Feds' cash stream supports Colorado River conservation—but the money will dry up

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Despite a megadrought, states in the West have been able to avoid drastic cuts to their allocations of Colorado River water this year not only because of surprising storms but also thanks to generous financial incentives from all levels of government that have encouraged people to conserve.

The temporary Colorado River water-sharing agreement that Arizona, California and Nevada announced in May depends on an injection of $1.2 billion from the federal government. Some of the 30 tribal nations in the river basin also are getting federal dollars. The Gila River Indian Community, for example, will receive $233 million from the feds over the next three years, mostly to conserve water.

Fueled by the Inflation Reduction Act and the Bipartisan Infrastructure Law, the feds will spend a total of $15.4 billion for drought resiliency programs over the coming years, mostly for large-scale projects for water storage and recycling but also to persuade people to use less water.

Water experts worry that paying people to conserve isn't a long-term solution; states must make long-term investments and rethink water-sharing agreements if the Colorado River is to survive, they say.

But in the meantime, the money is helping to sustain the river basin. Conservation spurred by federal dollars has spared the seven Western states whose 40 million residents depend on the Colorado River's water from painful cuts, said Michael Cohen, a senior researcher at the Pacific Institute, an Oakland, California-based water think tank. (Colorado, New Mexico, Utah and Wyoming comprise the upper basin, and Arizona, California and Nevada make up the lower basin.)

The federal government has a long history of sending money when disasters such as a hurricane or earthquake hit, Cohen said. The drought is no different.

"It's hugely important," Cohen said. "This is an example of the United States actually getting out in front to say let's try to offset or at least reduce the demand on this very stressed water system."

For years, some Western states and localities have offered money to farmers to not irrigate their crops and to residents who rip out grass lawns and install water-efficient appliances.

In Arizona, cities such as Gilbert and Scottsdale offer residents up to $800 and $5,000, respectively, to tear out their grass lawns. Peoria and Surprise will pay residents hundreds of dollars to encourage them to plant native desert plants and shrubs in their yards instead of grass.

For the past 20 years, Las Vegas has offered rebates for residents to tear out their grass lawns and replace them with plants more appropriate for a desert climate. The effect has been staggering.

In 2002, the city used more than 300,000 acre-feet of water annually. (An acre-foot is a common measurement in the water industry that amounts to 326,000 gallons.) This year, it will use less than 200,000, in large part due to the incentives, said Cohen, at the Pacific Institute.

"Incentivizing people has worked," he said. "But the bigger question is whether we're going to get to the level of reductions necessary to stabilize the system. And that remains to be seen."

Upcoming negotiations

The Bureau of Reclamation, the federal agency that manages the Colorado River basin, is asking states for long-term proposals to conserve water to prepare for a drier future exacerbated by climate change.

The agency went to states last year and laid out two options to protect the Colorado River from the effects of a two-decade megadrought that is worse than anything the region has seen in 1,200 years: Either they voluntarily reduce water use and get compensated, or the feds would force those cuts by fiat.

Under the agreement announced in May, Arizona, California and Nevada—the lower basin states—will reduce their water use by 3 million acre-feet over the next three years. The region avoided disaster this year because of an especially wet winter and recent summer storms that swept through the Southwest. But the deal was easier for those states to make because of federal money.

That was just a short-term fix, said George Frisvold, a professor of agricultural economic policy at the University of Arizona.

"They're treading water, pardon the pun," he said. "It's going to be challenging."

The region's broader conservation strategy might change, however. In the years to come, there will be more scrutiny over what the feds got from those billions spent, Frisvold said. Money to encourage conservation may start coming more from localities than from the federal government, he added.

States are preparing for negotiations on a long-term Colorado River water-sharing agreement that would kick in after 2026. A crucial challenge: what role agriculture will play in conserving Colorado River water.

Money for agriculture

Western agriculture, a major part of the region's economy and a key contributor to the country's food supply, consumes more Colorado River water than any other user.

To conserve more water, farmers have used federal and local dollars to line canals, install drip irrigation systems and fallow fields to temporarily halt crop growth on sections of their land.

Farming is getting more efficient in the West partly through financial incentives, said Mike Wade, executive director of the California Farm Water Coalition, a Sacramento-based nonprofit that represents agricultural interests.

He pointed to California's Imperial Valley, where Southern California's urban water users have for the past two decades paid inland farmers to transfer a half-million acre-feet of their share of Colorado River water to cities.

"It's a win-win situation," he said. "It's not taking people out of business. It's covering the costs of business temporarily interrupted to achieve conservation savings in the Colorado River."

Wade calls it a model for other Colorado River states, a way to prevent mandatory cuts that might threaten peoples' livelihoods and instead invest in communities and businesses. In the long term, however, he said that these investments must come from local governments.

But there is disagreement over whether paying farmers is the right path forward.

It is not a sustainable solution, said Mark Gold, director of water scarcity solutions at the Natural Resources Defense Council. The payments are just getting the Colorado River basin through 2026, when states must negotiate new terms for sharing the water.

"There needs to be a very different mindset," he said. "Paying farmers not to farm is just not an efficient nor sustainable way to save 2 [million] to 4 million acre-feet of water a year."

This past wet winter bought a two-year reprieve on having to make difficult decisions, he said.

Moving forward, the region needs to get beyond short-term incentives, said Katherine Wright, a research fellow at the Property and Environment Research Center, a conservation nonprofit that emphasizes market-based solutions. Inflation Reduction Act money will run out eventually, but the underlying problem is not going away, she said.

As the population continues to grow in cities in the Southwest, Wright sees a long-term solution in private transactions between, for example, farmers and cities to transfer water allocations without federal money.

"We need to do something in the short term, because cities need water and they don't have water, and it's unrealistic that we're going to change a policy today," she said. "More broadly, it's a call for facilitating conversations between farmers and tribes and cities. What can we do in the long term to address water scarcity?"

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