



WESTERN GOVERNORS' ASSOCIATION

Bill Owens
Governor of Colorado
Chairman

Janet Napolitano
Governor of Arizona
Vice Chair

Pam O. Inmann
Executive Director

Headquarters:
1515 Cleveland Place
Suite 200
Denver, Colorado 80202-5114

303-623-9378
Fax 303-534-7309

Washington, D.C. Office:
400 N. Capitol Street, N.W.
Suite 388
Washington, D.C. 20001

202-624-5402
Fax 202-624-7707
www.westgov.org

Western Drought Facts and Information 2004

Cost to Federal Taxpayers

- The National Drought Mitigation Center (NDMC) estimates that the federal government spends an average of \$6 billion to \$8 billion per year on drought compared to \$2.5 billion on floods and \$1 billion to \$5 billion on hurricanes.
- The FY 2003 Omnibus Appropriations law (P.L. 108-7) contained an estimated \$3.1 billion in disaster assistance for 2001 and 2002 solely for crop and livestock losses. Its proponents initially sought \$6 billion.
- Over the past 50 years, the drought costs have been estimated as:
 - 1953-1956 = Federal government spent \$3.3 billion on drought response (National Science Foundation, June 1984)
 - 1976-1977 = \$6.5 billion spent by federal government (Western Governors Policy Office)
 - 1987-1989 = \$6 billion spent by federal government – not including crop insurance payments. (WGA NIDIS Report Appendix – Riebsame, Changnon, and Karl)
 - USDA's Federal Crop Insurance payments alone for drought losses have averaged \$462 million annually (33 percent of total payments) since 1989. More than half of the total \$4.1 billion in 2002 crop insurance indemnity payments, or some \$2.5 billion, was for drought-related causes. In 2003, those indemnities were approximately \$3.2 billion, of this amount about 45 percent is attributable to drought-related losses. (USDA-Research, Education, and Economics)
 - 1952-1988 = Federal expenditures averaged over \$.5 billion per year (National Drought Policy Commission Report, 2000)

Costs to the Economy

- According to NOAA there have been 12 different droughts since 1980 that resulted in damages and costs exceeding \$1 billion each. The most devastating of these was the 1988 drought in the central and eastern U.S. which caused severe losses to agriculture and related industries totaling \$40 billion and an estimated 5,000-10,000 deaths.
- According to the Texas Department of Agriculture, Texas losses due to drought in 1996-1998 are estimated at \$4 billion in direct income and \$11 billion in total impact on the state economy.
- In 1988 a \$1 billion increase in barge shipping prices on the Mississippi River was due to drought conditions. (Riebsame, Changnon, and Karl)

Current Drought Conditions

- Most of the Western states have suffered four to six years of drought. 15 of the 18 Western states are experiencing “severe” droughts or worse. 12 of the 18 are experiencing “extreme” drought including New Mexico, South Dakota, and Montana. Two states are in “exceptional” drought Idaho and Montana. Montana’s drought began in 1999.
- According to the National Weather Service, the West is expected to have above-normal heat and below normal rain in the southwest for the rest of the summer.
- According to the U.S. Drought Monitor report for June 22, 2004 half or more of the pastures and rangeland in Arizona (45%), Colorado (49%), New Mexico (60%), Wyoming (61%), and California (75%) are in poor condition.
- According to the U.S. Geological Survey and its study of tree rings, the current drought in the Colorado River Basin is as bad as or worse than the drought of 1990-1994. The drought affecting the Colorado River Basin is worth noting because it is the main water supply for the metropolitan areas of Phoenix, Las Vegas, and Los Angeles, and seven Western states.
- According to the U.S. Drought Monitor report for June 22, Albuquerque marked 72-consecutive days without measurable rain. The streak was Albuquerque’s fifth-longest on record and longest since March-May of 1996.
- Researchers from the Scripps Institution of Oceanography report that this year’s snowmelt was one of the earliest in 90 years. The earlier the snowmelt, the less water left for reservoirs and plants. Stream gauges along the Merced River in California show the snowmelt has moved over the last two decades from mid-spring to early spring or late winter.

- According to an article in the Denver Post, “federal officials fear that \$100 million worth of hydropower generated annually by Lake Powell could dry up completely by 2009 – if dam managers continue releasing water at pre-drought rates.
- The State of Washington lost \$410 million and 13,000 jobs in the aluminum and agricultural industries due to drought over a two-year period between 1999 and 2000. The state also projects a loss of \$1.2 billion from 2001-2005.
- In early January the Southern Nevada Water Authority placed water restrictions on water use in the Las Vegas area. Among the restrictions include a ban on car washing at home and no grass lawns in front of new homes, and limited to 50 percent of back and sides areas. The restrictions were deemed necessary when Lake Mead fell to its lowest level since 1969. Lake Mead supplies about 90 percent of the water in southern Nevada.

Congress Appears Headed for Another Costly Ad-Hoc Drought Relief Package

- Rep. Scott McInnis of Colorado has introduced H.R. 478, the Rancher HELP Act, which would amend the federal tax code to give ranchers more flexibility to deal with adverse weather conditions. Under current tax law, ranchers who sell livestock in response to drought or other severe weather conditions and reinvest the proceeds in livestock within 2 years are allowed a capital gains tax exemption. As the drought wears on, this 2-year window is too narrow. H.R. 478 would extend the 2 year window to 4 years, and allows the Secretary of Agriculture to extend the limit even further if the circumstances dictate.
- Senator Max Baucus of Montana included a provision similar to H.R. 478, into the FSC/ETI corporate tax relief bill pending before a conference committee. The Senator noted that the impetus for the bill is the on-going drought and the fact that Montana’s cattle inventory has dropped 15% since 1996.
- On June 24, 2004, USDA Secretary Veneman authorized emergency grazing on Conservation Reserve Program (CRP) acres until September to provide relief for farmers and ranchers in qualifying areas suffering from this year’s extreme drought.
- On September 14, 2004, Senators Max Baucus and Conrad Burns among others were successful in adding a \$2.9 billion disaster relief package to the FY 2005 Homeland Security Appropriations bill (S.2537). Aimed at providing emergency aid for drought, frost and flood disasters, the amendment provides \$2.5 billion for the USDA’s crop disaster program, \$475 million for livestock assistance, and \$20 million for tree assistance.

National Drought Preparedness Act of 2003 (S. 1454 / H.R. 2871)

- **Creates a National Policy for Drought.** The bill would move the country away from costly ad-hoc, and response oriented approach to drought, and toward a more pro-active approach focused on preparation and planning. Increased water efficiency, conservation and supply are all necessary ingredients for successful drought planning. A new national policy will provide the tools and focus for federal, state, tribal and local governments to address the diverse impacts and costs caused by drought.
- **Improved Forecasting & Monitoring.** The Drought Council will facilitate the development of the National Integrated Drought Information System (NIDIS) in order to improve the forecasting of future droughts. This information could prove to be vital to water managers, farmers and the like. Improved forecasting may allow water users to better prepare for drought conditions by, for example, changing to drought resistant crops, selling or moving herds in a rational manner, or by transferring available water supplies.
- **New Tools for Drought Preparedness Planning.** The Drought Council will assist states, local governments, tribes, and small businesses in the development and implementation of drought preparedness plans. Through advance planning much of the economic impacts of drought may be mitigated. Importantly, the bill also preserves state authority over water allocation.
- **Improving Delivery of Federal Drought Programs.** The bill establishes the National Drought Council under the direction of the Secretary of Agriculture. The Council will build upon existing programs and provide the coordinating and integrating function for federal drought programs while making recommendations to improve existing federal drought programs.
- For more information about the bill and why the Western Governors support it, log on to <http://www.westgov.org/wga/initiatives/drought/index.htm>

National Integrated Drought Information System (NIDIS)

The NIDIS would combine federal, state and local governments, in a coordinated effort to predict and address drought. Essentially, NIDIS would be an improved drought monitoring and forecasting system that would allow water users and policy makers to make more informed and timely decisions.

In June 2004, the Western Governors' Association adopted the report entitled, Creating a Drought Early Warning System for the 21st Century: The National Integrated Drought Information System (NIDIS). The NIDIS report can be accessed at <http://www.westgov.org/wga/publicat/nidis.pdf>

Conclusions

- Congress continues to appropriate billions of dollars in emergency ad hoc drought relief. This is in addition to the millions of dollars spent for disaster assistance that is provided on an ongoing basis through three permanently authorized USDA programs: the federal crop insurance program, the noninsured crop disaster assistance program, and the FSA's emergency loan assistance program.
- It looks like we may be headed for another drought relief package this year that could be the most costly drought ever, and the drought is not over yet.
- We can't change the weather, but Congress must take steps to move us away from this ad-hoc approach to a proactive policy that will mitigate the damage caused by future droughts, and save money!
- The nation has policies for mitigating the damage of other natural disasters like floods and earthquakes. For example, flood plain maps and precise building codes. But no such national policy exists for drought. There is clearly a positive cost/benefit ratio for proactive natural disaster planning, including drought planning.
- Congress should include the Drought Preparedness Act's provisions in any drought related economic assistance package considered by Congress.

Contact Information:

Shaun McGrath
Western Governors' Association
Denver Office
(303) 623-9378
smcgrath@westgov.org

Kevin Moran
Western Governors' Association
Washington, D.C. Office
(202) 624-5402
kmoran@sso.org

Shanna Brown
Western Governors' Association
Washington, D.C. Office
(202) 624-5402
skbrown@sso.org