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Study predicts major economic fallout and job loss in Merced area from State's plan to divert local water

Nearly \$1 billion in local economic output is associated with the water operations of Merced Irrigation District and Lake McClure. Under a state plan to divert water away from Eastern Merced County, there could be a loss of up to \$231 million in economic output and a reduction of as many as 970 full- and part-time jobs. In total, the state's plan could increase the local unemployment rate by an entire percentage point, in an already disadvantaged community.

That is according to a recently released 104-page economic analysis completed by Dr. Susan Burke, a Senior Economist with independent consultant Cardno. The study, "[Economic Impacts of Reduced Water Availability to Merced Irrigation District](#)" compares existing MID water operations and economic output with economic conditions expected to result from a new plan from the State Water Resources Control Board (SWRCB). That plan would divert water historically used in eastern Merced County and send it to the San Francisco-San Joaquin Bay Delta.

The study considers direct production of agriculture reliant on MID surface water. It also considers ag processing and associated hydroelectric production. Under existing MID operations and water rights, Merced-area water shortages generally occur in 11 of 93 years; under the SWRCB's plan, shortages would occur almost every two years, or 41 years out of the 93 years analyzed. The economic models used 93 years of local water data from 1922 through 2014. Significant droughts were taken into consideration, including from 1929 through 1931, 1976 through 1977, 1988 through 1994 and 2012 through 2014.

Among the significant highlights of current economics:

- Crops grown with surface irrigation water supplied by MID from Lake McClure generate just under \$1 billion in annual output in Merced County, both in the production of commodities and value added by local processing.
- Agriculture creates 4,888 jobs and generates over \$267 million in labor income annually in Merced County.

- Of the top 25 major employers in Merced County, measured in number of employees, 13 are directly or indirectly involved in agriculture.

- Power production at the hydroelectric facilities at Lakes McClure and McSwain add between \$13 million and \$17 million annually to the regional economy. It also creates 21 jobs and generates \$1.2 million in labor revenue.

The State Water Board is considering amendments to its 2006 Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Bay Delta which would establish increased water flows to the Lower San Joaquin River from three eastside tributaries, including the Merced River. The plan is contained in the SWRCB's Substitute Environmental Document (SED), and is purportedly for the protection of salmon, as well as protecting water quality in the Delta.

An original SED plan was released in 2012. After receiving significant public comments, the SWRCB has been working on revisions to the SED and is likely to release an updated draft sometime this year. As with the initial draft SED, the revised draft is expected to continue to focus on flow releases from the tributary rivers to the San Joaquin River.

Under the State Water Board's "flow-only" plan, the decline in annual agricultural production and processing output is estimated to range from \$127 million to \$231 million depending on the water-year type. Such water year types occur naturally and are a measure of the winter precipitation in the Sierra.

MID utilized a hydrologic model of the Merced River watershed to estimate both the current baseline for canal deliveries and expected future canal deliveries that would result under the SWRCB's SED. The hydrologic model assumes a requirement to release 40 percent of unimpaired flows between February and June each year.

Employment would decline in those years between 587 and 970 full- and part-time jobs, approximately 0.5 to 1 percent of the total workforce in Merced County. This would be commensurate with a reduction in labor income ranging from \$37 million to \$59 million.

Hydropower generation would be affected in every year type ranging from a reduction of 9 GWh to 57 GWh output. Gross revenue dollars to MID alone would decline \$1 million to \$4 million. This is a critical source of revenue to support costs of environmental analysis and implementing mitigation measures associated with federal relicensing of the hydroelectric project.

Impacts would also result to municipal and industrial water users, primarily the Lake Don Pedro Community Services District, which serves approximately 3,200 residents in the Don Pedro Community. The LDPCSD's intake is at elevation 700 feet. When water levels in the lake are below 700 feet there is an interruption in the residential water supply. Under the SWRCB's SED, the total number of months of interruption over the 93-year planning horizon increases from 11 months to 39 months, a 355 percent increase in frequency of interruptions.

The analysis concludes that the State's plan would reduce surface water supply to the area by 15 to 25 percent from today's baseline conditions in more than half of future years. Historically, reliable MID

surface water supply has contributed to the significant investment in the current cropping structure and water delivery infrastructure in Merced County's agricultural industry.

Merced County's current agriculture rankings among other California counties include the following:

- 4th in almond production
- 4th in milk production
- tied for 6th in the number of dairy operations
- 2nd for all cattle

"This PhD-level, outside review highlights the significant and far-reaching impacts to this community as it relates to local water supply," said MID General Manager John Sweigard. "These are significant negative effects that cannot be minimized or ignored."

The study was completed through reviewing dozens of existing reports and analyses, ranging from state Economic Development Department data to state and local agriculture reports. The collected data was combined with water-use and diversions computer modeling to develop the complete analysis.

The complete report can be seen [here](#).

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