April 5th Water Conference
Participant List

Question 2: Role of the Bureau of Reclamation in the 21st Century

What should the future role of the Bureau of Reclamation be in the West? Should the Bureau undertake water supply or supply augmentation activities which are designed primarily for municipal and industrial purposes, such as the Title XVI Program? Please also include comments on potential financing mechanisms such as grants or loan guarantees. What role should the Bureau play with respect to addressing: the West's future water needs; drought and flood planning and response; water infrastructure, including dam safety and site security; facility operation and maintenance; rural water needs, including in Indian country; hydroelectric power; recreation; watershed restoration; and water use efficiency?

Participants:

- National Water Resources Association
- WateReuse Association
- Western States Water Council
- Family Farm Alliance
- City of Santa Fe
- Confederated Tribes of the Umatilla Indian Reservation

Senate Energy and Natural Resources Committee
Water Conference

National Water Resources Association

ROLE OF THE BUREAU OF RECLAMATION IN THE 21ST CENTURY

Historical Perspective

The nation as a whole has come to take for granted the benefits that flow from the omniscience and vision of the policy-makers who, at the beginning of the 20th century created the federal/non-federal partnership that settled the West -- The Reclamation Program. Reclamation projects authorized by Congress continue to provide numerous and substantial benefits for the entire United States.

The Reclamation program was initially enacted with the passage of the Reclamation Act on June 17, 1902. Essentially, the Reclamation Act provided for the proceeds from the sale of public lands in 16 western states to be deposited in a fund (the Reclamation fund) to be used for the "...construction and maintenance of irrigation works for the storage, diversion, and development of waters for the reclamation of arid and semi-arid lands in the said States and Territories..." It was one of several acts concerning the transfer and development of public land in the Western United States. The Reclamation Act is bound up with these other laws concerning the allocation, transfer, and use of the nation's public lands. The exploration and settlement of the west became a matter of great national interest in the latter half of the nineteenth century.

As the Reclamation program changed throughout the early part of the twentieth century, the combination of a simple message, clear vision, and great leadership remained intact. In less than 40 years, the Reclamation program evolved from single purpose irrigation projects, funded by a revolving fund, with 10 year repayment periods, to complex multi-purpose projects, funded by appropriations, with 40 year repayment periods, and power revenues assisting in the repayment of irrigation debt. Given these significant program changes, the program message continued to be that of "making the desert bloom," and the basic purpose continued to be to promote regional economic development by developing irrigated agriculture. The Reclamation program stayed on this course until the late 1960s.

The Reclamation Program is vitally important to the West and the Nation as a whole. Reclamation projects authorized by Congress provide numerous and substantial benefits for the entire United States. Among these benefits are: (1) flood prevention and protection totaling in the tens of billions of dollars; (2) generation of substantial amounts of hydroelectric energy using water as a renewable no-cost fuel source; (3) delivery of irrigation water to hundreds of thousands of acres of farmland in semiarid and arid regions that has increased and stabilized agricultural production in those regions; (4) water-based outdoor recreation facilities that provide recreation for millions of visitors annually; (5) municipal and rural domestic water supplies for over 30 million people; (6) recharge of underground aquifers and water supplies; (7) fish and wildlife habitat including new fisheries, wildlife management areas, and hundreds of thousands of acres of habitat and marshes throughout project distribution systems and facilities; and (8) major surface water transportation.

MISSION OBFUSCATION

Reclamation has never had a comprehensive Organic Act describing its mission, much less recent revisions reflecting the evolving needs of the west (unlike the National Park Service, the Bureau of Land Management, and the Forest Service). Rather, its role and associated authorities evolved through a series of individual project acts; many Reclamation administrative acts concerning such matters as contracting, financing, and general administration; the overlay of federal environmental law; the waxing and waning of the federal commitment to Indian programs; legal interpretation by Interior's legal staff, as well as the courts, of the many, varied, and sometimes inconsistent federal statutes associated with the Reclamation program; and the direction provided by its own internal assessments and policy directives. The absence of an organic act results in less clear Congressional direction and contributes to the difficulty of providing consistent program direction.

During the 1960s, three issues began to impact Reclamation's "mission" bringing focus to this lack of Congressional direction. The first was a gradual reduction of strong Congressional leadership on water issues. Members such as Senator Hayden and Congressman Aspinall, Johnson, Sisk, and Moss left office in the 60s and 70s. The Reclamation program had fewer strong champions in the Congress and less standing in the Department of the Interior. The second had been a concern throughout the Reclamation era and involved questions of the economic justification for further federally funded Reclamation project development. The third issue concerned the environmental impacts associated with Reclamation program activities

Reclamation's construction program was dropping off significantly, and the planning program was moving away from traditional water projects. Funding for the loan program was reduced and, ultimately, virtually eliminated. Several projects were re-authorized (Garrison, Central Arizona, Central Utah, Central Valley, Truckee Carson, etc.) to reflect emerging fiscal, environmental, and/or Indian interest resulting in a piecemeal widening of Reclamation responsibility. This change in legislative direction by the Congress added credence to what many in Reclamation viewed as a change in public interest associated with the Reclamation program. Further, Reclamation's power marketing and transmission program was transferred to the newly established Department of Energy in the late 1970s.

From the 1930s to the 1970s, the power and construction programs provided the funding stability required to run the Reclamation program in the traditional manner. As these program functions were transferred or significantly reduced, Reclamation managers found it more difficult to support the historic organizational arrangements. Overhead costs began to go up significantly. With a greater interest in cost recovery, these cost fell, to a greater extent, on the largest remaining program: operation and maintenance of exiting projects. Since O&M cost are recovered from the water and power users in the year they are incurred, this drove up costs to customers, creating another problem for Reclamation and its user community.

Lacking clear Congressional direction on its mission in the form of an organic act or some other form of overall policy guidance, and recognizing all of these changes and the resulting effects on program management, Reclamation's leadership went through a series of internal assessments with resulting policy documents. These reviews and documents include:

- 1987 Assessment

- 1988 Implementation Plan
- 1992 Strategic Plan
- 1994 Blueprint for Reform
- 1997 Bureau of Reclamation Strategic Plan, 1997-2002

In 1997, Reclamation published its five-year Strategic Plan pursuant to the Government Performance and Results Acts of 1993. The plan states three mission objectives:

1. Manage, develop, and protect water related resources.
2. Protect the environment.
3. Improve our business practices and increase productivity of our employees

The objectives are supported by 18 strategies and five-year goals associated with each strategy. (Interestingly enough, contract renewal, which is a near-term vital interest to many Reclamation project water users, is not even mentioned in the Strategic Plan.) The Strategic Plan states broad objectives and numerous sub-objectives (strategies), and includes ambitious five-year goals. The five-year plan includes Reclamation's historic mission regarding facilities, operation, maintenance, and dam safety. It incorporates environmental protection as a fundamental mission of Reclamation. In many ways, it commits Reclamation to being all things to all people, as it pursues its mission and mission objectives.

The five-year Strategic Plan basically says that Reclamation will continue its traditional activities, but with equal emphasis on environmental protection and remediation. Recreation and Indian Trust responsibilities are further emphasized as Reclamation objectives. The problem is that there does not appear to be agreement in Congress or among Reclamation project water users that 1) this is Reclamation's future mission, or 2) this mission is being carried out at this time - or can be carried out in the future- in an acceptable manner.

Given the significant additional responsibilities in the environmental area imposed by the Congress, the renewed attention to tribal obligation and the shifts in policy direction and institutional change over the past 10 years, it is no wonder Reclamation is struggling for a clear sustained direction. Reclamation can accommodate adjustments to program direction from year to year and remain effective. It has demonstrated this over the years. However, direct and sudden reversals of program direction and organizational philosophy have had a profoundly negative effect on the organization. A 20 percent reduction in staffing and a loss of historical leadership and institutional knowledge has also contributed to Reclamation's instability.

ROLE OF THE BUREAU OF RECLAMATION IN THE 21ST CENTURY

Reclamation's "mission" has become so blurred over the past twenty-five years that it is important for Congress to consider a system of priorities for funding of the Reclamation's many programs. We believe it is time for Congress to bring some clarity to the future of the

Reclamation program. There are several possible directions the Reclamation program can move in the immediate future.

We strongly suggest that there is a legitimate role for Reclamation into the foreseeable future. Reclamation manages over 350 high dams in the west. Some agency needs to be administratively responsible for the operation and maintenance of these facilities. Until - and unless - they are transferred out of federal jurisdiction, this seems an important and legitimate role for Reclamation.

Reclamation's history is entwined with the development of the West. That development goes on today at an unprecedented rate, and is placing significant pressure on a finite water supply. Ideally, Reclamation should have sufficient resources to support the states by performing the full range of functions that diverse western water interests are demanding today. Regrettably, recent history has demonstrated that fiscal and human resources are not unlimited. Therefore, the Reclamation must focus its limited resources on priority projects and programs. The following priorities are proposed:

- The first and highest priority in dollars and human resources should be directed to the efficient and effective operation of existing projects in such a fashion as to honor existing commitments and provide authorized benefits in a safe and reliable manner.

- The second priority should be the timely completion of ongoing construction so authorized benefits can be realized within a reasonable time frame. This includes pass through funding associated with authorized construction projects currently underway.

- The third priority should be the funding or execution of new activities or projects to provide expanded beneficial use from existing facilities in response to increasing demands being placed on western water resources.

- The fourth priority should be funding and execution of innovative new projects or activities.

The first priority is directed at protecting the existing federal investment and honoring existing commitments by assuring the uninterrupted and undiminished flow of authorized benefits from existing projects. As long as the federal government insists on retaining title to these project facilities, it must place their operational integrity as the highest priority. This priority must be fully funded or Reclamation risks unsafe structures and loss of project benefits. Every effort must be made to identify means to fund this priority, including off budget approaches. If Reclamation is unable to fully fund this priority level, it should identify those facilities with the least national interest and immediately initiate title transfer to the local beneficiaries. To do otherwise is to create a maintenance deficit that will never be overcome.

The second priority is to complete currently ongoing construction activities in the shortest possible time frame. This serves two interests. First, it will allow the public to realize the

benefits associated with the expenditure of taxpayer funds at the earliest possible time. Second, it will minimize the cost of constructing the project by reducing non-contract costs and the effects of inflation associated with long construction periods. Any effort to discontinue funding ongoing construction should be a result of an informed decision by the Administration or the Congress and should not be a decision by default.

The third priority is directed towards deriving the most public benefit possible from exiting facilities. At the direction of Congress and with the support of the states, additional project benefits can be derived from existing facilities. The use of existing facilities to meet new water needs is often the most cost effective and expedient. These efforts should be supported by the existing project beneficiaries and be consistent with the state water law.

The fourth priority includes new construction and other activities not associated with existing projects or ongoing activities. There are many good activities that may fall in this priority level and this is not to say they should not be pursued. However, in these fiscally tight times for Reclamation, these new activities should not be funded to the detriment of the higher priority program activities. These new activities may need to be funded from federal sources other than the Reclamation program or from non-federal sources.

Along with prioritizing the Reclamation program, Reclamation must continue to pursue efforts to reduce the cost of doing business. Reclamation is making efforts to empower field offices and flatten the organization, and should be encouraged to finish what has been started. There remains room for significant improvement.

Reclamation must administer the projects under its jurisdiction to achieve the benefits authorized and directed by the Congress. It is not for Reclamation, but the Congress, to determine if there is a higher purpose toward which the existing facilities should be used. Until - and unless - the Congress authorizes these additional purposes, Reclamation should dedicate its efforts to assure the effective and efficient delivery of presently authorized benefits. As Congress considers additional project purposes, current project beneficiaries must be involved with and supportive of any legislation affecting their interest in the project.

Lastly, as the Congress, the Administration, and the water community deliberate the future of the Reclamation program, certain actions need to be taken in conjunction with the program priorities addressed above. They include the following:

- Clarify Reclamation's relationship to the states' long-standing responsibility for allocating water resources within their jurisdictions, consistent with interstate compacts and decrees. Reclamation should affirm its long-standing policy of deferring to the states with regard to allocation of water resources and administration of water rights.

- Assure that Reclamation actions are consistent with its authorities. Many, if not most, Reclamation projects have very narrow project purposes, and cannot be expected to meet every current interest in water without reconsideration by the Congress.

- Clarify the relationship and obligations to Reclamation contractors, as opposed to

other interest. Reclamation has specific legal and policy obligations to Reclamation project contractors. Reclamation has an obligation to consider the concerns of others and address impacts of contracting. These are not the same relationships and should not be treated as if they are.

- Develop incentive-based approaches to current water allocation problems. Increasing demands are being placed on Reclamation project water for wildlife, endangered species, recreation, environmental remediation, etc. Rather than taking this water from historic water users through regulation or legislation, Reclamation should provide incentive based approaches to resolution of water problems that ensure provision of water for historic users, while responding to new demands.

Senate Energy and Natural Resources Committee
Water Conference

WateReuse Association

2. Role of the Bureau of Reclamation in the 21st Century

The USBR was established in 1902 with a mission of ensuring adequate water supplies for the developing West. Congress recognized the need for multi-purpose water supply projects and authorized municipal and industrial supply as a mission of the Bureau of Reclamation in 1907. When the Bureau was established, the total population in the 17 western states was approximately 11 million people. In 2004, the population in the West totaled 97.2 million and is growing rapidly. The mission of the Bureau in developing municipal and industrial water supplies is even more critical today than it was 100 years ago.

The primary mechanism used by the Bureau to ensure adequate water supplies in its first century of operation was to build dams for storage of scarce water resources and the generation of hydroelectric power with irrigation supplies. While the mission of the Bureau has not fundamentally changed (although today the municipal and industrial supply issue is much more critical than the historic emphasis on irrigation supplies) – and need not change – in the 21st century, the mechanisms of ensuring adequate supplies must be dramatically different. The Bureau should play a leadership role in the development of alternative water supplies (e.g., water reuse and desalination), ensuring water use efficiency, and developing less costly and less environmentally disruptive means of storage such as aquifer storage and recovery (ASR) or groundwater conjunctive storage management (e.g., Orange County Water District's Groundwater Recovery Project). In many cases this is true for several federally authorized projects: Southern Nevada Water Project, Central Arizona Project, San Juan-Chama (Albuquerque), and the Hoover Dam/MWD's Colorado River Aqueduct. The Congress in 1986 recognized the need to augment the supplies of the Colorado River to meet the future needs of the river basin, but in 1986 the emphasis was on large importation projects. Today, it is appropriate for the Bureau to focus on water reuse, desalination, and water use efficiency.

The Bureau should take a leadership role in cutting edge technology to treat and reuse water. Title XVI is an example of a sound Federal investment. Under this program, the Federal government provides no more than 25% of the total capital costs while the local water agency contributes 75% or more. Thus, the Federal government leverages resource effectively, assists the local water agency with achieving an enhanced credit rating, and assumes no long-term financial obligation with operation and maintenance costs. The Title XVI program has benefited many communities in the West by providing grant funds that made these projects more affordable. The Federal cost share – although a relatively small portion of the overall project cost – often makes the difference in determining whether a project qualifies for financing. Compare this to the historic Federal Bureau authorizations of the Central Arizona Project, the Central Utah Project, and the Central Valley Project which provided 100% upfront capital financing and long-term subsidized repayment contracts (plus in some cases operating subsidies for many years).

The USBR should collaborate with the CEQ Task Force (described in the response to question #1) to address roles and responsibilities of different Federal agencies in addressing western water problems in collaboration with state and local governments.

Senate Energy and Natural Resources Committee
Water Conference

Western States Water Council

Proposal:

Expand and fully fund Bureau of Reclamation programs to meet identified needs.

Preface

The Bureau of Reclamation operates hundreds of dams and reservoirs in the West supplying water and power to millions of people, irrigating millions of acres for food and fiber, providing flood control and recreation, and maintaining instream flows for fish and wildlife habitat, including anadromous and threatened and endangered aquatic species. The value of federal Reclamation projects in assisting western communities survive the continuing drought in the West, particularly the Northwest, can not be overstated. Two of Reclamation's expressed "mission goals" are: (1) managing, developing and protecting water and related resources to meet the needs of current and future generations; and (2) operating and maintaining facilities safely, reliably, and efficiently to protect the public investment.

Reclamation has stated, "Our challenge is to balance and provide for the new mix of resource needs in the West.... [P]roviding recreational opportunities and protecting the environment have become important to the public, while municipal and industrial development is demanding more, high quality water. With Western population growth...the future will be filled with greater demands on limited resources. Balancing the needs in the West and providing water resources has brought into focus our ability to manage existing water efficiently and effectively, and to resolve conflicting needs through cooperation from multiple stakeholders and customers."[1]

Reclamation's mission goals have been subdivided into a number of long-term goals that include: (1) providing leadership in delivering water and power; (2) increasing water use efficiency and availability; (3) ensuring effective operations of facilities; and (4) operating, maintaining and rehabilitating facilities to ensure reliability and cost-effectiveness ? to name a few. Its strategy for accomplishing these goals lists several guiding principles that include: (a) the use of broad based proactive conflict resolution methods; (b) continuing a close working relationship with traditional water users, while forging relationships with other users; and (c) promoting and using partnerships to create sustainable solutions, leverage resources and learn from others.

The Bureau of Reclamation and western state water managers, represented by the Western States Water Council, have many common interests. In a 1997 report for the Western Water Policy Review Advisory Commission, the Council declared, "In the arid West, providing adequate water supplies to meet future demands continues to be a priority." Making more water available for new and expanded uses and increasing water use efficiency are critical, given the fast growing population of the West, subsequent demands for water for domestic and municipal

[1]Draft 2000-2005 Strategic Plan, October 22, 1999.

uses, continuing agricultural water demands, and increasing demands for water for environmental uses, particularly the needs of endangered and threatened aquatic species. Reclamation has and will continue to play an essential role in meeting western water demands.

What should the future role of the Bureau of Reclamation be in the West?

While the construction of large new federal dams and reservoirs is unlikely for the foreseeable future, Reclamation faces an enormous challenge related to its portfolio of aging dams and related infrastructure. Dam safety must be a priority. Reclamation is also actively pursuing programs to help irrigation districts and other water users make the most efficient use of available supplies. The Council supports this proactive, non-regulatory, incentive-based conceptual approach to administering federal water conservation programs, and the related "Bridging-the-Headgate" Partnership. We support the overall objective of these activities, which is to work together as federal-state-local partners for the sustained and efficient use of western agricultural water supplies.

The Congress is considering reauthorizing and extending the Small Reclamation Projects Act with more money for loans and grants for water development. This is an important program which deserves congressional support.

Interior's Water 2025 Initiative is an example of Reclamation's efforts to address water resources challenges in the West before conflicts reach a critical impasse, as in the Klamath River Basin. Western states believe the scope of the program is insufficient to meet the growing need. As Senator Domenici has declared, the appropriation of $20 or $30 million a year in new money is woefully inadequate to address our needs. However, the success in leveraging federal, state and local resources through Water 2025's challenge grants is an example of what can be accomplished if we are willing to work together. It would appear that matching non-federal support could easily be found for $100 million in federal money.

As discussed later in the statement on drought, the Council has a long history of work in the area of drought planning and management. We support Reclamation's efforts with respect to assistance for state and local drought response and relief activities.

Should the Bureau undertake water supply augmentation activities?

The development and use of new water supplies to meet present and future demands is a priority for western states. More storage is essential. Reclamation has been and should continue to be a leader in the development of a number of alternatives and technologies that promise to help meet future water needs: (1) ground water recharge, storage and recovery projects; (2) water reclamation and reuse projects; (3) desalination; and (4) phreatophyte control, including eradication of salt cedar. There may be other opportunities to increase water storage and yields from wetlands/streambanks through better management of state and federal lands and riparian zones. New opportunities may exist for increasing the efficiency and yield of existing federal,

state and local water supply systems through project modifications or re-operations. Further, new reservoirs and off-stream storage projects should not be ruled out.

As explained in the Council statement on water supply, the Council strongly supports federal legislation to provide technical and financial assistance for small rural communities struggling to meet their water supply needs. Legislation is needed to create a systematic, integrated approach to investigating, authorizing and constructing projects to meet rural western needs in close cooperation with State, local and regional entities, as well as tribes. Existing authorities, such as the Drinking Water State Revolving Loan Fund, are not sufficient to meet the needs of small rural communities, which are facing serious obstacles in securing the resources necessary to ensure an adequate and reliable water supply for their future. New authority and significant new funding is essential to better meet the needs.

What role should the Bureau play with respect to the West's (other) future needs?

Endangered species and western water management are and will continue to be intertwined. Finding water for fish and farmers, as well as growing municipal and industrial needs, within the parameters of state water law and federal environmental law is a challenge that must be successfully met. Reclamation and others are already deeply involved in negotiating and implementing programs to purchase and lease water for endangered species, provide incentives to restore and protect habitat, build fish screens and fish ladders, etc. With respect to the issue of dam removal, the engineering issues and legal and socioeconomic issues, as well as functional alternatives to small and large dams need to be carefully considered. Reclamation has experience and expertise in these areas.

The needs of native American tribes and settlement of Indian water rights claims is another priority concern for state and federal water managers. As explained in a separate statement on the subject, the WSWC has and will continue to support the successful negotiation and implementation of settlements that provide certainty for all stakeholders. The Bureau of Reclamations plays an important role in achieving this goal.

The efficient, effective and safe operation of Reclamation facilities is important. Moreover, state and local officials -- in cooperation with Reclamation and other federal water managers -- together need to look at water problems and opportunities to increase water yields on a watershed or river basin basis. Participation by all interested parties in grassroots watershed efforts holds the promise of success in resolving many, but not all, western water problems -- water quality problems, as well as quantity problems.

Federal water project transfers to local ownership, as well as operation, and the transfer of federal project and wheeling of nonproject waters are also important areas for cooperative action between Reclamation and state and local interests.

Comments on funding mechanisms

The billion dollar question is how should Reclamation programs and projects be funded? The President's FY06 budget request for the Water and Related Resources account totals $802 million, down from $859 million appropriated last year. Further, the request anticipates that off-setting receipts collected by the Western Area Power Administration (WAPA) for operation and maintenance and other expenses allocated by Reclamation to WAPA would reduce the final appropriation to some $771.6 million. According to program and financing figures and estimates, new budgetary authority (gross) for obligation has dropped from $994 million in FY04, to $972 million in FY05 and is projected to be $919 million in FY06. Total gross outlays would be $940 million, compared to an estimated $1.028 billion in FY05 and $953 million in FY04.

Meanwhile, the unobligated balance in the Reclamation Fund is expected to grow from $3.877 billion at the end of FY04 to an estimated $4.812 billion for FY05 and $5.905 billion in FY06. Created by the Reclamation Act of 1902, the Reclamation Fund was envisioned as the means to finance western water and power projects with revenues from western resources. Its receipts are derived from water and power sales, project repayments, certain receipts from public land sales, leases and rentals in the 17 western states, as well as certain oil and mineral-related royalties. It is a special fund within the U.S. Treasury that is only available for expenditure pursuant to annual appropriation acts. With growing receipts, in part due to high energy prices, and declining federal expenditures for Reclamation purposes, the unobligated figure gets larger and larger **?** while the money is actually spent elsewhere for other purposes. While receipts in the past were insufficient for the construction of major federal projects such as Grand Coulee and Hoover Dams, which required the appropriation of general Treasury funds, today it appears that the Reclamation Fund could serve as a revolving account that would pay for Reclamation and related water resources programs and needs in the West.

Examples of similar federal authorities include the Highway Trust Fund, Land and Water Conservation Fund, Southern Nevada Land Management Act and most recently the Arizona Water Rights Settlement Act.

Another alternative might be to create state revolving funds (similar to the popular Clean Water and Safe Drinking Water SRFs) that could be capitalized with dedicated Reclamation Fund receipts, in excess of agency appropriations, to assist in financing state and local water resource development and conservation projects and programs, or water right acquisition and water trust programs. Such funds might also be used to finance water conservation and water resources related environmental restoration projects and programs (to protect instream resources, endangered and threatened species, etc.).

On the other hand, some 25 years ago, Senator Domenici and the late Senator Daniel Patrick Moynihan proposed a [block grant] program to assist states with their water development needs, which western states thought merited consideration. Virtually every western state already has some type of water resources related assistance programs in place that would benefit.

Further, it would keep the proceeds for development of western resources in the West as the Congress envisioned in 1902.

Federal Reclamation funds might also be authorized to provide a Water Insurance Trust to guarantee the repayment of state and local water related bonds. The WSWC has in the past supported such an insurance fund, as well as the use of tax-exempt bonds to finance water resources needs. State and local agencies have always financed the majority of their own water needs, but federal assistance has and will continue to be important.

The federal government has in the past usually taken the lead on large regional basinwide and multi-state multipurpose projects (with particular national objectives). While the era of big dams may indeed be over, a role for the federal government remains. Perhaps it is time to focus federal financial resources intended to aid in western water development to help state and local agencies meet the future challenges of supplying adequate water of suitable quality in the face of growing municipal and industrial demands and federal requirements to protect public health and the environment.

Fully funding and expanding past and present Bureau of Reclamation programs to meet identified needs, and/or authorizing the use of Reclamation Fund money to capitalize a new federal SRF (or otherwise assisting existing state and local programs), would go a long way towards meeting the growing demands placed on western water resources.

Senate Energy and Natural Resources Committee
Water Conference

Family Farm Alliance

The Family Farm Alliance strongly supports the focus of the Bureau of Reclamation (Reclamation) on fulfilling its core mission of delivering water and power in accordance with applicable contracts, water rights, interstate compacts, and other requirements of state and federal law. Inherent in this definition of core mission is the need to prioritize the expenditure of federal funds and other resources of the Department of the Interior. Water 2025, so long as it continues to recognize that transfers and the use of market mechanisms must be voluntary and pursuant to state law, provides a strong foundation for defining the role of the Bureau in meeting future water needs of the West.

As is recognized by Secretary Norton's Water 2025 Initiative, it is imperative that Reclamation provide for the operation, maintenance, and modernization of existing water supply infrastructure. Many Reclamation facilities are approaching the end of or are past the design life of the facilities. In addition, many of these facilities also need to be replaced with modern designs that provide for greater water management efficiency. Sound business practices dictate that this existing infrastructure, and the water supply provided by these facilities, be protected and preserved prior to the dedication of scarce funds to the development of new supplies. With respect to the specific question regarding the role of the Title XVI Program, the Family Farm Alliance observes that many of the existing and potential recipients of these funds are entities that have the financial capacity to fully fund the development of alternative water supplies. The Title XVI Program should not be funded at the expense of taking care of existing infrastructure and protecting important agricultural communities that do not have the same financial capabilities.

The Family Farm Alliance supports the Water 2025 matching grant program, and suggests that it be expanded to provide additional opportunities for the investment in water conservation and efficiency measures. However, because this program is unlikely to meet all of the needs for funding the repair and modernization of existing facilities, additional funding mechanisms must be developed. Alternatives include a return to the Small Project Loan Program, or the development of federally backed loan guarantees that will enable water users to access alternative sources of capital in order to repair and modernize existing infrastructure. With respect to financing projects, the historical use of zero interest loans already authorized by Reclamation law still has some merit; especially when it has been conclusively shown that many projects have returned their construction costs to the Treasury many times over from tax revenues directly related to the project benefits. Even in areas of less intensive irrigation and population, benefits from the various projects have more than returned their cost, especially when all of the project benefits, including those not originally authorized and assigned costs, are considered.

Another possibility would be to allow entities with annual repayment obligations to shift those obligations to operation, maintenance and replacement reserve accounts. Although this does have an impact to the return to the Treasury, it could reduce the potential need for future assistance for major rehabilitation. Also, it would seem appropriate for Congress to allow for the capitalization of OM&R. Many of the infrastructure problems on old Reclamation facilities could have already been addressed if capitalization of OM&R had been authorized.

A number of years ago the Family Farm Alliance took the lead in an effort to provide for cost containment and accountability for work by the Bureau of Reclamation that was either funded in advance by water users or subject to repayment obligations. With the cooperation of the Bureau of Reclamation in general, and Jack Garner in particular, great progress was made in this regard. However, given that federal, state, local, and private funds will be scarce, it is imperative that these efforts continue.

Recent events on several fronts that are related to this issue have been a source of concern to the Family Farm Alliance. First, the unfortunate experience with the cost overrun on the Animas-La Plata Project provided a warning signal that additional work was needed to ensure that Reclamation continues to focus on cost containment and accountability for projects funded through the Reclamation Program. Second, a number of our members have dealt with situations where cost estimates for work that would be done by the Bureau of Reclamation were substantially over the cost of having the work done by the local district itself or under contract with private consultants. There appear to be at least two reasons for the divergence in the cost estimates – excess staffing by Reclamation for work, with attendant increases in costs, and the requirement of design standards that are excessive or unjustifiable. Third, the Family Farm Alliance is deeply concerned to hear that at least one district has been forced to use Reclamation staff for design work and was not given the option of doing the work itself or having it performed by qualified consultants. This incident is of great concern because it is contrary to the practice elsewhere in Reclamation, where contractors who are paying for the work have had the option to have the work performed by Reclamation or by qualified consultants.

In light of the fact that neither Reclamation nor water users can afford to waste money through over-staffing or noncompetitive practices, the Family Farm Alliance encourages the Committee to take a very hard look at the policies and practices of Reclamation with regard to the involvement of the Reclamation programs located at the Denver Federal Center. The Family Farm Alliance also plans to provide input to the ongoing review of these aspects of Reclamation by the National Academy of Engineering, which appears to be focusing on the question of what capabilities Reclamation should maintain within the agency and what work or functions can and should be performed by others. However, regardless of the outcome of this review, fundamental fairness requires that when a water user is paying for work in advance or through repayment mechanisms, that water user should have the option to have the work executed in the manner that provides the most return for the investment.

These concerns regarding cost containment and accountability do not, in general, implicate the work done at the Regional and Area Reclamation Offices. The Family Farm Alliance is proud of its partnership with Reclamation, and believes that Reclamation has much to be proud of in its service to water users and the public.

Senate Energy and Natural Resources Committee
Water Conference

City of Santa Fe

The Bureau of Reclamation has largely fulfilled the mission that Congress assigned to it over 100 years ago. Sustained rates of population growth have literally become a way of life in New Mexico and throughout the West, bringing significant challenges and unprecedented pressures on our water resources for meeting municipal and industrial needs. Now is the time for Congress to revisit Reclamation's mission for the 21st century to undertake water supply and supply augmentation activities in the West for the purpose of assisting municipal and regional water providers to meet their water supply and drinking water needs.

Congress should address several related topics in Reclamation's new mission to squarely include municipal water supply development and to help municipal providers obtain and maintain reliable sources of supply. Our experience in water resources management in New Mexico suggests that Reclamation's revised statutory mission should explicitly include the following:

- Implement new arrangements for Reclamation water projects and agreements that do not expire or terminate, to provide municipalities with secure and continuous access to the water supplies that they depend on to meet their long-range needs.
- Cooperate with states and municipalities to develop water supplies, including new sources of water supply through more efficient storage of water and desalination; protecting existing sources of supply through watershed restoration; and protection and maintenance of water conveyance efficiencies.
- Streamline market-based conversions of water used for irrigation for municipal and industrial purposes and to meet environmental needs.
- Provide grants and loan guarantees to assist municipalities that are demonstrating a strong and capable commitment to help themselves.
- Develop or provide water to settle Indian water rights and federal reserved water rights claims.

Each of these topics is discussed briefly below.

Municipalities, such as Santa Fe, depend on water service contracts for significant portions of their water supply portfolio. In many cases, these contracts have expiration dates and may have renewal arrangements that are subject to Reclamation's discretion. As an example, the City of Santa Fe and its regional partners are now investing over
$100 million in a new system to divert and treat the City's allocation of Reclamation's San Juan-Chama Project water, even though the City does not currently have a permanent or even long-term agreement for use of that water. Given the importance of water supply for the well being of the people and economies of the West, it would be appropriate for Congress to limit Reclamation's discretion in renewals of these types of contracts and to establish congressional policy favoring replacement of water service contracts with permanent arrangements that do not expire.

The water supplies of the West are generally fully developed, except for the new usable water that more efficient water storage and desalination can provide. Reclamation's 21st century mission should squarely include both of these areas of endeavor. Similarly, Reclamation's

mission should also include watershed restoration and protection and maintaining the efficiencies of water conveyance in order to maintain the productivity of watersheds upon which municipalities depend for their water supply, and protect water supplies from losses suffered in conveyance. Aquifer storage and recovery has great potential for storage of municipal water supplies in a manner that eliminates evaporative losses, increases net supplies, and increases drought reserves, yet its widespread use will be hindered until further applied research is conducted. Reclamation should be specifically authorized to assist municipalities with aquifer storage and recovery and desalination projects that will reduce water losses, facilitate the development of waters of lower raw water quality, and increase drought reserves. Congress also should direct Reclamation to avoid damage to municipal water supplies through maintaining the efficiency of water conveyance. Santa Fe, for example, is directly hurt if reduced water conveyance efficiencies on the Rio Grande contribute to low water storage levels in Elephant Butte Reservoir, which in turn, prohibit Santa Fe's storage of native water in its Santa Fe River Canyon Reservoirs. If environmental restoration needs require additional water losses in conveyance, Reclamation should be responsible for offsetting those additional losses so as to keep municipal water supplies intact.

Reclamation's use of a historic federal law (the 1920 Miscellaneous Purposes Act) to convert irrigation water supplies to municipal and industrial purposes should be discontinued. While the vast majority of all the water development of water in the West was for irrigation purposes in order to settle the West, municipal and industrial and "urban" growth now represents virtually all increases in water use. But its vibrant municipalities and industries and economies need water. Congress should provide for a mechanism that streamlines the process of market conversions of water to these contemporaneous needs, while providing fair compensation to the farmers through the market.

As demands on supplies increase, water supply development projects become even more expensive – often measured in the hundreds of millions of dollars even for communities of Santa Fe's size. Congress provided very low cost development of water originally for the West. Congress should provide new mechanisms to provide some grant funding and loan guarantees for the expensive projects that municipalities need, such as aquifer storage and recovery, desalination, and other technological and infrastructure needs, to secure their water supply futures. Further, each of Reclamation's existing funding programs should be reevaluated – potentially through input from current and potential future local project sponsors – to identify the strengths, weaknesses, and applicability in meeting the evolving needs of communities throughout the West.

Providing finality through realistic and fair settlements of tribal and federal water rights claims is essential for the well being of western municipalities, specifically including Santa Fe (as detailed further in our submittal for Topic 3, Indian and Federal Reserved Water Rights). Reclamation should be assigned an explicit role to help fairly settle these matters and bring the uncertainty that surrounds them to an end.

Together, we believe that these specific changes to Reclamation's mission and responsibilities will allow Reclamation to fulfill a critical role in meeting the evolving and growing water needs of the American West.

Senate Energy and Natural Resources Committee
Water Conference

Confederated Tribes of the Umatilla Indian Reservation

2. Role of the Bureau of Reclamation in the 21st Century

The Umatilla Basin Project (UBP) Act (*100 P.L. 557; 102 Stat. 2782 Title II),* passed by congress in 1988 under the visionary leadership of Sen. Mark O. Hatfield, is the hallmark example of the need for, and the potential of, the US Bureau of Reclamation in planning, designing and implementing projects to address water supply and water resource management in the West.

In the UBP the Bureau of Reclamation (BOR) played the central federal agency role in planning (EIS and feasibility report), designing and constructing the water supply and distribution infrastructure. This role was important not just because they had the expertise, but also because they had the history. It was the BOR in the early 1900's (see ***#1 Water Supply and Resource Management Coordination***) that constructed and subsequently operated the irrigation reclamation project that de-watered the Umatilla River and that the UBP ultimately fixed.

In a nutshell, the infrastructure for the UBP took advantage of the existing irrigation delivery system, and added new, large capacity water pumps capable of pumping over 200 cubic feet per second (cfs) of water. The new pumps were located near the mouth of the Umatilla River where it empties into the Columbia River. With restoration of Umatilla River streamflows as the project goal, the UBP pumps lift water from the Columbia River and delivers it to the existing Umatilla River irrigation distribution system. From a water management perspective, for every bucket of water not diverted from the Umatilla River, a bucket is pumped from the Columbia River to the Umatilal Basin irrigation system. The end result is a partially restored Umatilla River (about 50% of total spring-fall stream flow is now left in-channel for fish) and partially recovered spring and fall chinook and coho salmon populations. Summer steelhead, pacific lamprey and other native fish stocks continue to be nurtured toward recovery and along with the salmon runs require additional water and habitat restoration (see ***#3 Indian and Federal Reserved Water Rights***). Further, this unique "water exchange" between the Columbia and the Umatilla rivers, regulated under Oregon water laws, results in no net loss to stream flows in the Columbia River. This results from the bucket for bucket exchange that leaves the same amount of water in the Umatilla River and which ultimately empties back into the Columbia River.

The BOR played a diversity of roles in the negotiation, development and implementation of the UBP. These roles can be divided into the following categories:

1. Proponent – under the leadership of then-Regional Director John Keys, the BOR worked closely with key stakeholders, CTUIR and three irrigation districts, to help to find common ground.
2. Expert – the BOR was the irrigation infrastructure, reservoir contracting, state water rights connection and project design and construction expert.
3. Trust – a key component to allocating water in the 21st Century is trust. The BOR in the 1980's and 1990's provided key senior personnel to stay involved in basin-level negotiations between CTUIR and irrigation districts and later with citizen groups and others interested in the outcome. CTUIR believes that had it not been for the active, personal involvement and

presence of then-Regional Director John Keys and his staff the UBP may not have been completed.

Twenty first Century roles for the BOR should continue to be:

1) Advocate for and assistance in settlement of federal reserved water rights for Tribal governments.
2) Assistance in planning and constructing the infrastructure necessary to serve the basic current and future water needs of Tribal governments as part of satisfying reserved water rights by striving for compatibility with existing water uses and rights.
3) Providing expertise in developing and implementing solutions to water allocations, planning and management of water resources.
4) Providing direct assistance to Tribal governments in the forms of in-kind personnel assistance (e.g. water resource engineering), funding agreements to fund Tribal self governance work related to water development and management, assisting Tribal governments to manage BOR facilities that serve Tribal Governments, assisting Tribal governments in marketing and managing trust water resources, providing technical assistance to Tribal governments in quantifying and planning for the later negotiation and settlement of Tribal water rights claims.
5) Watershed restoration and water acquisition for instream flow restoration.

Most important for completion of a long-lasting Umatilla Basin water solution is for the BOR to complete the shared vision of Sen. Mark Hatfield, the CTUIR and the Umatilla Irrigation Districts – Settlement of CTUIR reserved water rights and completion of Phase III of the Umatilla Basin Project. Major legal and procedural accomplishments are being made between CTUIR and the Westland Irrigation District that are paving the way for BOR planning and design of Phase III and for a negotiated settlement of the CTUIR water rights. A request for authorization of construction of Phase III of the Umatilla Basin Project and the infrastructure needed to serve CTUIR consumptive water needs will be before the Energy and Natural Resources Committee in the next couple of years.

Phase III of the Umatilla Basin Project will provide Columbia River water for Westland Irrigation District, the last remaining and largest irrigation district on the Umatilla River. Completion of Phase III will provide enough water in combination with the existing Phases I and II, and most importantly, water that is not obligated to competing uses, for CTUIR on-Reservation consumptive uses and for instream flows to protect the recovered salmon populations and to allow for recovery of lamprey, steelhead and other important resources. Senator Mark Hatfield challenged the Umatilla River Basin to achieve that goal – final and complete water management and allocation settlement – 20 years ago. That goal is now within the vision of the CTUIR and basin irrigation districts, the Honorable Governor of Oregon Theodore Kulongoski and we look forward to working with the Committee to make it happen.