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The Gila River Diversion: A drain on limited state resources that are better spent elsewhere

October 2015

The state of New Mexico—with the highest level of child poverty in the nation¹—is considering spending up to a billion dollars on a system of diversions and pipelines on the Gila River that will allow New Mexico to purchase limited water from the state of Arizona in years when the river is at peak flow. If this Gila River diversion project moves forward, New Mexico families and water users will be stuck paying much of the billion-dollar price tag on an unnecessary and unproven project. We cannot afford to throw money at a costly project that may take decades to complete, when our state faces continued shrinking revenues and still-inadequate investments in early childhood education, health and well-being.

Over the last decade, local stakeholders and water experts have proposed numerous sustainable alternatives that would still enable New Mexico to benefit from millions in federal funding. These alternatives would address diversion proponents' concerns about future water needs and put people to work, while protecting both taxpayers and the river ecosystem. The state should switch course from this diversion boondoggle and channel its resources into creating an alternate plan. The billion dollars that would be sucked up by this project should be diverted to support the programs and services that grow New Mexico's economy, educate the state's children and strengthen our families.



Photo of the Gila River courtesy of the Bureau of Land Management New Mexico



Background

The Gila River is the last free-flowing river in the state of New Mexico and outdoor recreation is a significant contributor to the local economy. According to the business coalition Protect the Flows, the greater Gila Wilderness, which is part of a larger system of four New Mexico tributaries to the Colorado River, contributes \$1.2 billion to the state's economy by way of spending on outdoor recreation, birding, and angling.²

In 2004, the Arizona Water Settlements Act (AWSA) provided New Mexico with federal funding to be used on projects on the Gila River. Under the AWSA, New Mexico is eligible to receive federal funding for one of two options. The first is to receive up to \$66 million for water conservation projects in the Gila River basin. These could include forest and watershed restoration projects, irrigation efficiency upgrades, improvements to existing public water systems, and groundwater protection projects, to name a few. The second choice is to receive an estimated \$100 million toward a diversion project.³

After a decade of planning and consulting with local stakeholders, the New Mexico Interstate Stream Commission (ISC), a nine-member commission appointed by the governor, communicated to the US Interior Department in November 2014 its intention to choose a diversion project over other more sustainable and affordable alternatives.

Projections for the total cost of the diversion project vary widely and have ballooned from a low of \$330 million⁴ to a high of \$1 billion.⁵

Beyond initial construction costs, annual ongoing expenses for operating and maintaining the pipeline and storage facilities, and purchasing the water will likely run in the millions. The initial \$100 million in federal funds would contribute only a fraction of the total cost of a diversion project. It is not likely that more federal funds will be forthcoming. In fact, in a recent US Senate hearing, Deputy Secretary of the Interior Michael Conner testified that, "There is not a good expectation that there would be additional federal funds available for this project, so yes, it would be state and

local funds that would be needed to finance the [balance of the Gila diversion] project."⁶

Deputy Secretary Conner also echoed the conclusions of the cost analyses done for the ISC, saying, "[The Bureau of] Reclamation has looked at the appraisal level, which is a very preliminary level of analysis, but the range is somewhere in the neighborhood of \$600 million to over a billion dollars for a new diversion project on the Gila River."⁷

“The typical monthly Deming water bill would increase from the current \$13.68 per month to over \$158 per month.”

Costs Versus Benefits

The current Gila River diversion plan calls for a pipeline over the Continental Divide to Deming. In testimony before a legislative committee, former ISC Director Norm Gaume has said that if Deming residents were to pay their share for water from a Gila River diversion project, "the typical monthly Deming water bill would increase from the current \$13.68 per month to over \$158 per month."⁸ Luna County, where Deming is located, is one of the poorest counties in the state and nation. Approximately 44 percent of children in Luna County live in poverty.⁹ We cannot ask these families to help finance the Gila diversion through a tenfold increase in their water bills.



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Deputy Interior Secretary Conner has also questioned the cost-benefit ratio of the diversion plan, testifying before Congress, “I believe the preliminary work on feasibility did yield a questionable cost/benefit where the cost greatly exceeded benefits.”¹⁰



Alternatives to the diversion plan, on the other hand, “provide three times more water for a third of the cost,” according to a report by Audubon New Mexico, Gila Conservation Coalition, and the Rio Grande Restoration.¹¹

Better Uses of Taxpayer Money

New Mexico cannot afford a \$1 billion water project when the federal government is only offering to pay a mere fraction of the total cost. The bulk of the money needed for building the project would be capital outlay funding—money typically used for schools, clean drinking water, roads and bridges, and university buildings.

New Mexico has numerous infrastructure needs that should take precedence over a pipeline from the Gila. The American Society of Civil Engineers estimates that the state will need \$933 million in drinking water infrastructure alone over the next 20 years.¹² The group’s report card gave the state a grade of C on meeting overall infrastructure needs

and a C- on drinking water needs. The report also estimates \$4.05 billion in unfunded public school facilities needs.

Once completed, the pipeline would continue to cost the state millions every year, diverting much-needed general fund dollars from critical services like education, health care, and public safety. New Mexico is already under-funding numerous programs and service that benefit children, families, and the state’s economy.

During the recession, New Mexico made some of the deepest cuts (9 percent) in the nation in K-12 per-pupil spending.¹³ Even recent increases have not brought us back up to pre-recession, per-pupil levels, when adjusted for inflation. As a result, students are in over-crowded classrooms and there are fewer resources. Special education was cut so deeply that we will likely lose some federal funding.

New Mexico has also cut higher education funding by more than 30 percent,¹⁴ leading to huge tuition increases and a nearly-depleted lottery scholarship fund.

Additionally, New Mexico is hundreds of millions of dollars short in funding early care and education services like home visiting, quality child care and pre-kindergarten that are shown to improve school outcomes. Just last year, \$1 million was cut from funding for child care assistance.



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Finally, after several months of low oil and gas prices, New Mexico's revenue outlook is bleak. The most recent estimate of state government revenues for fiscal year 2017, which indicated potential budget growth of \$293 million, or 4.4 percent, is now seen as overly optimistic. Three factors will place stress on the upcoming budget and will have implications for future years:

- \$85 million will be needed to keep Medicaid fully funded;
- \$70 million will be needed to offset a drop in disbursements from the Land Grant Permanent Fund revenues, and;
- \$50 million will be needed to cover the cost of the next phase of the corporate income tax cuts enacted in 2013.

Conclusion

New Mexico Voices for Children strongly believes that the economic case is clear for halting our course immediately on the misguided Gila River diversion project. The state has more pressing budgetary needs and should, instead, take the opportunity to receive \$66 million in federal dollars to put towards more sustainable water projects in the region.

We call on Governor Susana Martinez, her appointed Interstate Stream Commission, the newly formed New Mexico unit of the Central Arizona Project (NM CAP Entity), and U.S. Interior Secretary Sally Jewell to reject and abandon the Gila River diversion project and move towards implementing sustainable and cost-effective alternatives—including more urgent and achievable water security projects—to protect New Mexico families. This way, we can ensure that our current and future state budgets reflect our values of putting our children's health, education and well-being first.

Endnotes

- 1 US Census Bureau
- 2 *Colorado River, Inc.: The \$26 Billion Recreation Resource Employing a Quarter Million Americans*, Protect the Flows, May 3, 2012; <http://protectflows.com/wp-content/uploads/2013/09/PTF-Fact-Sheet-New-Mexico.pdf>
- 3 While the original AWSA agreement provided \$128 million to NM for a diversion, Deputy Secretary of the Interior Michael Conner testified, "That last 28 million dollars was dependent on return on investment in the lower basin development fund being at a certain level which it has not been, so I think we are looking more at the eligibility being \$100 million, as opposed to the \$128 [million] figure"; Full Committee Legislative Hearing on Western and Alaska Water Legislation, Oct. 8, 2015, US Senate Committee on Energy & Natural Resources; www.energy.senate.gov/public/index.cfm/hearings-and-business-meetings?ID=65220e15-0479-492e-8423-ca1a381c1078
- 4 SB 89 fiscal impact report, Legislative Finance Committee, Feb. 12, 2014; <http://www.nmlegis.gov/sessions/14%20Regular/firs/SB0089.PDF>
- 5 "New Mexico Unit Value Planning Study," U.S. Department of the Interior Bureau of Reclamation, June 15-19, 2015
- 6 Full Committee legislative hearing on Western and Alaska Water Legislation, Oct. 8, 2015, US Senate Committee on Energy & Natural Resources (Conner)
- 7 Ibid
- 8 Norman Gaume testimony to the NM Legislature, Water and Natural Resources Interim Committee, Oct. 6, 2014; www.nmlegis.gov/lcs/handouts/WNR%20100614%20Item%20%20Gaume%20testimony.pdf
- 9 NM Department of Health, 2013 data; <https://ibis.health.state.nm.us/community/highlight/profile/NMPopDemoChildPov.Cnty/geocnty/29.html>
- 10 Full Committee legislative hearing on Western and Alaska Water Legislation, Oct. 8, 2015, US Senate Committee on Energy & Natural Resources (Conner)
- 11 SB 89 fiscal impact report, Legislative Finance Committee, Feb. 12, 2014
- 12 Report Card for New Mexico's Infrastructure American Society of Civil Engineers, 2012; http://www.infrastructurereportcard.org/new_mexico/new-mexico-overview/
- 13 *Most States Funding Schools Less Than Before the Recession*, Center on Budget and Policy Priorities, September 2013; <http://www.cbpp.org/cms/index.cfm?fa=view&id=4011>
- 14 "Ten State with Biggest Higher Education Cuts," Center on Budget and Policy Priorities, 2015; <http://www.cbpp.org/ten-states-with-biggest-higher-education-cuts>



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