of these benefits, and allow a better market to develop including local interests.

To move forward, there must be resolution of the conflict of Jacobucci (...v. District Court, 189 Colo. 380, 541 P.2d 667 (CO, 1975)) upholding individual ownership of water rights through mutual ditch companies as trustees versus the physical realities of collective ownership and interdependence. Allocation, accounting and management problems could result from or worsen serious conflicts over opportunities. Ditch companies must survive this crisis and use this opportunity, and that may require investing in considering long-term goals and possibilities as well as development of accounting and value assessment. What they can do with their assets now could be done by speculators and developers, but would outside financial interests care for local desires and aspirations for the land and people? Long-term planning with financial stability – we should try that!