INTERSTATE WATER COMPACTS

By

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The subject assigned to me is that of "Interstate Water Compacts".

I have chosen to broaden this subject by discussing interstate compacts as related to the problems incident to basin-wide development of water resources.

The legal and procedural phases of compact making, it may be assumed, are fairly well understood by those interested in the development of the Nation's rivers. Only relatively brief attention need be devoted to those phases in this paper. The various purposes which a water compact among states may serve, on the other hand, are becoming more apparent in recent years. At the time of the Colorado River Compact of 1922 the dominant concept was that of amicably resolving a potential controversy by allocating water supplies of a river system. Even in that compact the possible conflict between certain uses of water was envisioned and adjusted. But at that period the many problems of basinwide development were not so acute as in this day when in many instances an effort is being made to "cut the final pattern" of water utilization and control of an entire river system. This involves critical questions relating to the rights and interests of the States and those of the Federal government, to

searching economic, social and political considerations, to unified project construction and operation over vast regions comprising several states, to the appraisal of benefits and assignment of financial responsibility and to National water policies. What part may an interstate water compact play in meeting these problems?

Before discussing this question may we briefly review the basic legal concept and procedure involved in compact making.

Section 10 (2) of Article I of the Federal Constitution provides:

"No State shall, without the consent of Congress, *** enter
into any agreement or compact with another State ***".

This provision has been construed to mean that the Constitution authorizes a state to enter into any agreement or compact with another state with the consent of Congress. This constitutional authority is negatively put in order to express the limitation imposed upon its exercise. Under the theory of the Federal Constitution only Congress may determine what arrangements between States come within the permissive class of "agreement or compact". The National, and not merely a regional, interest may be involved. Thus the Constitution created a mechanism of control over affairs that are projected beyond State lines and yet may not call for, nor be capable of National treatment.

In practice a compact is negotiated by commissions designated by the participating states. Its binding effect on signatory states is accomplished through ratification by their respective legislatures.

Ordinarily the consent of Congress to negotiate a compact is first sought by the interested states. The Congressional Act granting such consent in nearly every case designates a Federal representative to serve on the compact commission.

After the compact is negotiated and ratified by the signatory states, it must be sent to Congress to determine whether it constitutes such an arrangement between states as comes within the permissive class of "agreement or compact" under the constitution. Favorable action by the Congress on this question does not bind the Federal government to the terms of the compact but merely removes constitutional inhibition against states entering into agreements or compacts. The United States may be bound to the terms of an interstate compact by a provision contained in the compact that the ratification of the signatory states is binding on condition that Congress in granting its consent shall pass legislation expressly binding the United States to designated compact terms. This method was employed in the compact between Colorado, Kansas and Nebraska in the Republican River Compact.

States may enter into a compact without first obtaining the consent of Congress to negotiate. In that event, the necessary subsequent Congressional approval of the compact arrangement between the signatory states as not violating the constitutional inhibition implies previous consent.

The idea expressed in a recent report that ratification of an interstate compact by a signatory state might well be accomplished through an election by affected water users, organized into districts, is without any legal basis whatsoever in our dual (Federal and State) form of government. The Federal constitution authorizes a state, not groups within a state, to enter into a compact with another state with the consent of Congress. The state in performing such a function acts as a quasi-sovereign, and its commitments thus made express of the will and bind all of its citizens. In this matter the interests of the entire state and all of its citizens, not that of a particular segment of its people, are involved.

The validity of a compact on water, particularly where its terms and enforcement may conflict with water rights under State law, was upheld in 1937 by the Supreme Court of the United States in the case of Hinderlider et al v.

La Plata River and Cherry Creek Ditch Company (302 U. S. 646). In that case the Court held that adjustment of controversial rights and the use of water may be made by compact without a judicial or quasi-judicial determination of existing rights, as well as by suit in the Supreme Court. In commenting upon the apportionment of water of the La Plata Giver made by the compact between Colorado and New Nexico, the Court held that such apportionment is binding upon the citizens of each State and upon all water claimants even where the State had previously granted water rights. This holding was based upon the theory, expressed by the Court, that no claimant has any right greater than the equitable share of the water of an interstate stream, to which the State is entitled.

The Supreme Court of the United States has frequently recommended that interstate water controversies be adjusted by compact in order to avoid the difficulties incident to litigation. Experience in litigation before the Supreme Court of the United States in interstate water disputes has demonstrated that the judicial process often is not flexible enough to accomplish desirable and workable results. In some instances the decision of the United States Supreme Court has proven to be unworkable for the best, highest and most efficient use of the water resource. It is important to note, too, that resort to an original action in the Supreme Court of the United States can only be made to adjust an existing controversy where one state is using interstate waters to the injury or threatened injury of another state. The Court will not apply the judicial process for the purpose of adjusting many problems which are inherent in a program of besin-wide development.

Justice Felix Frankfurter and James M. Landis in a paper on interstate adjustments, speaking of the problems on the Colorado River, stated:

"Conflicts followed, with the conventional resort to courts. But litigation added confusion, not settlement. The judicial instrument is too static and too sporadic for adjusting a social-economic issue continuously alive in an area embracing more than a half dozen States. The situation compelled accommodation through agreement for continuous control of these continuously competing interests."

Perhaps the best reference source on the subject of Interstate Compacts is "Interstate Compacts - A Compilation of Articles and Documents including a Bibliography" prepared in 1946 by the Colorado Water Conservation Board. Since this compilation was published, requests for copies of it from many parts of the United States and five foreign countries have been met and the supply is now exhausted. The Library of Congress advised that it is the only work of its kind on compact making. This compilation was undertaken because the best treatises on water compacts have appeared from time to time in various law journals, reports and miscellaneous publications. The principles of equitable apportionment of interstate waters appear in a number of decisions of the United States Supreme Court and application of these principles is disclosed by many compacts which have been consummated.

Let the foregoing suffice for the legal basis and procedure in interstate compact making. The above quotation from Frankfurter and Landis leads into the broader phase of this discussion. Particular attention is directed to two expressions from that quotation namely:

"The judicial instrument", referring to United States decrees, "is too static and too sporadic for adjusting a social-economic issue continuously alive in area embracing more than half a dozen States."

"The situation compelled accommodation through agreement for continuous control of these continuously competing interests."

These statements, while condemning the judicial process for adjusting involved and continuous interstate water problems, at the same time indicate purposes a water compact may serve and the part which it may play in unified river basin development. A discussion of the matters raised by these statements in this paper will be undertaken so as to cover the following:

- 1. The relationship between Federal and State rights and interests in water.
- 2. The interstate rights and interests. This includes those regional interests requiring control over affairs that are projected beyond state lines and yet may not call for, nor be capable of, National treatment.

Few, if any, water compacts may be formulated without considering the Federal as well as the state interests. The line of demarcation between the two can seldom be clearly defined. Likewise the National and the regional interests are inter-related. The authority over the use of water and the right to control it for various purposes, as between the Federal Government

and the states, although well recognized in some respects, becomes confused in others. The situation in these matters is such that one clear conclusion can be drawn, namely: There is need for a mechanism which will effectively integrate the respective Federal and state rights, interests and responsibilities in water development activities.

In discussing this matter we are forced at the outset to accept the fact that at the present time, and presumably for all time in the future, the magnitude and multiple-use character of river basin development requires Federal financing. There will be, of course, relatively minor instances of projects constructed by private financing. The principal Federal rights and interests under such a program may be mentioned as follows:

- 1. The improvement of navigation and control of water for that purpose is a Federal function exercised under the commerce clause of the Constitution.
- 2. Flood control is a Federal activity undertaken in the National interest and financed from the United States treasury without reimbursement of cost. The Federal authority is sustained by the commerce and general welfare clauses of the Constitution. The Flood Control Act of June 22, 1936 (49 Stat. 1570), as amended by the Act of August 28, 1937 (50 Stat. 876) contains the following declaration of policy:

"Section 1. It is hereby recognized that destructive floods upon the rivers of the United States, upsetting orderly processes and causing loss of life and property, including the erosion of lands, and impairing and obstructing navigation, highways, railroads, and other channels of commerce between the States, constitute a menace to national welfare; that it is the

sense of Congress that flood control on navigable waters or their tributaries is a proper activity of the Federal Government in cooperation with States, their political subdivisions, and localities thereof; that investigations and improvements of rivers and other waterways, including watersheds thereof, for flood-control purposes are in the interest of the general welfare; that the Federal Government should improve or participate in the improvement of navigable waters or their tributaries, including watersheds thereof, for flood-control purposes if the benefits to whomsoever they may accrue are in excess of the estimated costs, and if the lives and social security of people are otherwise adversely affected."

3. The interest of the Government in the development of hydroelectric to energy in connection with river improvement goes back/as early as 1879. In that year the Secretary of War was authorized to lease the water power at Moline. There are many Acts of Congress and decisions of the Supreme Court of the United States showing the gradual formulation of the Federal interest in power development over the years. May we note only a few. In 1898 the United States Supreme Court in Green Bay and Mississippi Canal Company vs. Patten Paper Company, (172 U.S. 58) upheld the right of the Federal Government to dispose of water power at a navigation dam, pointing out that the Government could thus reimburse itself for the expense of the improvement. In 1912 the Congress (Act of July 25, 1912, 37 Stat. 201) provided that the Secretary of war is authorized to install in the permanent part of a dam for the improvement of navigation such foundations, sluices and other works as may be considered desirable for the future development of water power. Also in 1912 a subcommittee on the Judiciary

of the Senate directed the Committee on the Judiciary to report to the Senate that for the purpose of improving navigation, the Government has the undoubted right to establish and maintain, in connection with any dam, an electric power plant to furnish motive power for the operation of locks and gates and to sell, lease, or rent for compensation the surplus power that may arise from and be an incident to such improvement of navigation. The Federal Power Act of 1920 (41 Stat. 1063) followed by the Act of August 26, 1935 (49 Stat. 338) created the Federal Power Commission and based the authority of the activities of that commission on the commerce clause of the Constitution. This Act was followed by the New River decision (311 U. S. 377 and the Red River decision (Oklahoma v. Atkinson, 313 U.S. 508), the latter decided in 1942, which greatly broaden the authority of the Federal Government in the matter of production and transmission of hydro-power. In the New River case the court held:

"In our view, it cannot properly be said that the constitutional power of the United States over its waters is limited to control for navigation. By navigation respondent means no more than operation of boats and improvement of the waterway itself. In truth the authority of the United States is the regulation of commerce on its waters. Navigability, in the sense just stated, is but a part of this whole. Flood protection, watershed development, recovery of the cost of improvements through utilization of power are likewise parts of commerce control."

The Federal enactment which first dealt with hydro-power produced by a reclamation project is that of April 16, 1906 (34 Stat. 116, 117), a pertinent part of which provides:

"That whenever a development of power is necessary for the irrigation of lands under any project undertaken under the said reclamation act, or an opportunity is afforded for the development of power under any such project, the Secretary of the Interior is authorized to lease for a period not exceeding 10 years, giving preference to municipal purposes, any surplus power or power privilege, and the moneys derived from such leases shall be covered into the reclamation fund and be placed to the credit of the project from which such power is derived". (Emphasis supplied)

This Act was followed by another on December 5, 1924 (43 Stat. 672, 703). This Act directed the manner in which the Secretary of Interior should apply revenues from power produced by a reclamation project.

The Hayden-O'Mahoney amendment to the Interior Department Appropriation Act for the year 1939 (Act of May 9, 1938, 52 Stat. 291, 318) provides:

connection with any irrigation projects, including the incidental power features thereof, *** shall be covered into the reclamation fund***: Provided, That after the net revenues derived from the sale of power developed in connection with any of said projects shall have repaid those construction costs allocated to be repaid by power revenues therefrom *** then said net revenues *** shall, after the close of each fiscal year, be transferred to and covered into the General Treasury as 'miscellaneous' receipts ***".

The Reclamation Project Act of 1939 (Act of August 4, 1939, 53 Stat.

1187) deals, so far as power is concerned, solely with contracting and ratemaking by the Secretary of Interior with respect to electric energy produced
by a project authorized and constructed under the Federal Reclamation program.

In this paper I have covered the Government authority and participation in power production at some length because in recent years there has been so much controversy in the matter, and, it is quite apparent, there has been much misunderstanding of the subject. Power production is an important factor in comprehensive river basin development and likewise cannot be overlooked in the activities of Interstate Compact Commissions.

4. Federal reclamation of arid and semi-arid lands as it is known today, was initiated by the Reclamation Act of June 17, 1902 (32 Stat. 388). It authorizes the Secretary of Interior to establish, construct and maintain irrigation projects to make marketable and habitable large areas of desert land within the public domain. It establishes a revolving fund for reclamation construction. The original Federal Act and subsequent legislation establish the Federal reclamation program for the seventeen Western States. The early-day concept of Federal irrigation development of the public domain has been expanded over the years by numerous acts of the Congress to include supplemental irrigation of private lands, incidental power production, flood control and relief from detriment to fish and wildlife from reclamation activities in connection with multiple-use projects. Also it is no longer financed solely from proceeds of the Reclamation fund.

The authority of the United States to engage in reclamation was sustained in the beginning by Article IV, Section 3 of the Constitution giving Congress

power "to dispose of and make needful rules and regulations respecting the territory or other property belonging to the United States." (See United States v. Hanson, 167 Federal, 881; Burley v. United States et al., 179 Federal 1). Some reclamation project authorizations, such as the Boulder Canyon Project, were based on the commerce clause of the Constitution. As late as June 5, 1950 the concept of the authority for Federal reclamation was broadened in the important United States Supreme Court case of the United States v. Gerlach Livestock Company. While holding that Congress has directed that, in the Federal Reclamation program, state-created water rights must be recognized, the Court said:

"* * * * Thus the power of Congress to promote the general welfare through large-scale projects for reclamation, irrigation, or other internal improvement, is now as clear and ample as its power to accomplish the same results indirectly through resort to strained interpretation of the power over navigation". (Emphasis supplied)

There is thus established, on the bases above briefly reviewed, the right of the United States to engage in the reclamation of land in the national interest. Certain incidental benefits from the reclamation program, such as flood control, are also related to the national interest. The authority for certain non-reimbursable costs of a reclamation project, including the interest-free investment in irrigation works, is also thereby established. It is well known, of course, that irrigation, power and municipal water beneficiaries are required to make repayments of specified amounts of the construction costs. In the case of the investment in power features of a project, interest is collected from the consumers; and in the case of municipal water beneficiaries, interest may or may not be collected in the discretion of the Secretary of Interior.

In the matter of the relationship between Federal and State rights and interests in water, may we now take a look at the State side. Time does not permit a discussion of the distinction between the riparian and appropriation doctrines of water law. It will be assumed that this is understood.

The full power of choice between the riparian and appropriation doctrines is in the state. This has been held in a number of decisions of the United States Supreme Court. The equality of states means equality of political power and hence every state has the same power to control by appropriate police regulations the water flowing within its borders, subject to equitable apportionment of the waters of an interstate stream and the power of the Federal Government to regulate their use in the substantial interest of commerce under the commerce clause of the Constitution.

There is no provision of the Federal Constitution which delegates to the central Government power to control the acquisition and use of water for beneficial purposes, except the power to regulate commerce. All powers not delegated to the Federal Government by the Constitution, or reasonably implied therefrom, are reserved to the states. Realizing this principle the United States has on occasion claimed proprietary ownership in water with power to dispose of it under Clause 2, Section 3, Article IV of the Constitution. The courts have uniformly held, however, that application of this constitutional provision imposes two conditions: (a) Consistency with the fundamental principles of our dual form of government; and (b) no interference with the powers reserved to the states.

The only ownership in water being one of a right of use, neither the United States nor any state can possess a true ownership in the corpus of the water. Thus a state does not exercise control over water as a proprietor but as

a sovereign; and a state, under the dedication of water to the state or to the people, exercises the power of administration or regulation of the waters flowing within its boundaries.

The recitals contained above, with respect to rights and interests in, and authority over, the use and control of water as between the Federal Government and the states, would seem to indicate considerable potential conflict.

As pointed out elsewhere in this paper, the demarcation between the two is not always clear. Much has been done by Federal legislation followed by procedures and practices to alleviate the situation.

Section 8 of the Reclamation Act of 1902 provides:

"* * nothing in this Act shall be construed as affecting or intended to affect or to in any way interfere with the laws of any State or Territory relating to the control, appropriation, use or distribution of water used in irrigation, or any vested right acquired thereunder, and the Secretary of the Interior, in carrying out the provisions of this act, shall proceed in conformity with such laws, and nothing herein shall in any way affect any right of any State or of the Federal Government or of any landowner, appropriator, or user of water in, to, or from any interstate stream or the waters thereof:"

By the Acts of 1866 (14 Stat. 251), 1870 (16 Stat. 217), and 1877 (19 Stat. 377) the federal government irrevocably and unconditionally surrendered or relinquished whatever rights the Government may have had to control the use to the waters of the non-navigable streams of the West. Congress by means of this legislation recognized and assented to the appropriation of water in contravention of the common-law rule as to continuous flow, dedicated the waters upon

the public domain and in the arid land states and territories to the use of the public for irrigation and other purposes, severed the land and waters constituting the public domain, allowing the lands to be patented separately, and subjected all non-navigable waters then a part of the public domain to the plenary control of the designated states, with the right in each to determine for itself what extent the rule of appropriation or the common-law rule in respect of riparian rights should obtain.

Section 1 of the 1944 Flood Control Act (Public Law 14-79th Congress - 1st Session) contains a declaration of policy and provides a procedure which recognizes the rights and interests of the states in the Federal programs of water development. The procedure therein specified affords an opportunity for states to comment on and make recommendations with respect to proposed plans for Federal projects. In practice this procedure has been most effective in integrating the affairs of the Government and the states in water development. The policy statement of Section 1 of the 1944 enactment (often called the O'Mahoney-Millikin Amendment) reads as follows:

"That in connection with the exercise of jurisdiction over the rivers of the Nation through the construction of works of improvement, for navigation or flood control, as herein authorized, it is hereby declared to be the policy of the Congress to recognize the interests and rights of the States in determining the development of the watersheds within their borders and likewise their interests and rights in water utilization and control, as herein authorized to preserve and protect to the fullest possible extent established and potential uses, for all purposes, of the waters of the Nation's rivers; to facilitate the consideration of projects on a basis of comprehensive and coordinated development; and to limit the authorization and construction of navigation works to those in which a substantial benefit to navigation will be realized therefrom and which can be operated consistently with appropriate and economic use of the waters of such rivers by other users."

In my judgment, few appreciate enough the importance and effectiveness of this enactment. It is a "milestone on the road" to adjustment of conflicts in authority and interests in a dual form of government. Such conflicts are often accompanied by confusion in public views in the important business of utilizing and controlling a basic natural resource.

This enactment by the Congress and the effort of that time to establish Federal river valley authorities were largely the incentive for the creation of Inter-agency Committees for three of the great river basins of the Nation. These committees are made up of Federal and state representatives and have accomplished much in composing views and integrating interests of the central government and basin states.

I believe it can be safely concluded that proposals for Federal Regional Authorities have met with overwhelming public condemnation. These proposals constituted a mechanism for centralized Federal control over the basic water resource, for government through a Federal corporation shaping the future economic and social welfare of the people, for the effectuation of legal principles to defeat the integrity of state-created water laws, and for the advancement of an ideology with a decided socialistic trend. Yes, these proposals have been rejected by a people who desire to retain, as far as possible, that element

of local autonomy which is inherent in the Federal union of states.

There have been these attempts for centralized Federal control of water (sometimes referred to as bureaucratic-control trends); and there are evidences, now and then, of officials within the Government asserting unwarranted attacks on the rights and interests of the states. Some have even contended that in this day the states have lost their usefulness. For these reasons, there is need, of course, for an attitude of alertness on the part of our people. But on the basis of the record of enactments of the Congress, decisions of the United States Supreme Court, the usual and accepted practices of Federal agencies now engaged in water activities and the prevailing public attitude. I do not believe that there is any merit in the claim, often made these days, of an alarming trend toward bureaucratic or centralized control. Abortive efforts in this direction cannot be construed as trends sanctioned by the people and the law. Undoubtedly, the situation in this respect attracts more public attention, as it should, in a day when the final pattern of development is taking shape in many river basins, but progress in keeping with Federal and state rights and interests is being made.

The formulation of basic water policy, procedure, and plans and programs for integrated basin-wide development, with all of the attending economic and social phases of the matter, is an evolving process. It has been so in the past. It cannot be expected to spring fully developed at any given time, even as to important aspects, from the minds of any group of men. It is appropriate, however, in the study and gradual formulation of such policies and plans to consider the part which interstate compacts may play.

An interstate water compact is designed to remove present and future causes of controversy and amicably adjust differences among states with the

consent of Congress. In that role, in many cases if not all, a compact may well serve the ends of basin-wide water development in the following ways:

- 1. It may provide for the equitable apportionment of the use of the water supply of an interstate river and its tributaries.
- 2. It may specify the method and extent of the measurement of stream flows and the method of determining the uses of water in the signatory states.
- 3. It may make provision for the installation, maintenance and operation of water-gaging stations on the streams subject to the compact; for engaging in cooperative studies of water supplies of such streams; and for making findings as to certain matters of vital importance in the utilization of water and operation of project facilities.
- 4. It may determine the preferential use of water among the states. The Colorado River Compact of 1922 specifies that the use of water for power production shall always be subservient to irrigation requirements. In this connection provision may be made for reserving water for upstream irrigation potentialities against an earlier power installation downstream. It is not clear that this can effectively be done through a Federal Act. Since the control of water in the interest of navigation is within the power of the United States Government, it was possible for the Congress in the 1944 Flood Control Act to protect future upstream irrigation and other consumptive uses of water in the Missouri Basin against downstream navigation development. This was done through the exercise of the commerce clause of the Federal Constitution by placing a limitation on the water which needed to be released from the upper irrigation states to serve navigation purposes in downstream states. But in the Western states the right to appropriate water for power, as well as for other purposes, is controlled by the state laws.

- 5. A compact may provide, in conformity with the rights and interests of the Federal Government and in accordance with a unified basin-wide plan, for the manner of operation of project facilities.
- 6. It may specify the manner and extent of charging respective signatory states for reservoir evaporation losses.
- 7. It may provide the conditions under which project facilities may be built in one state to serve water users in another signatory state. This was done in the recent Upper Colorado River Basin Compact.
- J. G. Will, Secretary and General Counsel of the Upper Colorado River Commission, said in a recent address:

"* * * The Commission has adopted a program designed to carry out and achieve that purpose. In carrying out that purpose the Upper Colorado River Commission fulfills the desire of the people of the Upper Colorado River Basin for

an agency that will interpret the needs of the Upper Basin for prompt and sound development. But it is more than that. It can, for instance, serve as a clearing house for varieties of ideas, that can be discussed in frank and friendly fashion within the forum provided by the Commission, rather than become the subject of injudicious individual or unilateral action and, perhaps, even angry, public debate outside that forum, which might well affect adversely the solid front that the States ought to present to the outside world.

"We must look ahead. Looking ahead and planning for the future are strictly necessary, if the States of the Upper Basin are to have and are to play a proper part in making their own future. It is not too soon to look forward to the day when wast works have been constructed and when there may well arise the question as to what would constitute a suitable agency to undertake their operation and maintenance and their administration. It is not too early to be thinking about that and to be wondering whether the Upper Colorado River Commission is the answer. There is ample precedent in the history of inter-state relations for the assumption by the Upper Colorado River Commission, under suitable agreement with the United States of America, of the operation and maintenance of these works and of the incidental functions related thereto. Should that happen, the area concerned would enjoy the benefits of the application of progressive policies laid down by Federal Law but administered through a local body, closer to the people, and intimately acquainted with their

problems. Any contract between the Upper Colorado River Commission and the United States of America, must, of course, bind the Commission to operate, in the national and international interest, under regulations duly prescribed by the Federal Government."

In some river basins, such as the Upper Colorado River Basin, a compact was necessary before a plan for basin-wide, comprehensive development could be undertaken; in other basins that is not necessary. The time may come, however, in any river basin after the initiation of plan of comprehensive development, when an interstate compact may be found to be an appropriate means for effective and official adjustment of potential conflicts among the states, for giving legal effect to understandings between the states and with the Government during the process of basin-wide planning, and for providing an interstate administrative body, with the legal status which it would enjoy, to deal with important matters of basin-wide project operation. It is noted that the Missouri Basin States Committee, of which Governor Val Peterson of Nebraska is chairman, has wisely requested the Council of State Governments to make a study of this matter.