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IRRIGATION DISTRICTS AND WATER REALLOCATION IN THE WESTERN U.S.

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ABSTRACT: Irrigation districts hold significant proportion of surface water rights in the western U.S. Most of this water is used for agricultural purposes having lower marginal value than that of urban sector. In the era of rising water scarcity and limited supply side management appeal, reallocation of water from agriculture to urban sector has been envisioned as one of the most cost-effective water management strategies. This implies the existence of tremendous opportunity to gain from agriculture to urban reallocation of water held by irrigation districts. However, most of the districts have been unreceptive in external reallocation. The paper discusses the underlying economic and political factors affecting external water trade in irrigation districts. Irrigation districts are nonprofit and cooperative-type institutions acting as monopolists in local settings. This creates some principal-agent and horizon type problems thereby hindering economic efficiency. Board members of districts are elected by local water users through popular or property weighted voting system. This possibly gives rise tradeoff between political support and economic efficiency. Boards of irrigation districts also face problem of how to divide benefits and costs of any water reallocation decision among district members thereby delaying or even potentially blocking otherwise beneficial reallocation process.

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