

ADDING EFFICIENCY AND REDUCING CONFLICT IN REALLOCATION DECISIONS OF FEDERAL RESERVOIRS USING EXISTING RULES: SOME INSIGHTS FROM ECONOMIC BARGAINING THEORY

Michael C. Farmer, PhD, Texas Tech University, Department of Agricultural and Applied Economics, Texas Tech University; Box 42132, Lubbock, Texas 79409 – 2132, Michael.Farmer@ttu.edu, 806-742-2821 ext. 251

Large Water use reallocations of multipurpose Federal Projects, typically USCOE or BLM reservoirs, is an expanding challenge. One controversy centers on whether Congress intended policy-makers and Project managers to apply the guidelines of the WSA of 1958 or of Separable Costs, Remaining Benefits (SCRB) to manage very large reallocations (McMahon and Farmer, 2004). Rigid adherence to WSA when applied to cases beyond the incremental limits delineated explicitly in the law removes a potentially low cost and flexible means to resolve water use demand changes through improved, or adaptable, operational changes at existing multipurpose reservoirs. Simply, the very real management advantage of the WSA to streamline minor reallocation decisions becomes a strangle-hold on policy flexibility for large and complex reallocations when multiple uses are subject to reassessment.

SCRB, traditionally relegated to evaluate new construction, is a permissible evaluation tool to use for reallocation. SCRБ introduces more economically efficient reallocation decisions by linking operational priority to National Economic Development (NED) benefits. Less obvious, even counterintuitive, is the potential for SCRБ to expand consensus opportunities to resolve water use demand changes by interpreting the operational application of joint costs (as stated) in light of economic principles. The focus on complementarities that SCRБ underlines allows managers to meet several water use demands from the same standing infrastructure in a fashion that mirrors closely multi-party bargaining theories that can help to avert conflict, at times prevent costly new construction projects, and also to improve performance of the economy - all within existing rules and legislation.

Contact: Michael C. Farmer, PhD, Texas Tech University, Michael.Farmer@ttu.edu, Department of Agricultural and Applied Economics, Texas Tech University; Box 42132, Lubbock, Texas 79409 – 2132, 806 -742-2821 ext. 251, 806-742-1099