

**Statement of Michael L. Connor, Commissioner
Bureau of Reclamation
U.S. Department of the Interior**

**Before the
Committee on Energy and Natural Resources
United States Senate**

**S. 3385
July 31, 2012**

Chairman Bingaman, Ranking Member Murkowski and Members of the Committee, I am Mike Connor, Commissioner of the Bureau of Reclamation (Reclamation). I am pleased to be here to provide the views of the Department of the Interior (Department) on S. 3385, the “Authorized Rural Water Projects Completion Act”. Like the sponsors of this legislation, the Department supports the goals of encouraging vibrant rural economies and ensuring safe, reliable sources of drinking water for rural residents. Rural water projects help build strong, secure rural communities and are important to our non-federal sponsors, which is why the President’s FY 2013 Budget includes \$52 million for new construction activity plus another \$18 million for operating and maintaining existing projects.

As a threshold matter, the Obama Administration has supported Reclamation’s rural water program over the last four years, allocating \$231 million of funding, in the FY 2010-2013 budgets, to construct, operate, and maintain authorized rural water projects in addition to \$232 million provided for these projects in the Recovery Act. Still, the rural water program must compete with a number of other priorities within the Budget, including aging infrastructure, Indian water rights settlements, environmental compliance and restoration actions, and other priorities intended to address future water and energy related challenges. Notwithstanding the importance of rural water projects, current budget constraints have limited the ability to make Federal investments that match on-the-ground capabilities.

Despite such constraints Reclamation has made progress in promoting certainty, sustainability, and resiliency for those who use and rely on water resources in the West and in supporting the basic drinking water needs of rural communities, as directed by the Congress. S. 3385 provides a constant level of mandatory funding to support the construction of authorized rural water projects to deliver water to smaller, isolated communities. However, the Department believes Federal investments in such projects must recognize the current fiscal constraints and the need to make tough choices in prioritizing those investments. The Administration supports the goals embodied by S. 3385 of advancing the economic security of Americans living in rural areas, and constructing these important infrastructure projects will not only help provide the economic benefits of a clean, reliable, drinking water system that most Americans take for granted, but will

also assist in creating jobs in the short-term through ongoing construction, but the Administration supports discretionary funding for these projects.

Since the 1980s, Congress has authorized Reclamation to undertake the design and construction of specific projects intended to deliver potable water supplies to rural communities located in North Dakota, South Dakota, Montana, New Mexico, Minnesota and Iowa. These projects exist in communities that are experiencing urgent needs for water due to poor quality of the existing supply or the lack of a secure, reliable supply. For example, in rural Montana, some communities have, from time-to-time, been subject to "boil water" orders due to the unsafe conditions of the existing drinking water supplies. In Eastern New Mexico, the existing communities currently rely on the diminishing Ogallala Aquifer and the current drinking water systems are projected to be depleted within 40 years. Reclamation's Rural Water Program provides a resource to rural communities under those circumstances and the Congress has authorized federal assistance to meet those needs.

The Rural Water Supply Act of 2006 (P.L. 109-451) authorized Reclamation to establish a program to work with rural communities, including tribes, in the 17 Western States to assess rural water supply needs and conduct appraisal and feasibility studies without individual acts of Congress. Pursuant to the Rural Water Supply Act, Reclamation created a rural water program to enable coordinated examination of the various options to address rural communities' water supply needs through a cost effective, priority-based process.

In addition to authorizing appraisal investigations and feasibility studies, Section 104 of the Rural Water Supply Act required that the Secretary of the Interior, in consultation with the Secretary of Agriculture, the Administrator of the Environmental Protection Agency, the Director of the Indian Health Service, the Secretary of Housing and Urban Development and the Secretary of the Army, to develop a comprehensive assessment of the status of the existing, authorized rural water projects. Section 104 also directs Reclamation to describe its plans for completing the design and construction of the authorized rural water projects.

In response to Section 104, Reclamation issued a draft assessment report titled "Assessment of Reclamation's Rural Water Activities and Other Federal Programs that Provide Support on Potable Water Supplies to Rural Water Communities in the Western United States" which is posted on Reclamation's website (www.usbr.gov/ruralwater/docs/Rural-Water-Assessment-Report-and-Funding-Criteria.pdf). Comments on the draft report may be submitted through September 10, 2012. In addition to providing a report of the status of the existing authorized rural water projects, the assessment report describes how Reclamation's Rural Water Supply Program will be carried out and coordinated with other Federal programs which support the development and management of water supplies in rural communities in the western states and to maximize efficiency of the various programs by leveraging Federal and non-Federal funding to meet the shared goals of the programs.

As described in the assessment report, with the exception of Title III of P.L. 107-331 that authorized the Jicarilla rural water supply system, each of the Acts of Congress authorizing Reclamation's involvement in the rural water supply projects required that the cost ceilings included in the original authorizing legislation be indexed to adjust for inflation which is estimated to be 4% annually. The result of these indexing requirements is that the overall cost of the authorized rural water projects has risen and continues to rise during the time needed for construction, such that the total estimated funding that would be required to complete these projects is now \$2.6 billion, which is substantially higher than the original authorization amounts, which totaled \$2.0 billion.

Reclamation has recognized the need to make meaningful progress in constructing authorized rural water projects and has budgeted \$52 million in FY2013 toward that effort. At the current funding level, and without additional non-Federal funding, progress would be made towards project completion, but some of the currently authorized projects would be completed much later, perhaps not until well after 2063 despite close to \$4.0 billion being invested by that time. It is estimated that as of 2063, an outstanding balance of approximately \$1.1 billion would remain to complete construction of currently authorized projects.

Across the country, state, local, and Tribal governments are taking a greater leadership role in water resources investments, including financing projects the Federal government would have in the past. Constrained Federal budgets do not preclude the ability of non-Federal parties to move forward with important investments in water resources infrastructure and the Department stands ready to support that effort. Even with the additional resources made available through S. 3385, we would expect that non-Federal entities will likely need to increase their share of funding to build these projects in the timeframes they have envisioned.

S. 3385 establishes a dedicated Reclamation Rural Water Construction Fund in the United States Treasury comprised of funds that would otherwise be deposited into the Reclamation Fund established by the first section of the Act of June 17, 1902 (32 Stat. 388, chapter 1093). This funding source would enable earlier completion of projects. Section 3(b)(3) of S. 3385 provides that the bill's cost would be offset so as to not increase the deficit. The Department supports such language. However, even if an equivalent and acceptable offset is identified, use of those funds must be weighed against other priorities across the Federal government, including deficit reduction.

Section 3 of S. 3385 provides that for each fiscal year from 2013 through 2029, \$80,000,000 per year will be deposited into the Fund in addition to interest earned on invested money that is available in the Fund but not utilized for the current withdrawal. Section 3(c) of S. 3385 limits expenditures from fiscal year 2013 through 2034 from the Fund to not more than \$80,000,000 in addition to interest accrued in that same fiscal year, with an allowance for the use of funds carried over from prior years.

S. 3385 also provides that if Reclamation has completed feasibility reports pursuant to Title I of the Rural Water Supply Act by September 30, 2012, recommending construction of additional rural water projects, and those projects are subsequently authorized by Congress, they may be eligible to receive funding through the Reclamation Rural Water Construction Fund. S. 3385 directs the Secretary of the Interior to develop programmatic goals enabling the expeditious completion of construction of the existing rural water projects and to establish prioritization criteria for the distribution of funds. Reclamation's draft assessment report would meet these requirements when complete. Reclamation's first goal is to advance the construction of rural water projects that meet the most urgent water supply needs in the shortest amount of time, given our current budget constraints. The second goal is to give priority to rural water projects that address Indian and tribal water supply needs.

Within the context of the above goals, Reclamation recognizes that current and projected funding levels may not be sufficient to expeditiously complete the federal funding portion of every project and that it must prioritize the allocation of available funding. The draft assessment report outlines prioritization criteria to guide Reclamation's decision making to maximize the agency's ability to meet its programmatic goals, to maximize water deliveries to rural communities in as short a period as possible, and to reflect the diverse needs and circumstances facing each individual project. The six criteria identified by Reclamation for rural water construction prioritization are:

- Is there an urgent and compelling need for potable water supplies?
- How close is the Project to being completed and what is the commitment of the project sponsors to making that happen?
- What is the financial need of the communities and what is the relative economic effect of the Project?
- Does the Project fulfill Reclamation's authorized niche for taking a regional and watershed approach to rural water projects?
- Does the project minimize water and energy consumption and encourage the development of renewable energy resources such as wind, solar, hydropower, etc., to meet local needs?
- Does the project serve the needs of tribal communities and tribal members?

The analysis outlined in the draft assessment report underscores that in times of constrained federal budgets, non-federal funding in excess of the minimum contributions originally contemplated will be required to expedite project completion and reduce the effects of indexing over the construction period.

This concludes my written statement. I am pleased to answer questions at the appropriate time.