

Discussion Points  
AB 229  
Humboldt River Basin Water Authority  
Mike Baughman, Executive Director  
Provided to  
Assembly Taxation Committee  
3/13/03

Elko County  
Eureka County  
Humboldt County  
Lander County  
Pershing County

**Humboldt River Basin Water Authority Supports AB 229**

- Water represents the economic future for every Nevada county
- The economic future is not easily predicted for Nevada counties
- Fifty years ago, who would have thought that Las Vegas would be the metropolis it is today. Certainly not those state and local officials who negotiated for a mere 300,000 acre feet (just 4 percent of the 7,500,000 available for apportionment between Arizona, California and Nevada) in Colorado River water for Nevada
- There is growing pressure to export water from "water-rich" to "water-poor" counties
- Many counties contain groundwater resources in excess of amounts that can be placed into beneficial use within the next 50 years
- Once exported and permanently committed to other uses, the water is not available to support local economic growth
- Exportation of water without any "value-added" can equate to loss of economic opportunity for any Nevada county
- Value-added as a component of exportation can include use of water in manufacture (i.e. bottled water, agricultural products, production of electricity) of goods for export adding to a county's basic income and wealth

**New Economy Must Recognize Exportation of Water as a Component of Basic Income and Wealth**

- Traditional natural resource-based industries (mining and agriculture) under constant challenge
- Emerging natural resource-based industries such as recreation and tourism do not provide the level of personal income and fiscal benefits associated with traditional industries
- The thinking of some "water-rich" counties is evolving from a no-export policy to an "encourage export with an appropriate economic return"

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ASSEMBLY COMMITTEE ON TAXATION  
DATE: 3/13/03 ROOM: 342 EXHIBIT C  
SUBMITTED BY: MIKE BAUGHMAN

### **The Water Transfer Tax Included in NRS 533.438 Does Not Provide an Adequate Economic Incentive to Encourage Export**

- Since enactment in 1991, application of the \$6.00 per acre foot water transfer tax has not occurred
- The unmitigated loss of economic future is too great at \$6.00 acre foot for local elected officials in water-rich counties to encourage water transfer proposals
- Water-rich counties still tend to oppose proposals by water-poor counties to import groundwater
- Humboldt River Basin Water Authority was formed in 1993 to oppose the EcoVision Project (a proposal to export 360,000 ac. ft. of groundwater from the Humboldt Basin into the Truckee Basin)

### **Raising the Water Transfer Tax in NRS 533.438 will Encourage Identification and Implementation of Win-Win Water Export Proposals**

- A higher fee will discourage speculation by water brokers lacking financial capacity to develop groundwater transfer systems and convey water to water-poor areas
- A higher fee will encourage putting water to beneficial use in the county of origin prior to exportation (i.e. secondary uses of mine dewatered water are not subject to export fee)
- A higher fee will provide revenues in lieu of taxes which might otherwise have been generated in water-rich counties

### **Increasing the Water Transfer Fee to at Least \$60.00 Per Acre Foot is Appropriate**

- Basis for current \$6.00 per acre foot fee is unclear
- Testimony on SB 526 of the 1991 Session suggests the choice of \$6.00 was somewhat arbitrary and low
- Examples from other areas supports an increased fee:
  - Arizona Water Banking Authority paid Central Arizona Water Conservation District \$55.00 ac. ft. for excess water in early 2002
  - Duke Energy paid City of Clovis (New Mexico) \$146.42/ac.ft. of treated effluent in 2002
- Water Values:
  - Truckee River Water Authority- \$5,660/ac.ft. (w/ meter retrofit and CWSD fee)
  - Colorado-Big Thompson System - \$10,680/ac.ft.
  - Greeley & Loveland Irrigation Co. - \$3,500/ac.ft.
  - City of Albuquerque (Middle Rio Grande River) - \$4,000/ac.ft.

- Imputed Property Tax
  - Assume \$5,000/ac.ft. value
  - Assessed value is \$1,666
  - Property tax equivalent =  $(\$3.64/100) \times \$1,666 = \$60.64/\text{ac.ft.}$

### **Closing Thoughts**

- Is the fee provided for in NRS 533.438 really a tax or a fee?
- If a tax, can it be imposed upon a tax exempt entity (i.e. a county, city, water authority or water district)?
- What about inflation? If not regularly adjusted to account for inflation, the value of the revenue stream made possible through NRS 533.438 diminishes each year? Current NRS authorizes annual real property tax revenue increase by local governments of up to 6 percent to reflect inflation.
  - Arizona Water Banking Authority fees paid to Salt River Valley Water Users Assn. are increased by 3 percent annually
  - Duke Energy fees to City of Clovis are adjusted annually by the Consumer Price Index, but never will fall below the original base amount

### **Suggested Amendments to AB 229**

- Change all reference in the bill from tax to fee.
- Provide mechanism for annual adjustment of fee to account for inflation.
- Assess fee on a per 1,000 gallon basis, measured by a flow meter.

### **For Additional Info. Contact:**

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