

Report to the House and Senate Committees on Appropriations

Distribution of Additional FY 2017 Funding for Water and Related Resources, Bureau of Reclamation and Discussion of Criteria

Summary

The Consolidated Appropriations Act, 2017 (P.L. 115-31) provided the Bureau of Reclamation with \$1,155,894,000 for its Water & Related Resources account. The accompanying Explanatory Statement includes language regarding \$179,300,000 in funding provided in six categories within Water and Related Resources for studies, projects, and activities. The Statement requested that “Reclamation shall provide to the Committees on Appropriations of the House of Representatives and the Senate a report delineating how these funds are to be distributed, in which phase the work is to be accomplished, and an explanation of the criteria and rankings used to justify each allocation.”

The Bureau of Reclamation has, as required by the Explanatory Statement to P.L. 115-31, allocated funding to projects within the program areas of Rural Water (\$46.5 million); Fish Passage and Fish Screens (\$5.0 million); Water Conservation and Delivery (\$79.0 million); Environmental Restoration or Compliance (\$7.0 million); Western Drought Response (\$40.0 million); and Facilities Operation, Maintenance, and Rehabilitation (\$1.8 million). As directed, Reclamation has allocated these funds “...to advance and complete ongoing work, including preconstruction activities and where environmental compliance has been completed; improve water supply reliability; improve water deliveries; enhance national, regional, or local economic development; promote job growth; advance tribal and nontribal water settlement studies and activities; or address critical backlog maintenance and rehabilitation activities.”

Reclamation based its decisions on a thorough review at the regional, program and national levels to ensure a balanced approach that considered projects and programs consistent with Division D of the Explanatory Statement, while adhering to existing authorizations and mission priorities. In many cases, the funding allows Reclamation to accelerate the selected projects to meet priority needs sooner than would otherwise be the case, while stimulating regional economies. In other cases, the funding enables Reclamation to respond directly, and immediately, to many of the most critical needs caused by the impacts of drought in the West and to advance means of alleviating future drought impacts. The overall considerations used in the decision-making included:

- Consideration of program/project capability during the remainder of FY 2017;
- Consideration of Reclamation’s ability to complete projects or discrete segments of the projects;
- Continued focus on public safety as well as ongoing operation and maintenance requirements;

- Consideration of requirements in Federal or court ordered requirements;
- Consideration of progress towards project completion without increasing future budget requirements;
- Support for priority programs and activities, and program requirements;
- Consideration as to financial feasibility, such as the acceleration of construction underway, which would achieve more efficient construction schedules, probable cost reductions and an earlier realization of project benefits;
- Consideration of positive economic impacts to communities;
- Consideration of Reclamation’s responsibility to tribal nations; and
- Support for programs that through cost sharing or partnerships could leverage these Federal dollars (where not specifically precluded—see Rural Water section below).

The Explanatory Statement specified that “Of the additional funding provided under the heading ‘Water Conservation and Delivery’, \$67,000,000 shall be for water storage projects as authorized under section 4007 of Public Law 114-322. Of the additional funding provided under the heading ‘Environmental Restoration or Compliance’, \$7,000,000 shall be for activities authorized under sections 4001 and 4010 of Public Law 114-322 or as set forth in federal-state plans for restoring threatened and endangered fish species affected by the operation of Bureau of Reclamation’s water projects.”

In accordance with Section 4007 of the Water Infrastructure Improvement for the Nation Act (P.L. 114-322, or “WIIN”), “Projects can only receive funding if enacted appropriations legislation designates funding to them by name, after the Secretary recommends specific projects for funding pursuant to this section and transmits such recommendations to the appropriate committees of Congress.” Reclamation is currently developing proposals for consideration by the Secretary of Interior.

Rural Water Construction (\$46.5 million)

Reclamation has been working diligently to advance the completion of all of its authorized rural water projects consistent with current fiscal and resource constraints with the goal of delivering potable water to tribal and non-tribal residents within the rural water project areas. At the request of Congress, Reclamation has developed a set of measures for allocating rural water construction funds which provide greater transparency in the allocation of these funds.

Reclamation’s prioritization criteria incorporate factors such as time and financial resources committed, urgent and compelling need, tribal members served, economic impacts, and water use efficiency. Reclamation then allocated the additional funds based on each project’s ability to use those funds to

complete discrete construction segments which would significantly advance the provision of potable water to people. As specified in the Explanatory Statement, Reclamation has modified its funding allocation criteria for the allocation of the additional FY 2017 rural water funds by excluding the consideration of any non-Federal sponsored funds in excess of the project's authorized non-Federal requirements.

Fish Passage and Fish Screens (\$5.0 million), Water Conservation and Delivery (\$12.0 million), Environmental Restoration or Compliance (\$7.0 million), and Western Drought Response (\$40.0 million)

Reclamation continually works to address the increasing water demands of the West while protecting the environment. Reclamation's aquatic role is derived from the historical impact of its projects in creating aquatic habitat imbalance.

The funds in these categories have been allocated to projects with dual goals—the first of which is to make the Western rivers, streams and estuaries environmentally healthy, a requirement in continuing to provide water supply benefits and reliability. The critically important second goal in this year's allocation of both the Water Conservation and Delivery and the Western Drought Response funds is the continuation of Reclamation's efforts to alleviate the impact of severe drought conditions and enhancing resiliency to future droughts throughout much of the West. While the effects of drought continue in the Colorado River Basin, Governor Jerry Brown lifted the drought emergency order in California, except in the San Joaquin Valley counties of Fresno, Kings, Tulare and Tuolumne where emergency drinking water projects will continue to help address diminished groundwater supplies. It maintains water reporting requirements and prohibitions on wasteful practices. He cautioned that, while the drought is over, the next drought “could be around the corner” and that “conservation must remain a way of life”.

Water Conservation and Delivery: With \$67.0 million of the total \$79.0 million reserved for water storage projects as authorized under section 4007 of WIIN, Reclamation is not prepared at this time to submit the Secretary's recommendation for specific projects for funding to the appropriation committees of Congress. Reclamation has allocated the balance of the Water Conservation and Delivery funding (\$12.0 million) to the most important West-wide projects for Water Conservation and Delivery.

Drought-specific funding considerations: The extreme and prolonged drought facing the West has affected major U.S. river basins in many Western states. The effects of the drought on California water, its economy, and its communities were particularly acute. The Colorado River Basin—crucial for seven states and a number of Tribes, in addition to two countries—is also enduring historic drought. Nearly 40 million people rely on the Colorado River for some, if not all, of their municipal needs. The Basin is currently experiencing an historic drought that has not been witnessed in over 100 years of recorded history. Lake Mead, for example, has reached its lowest level since filled more than 75 years ago.

Drought directly impacts Reclamation's ability to deliver water and power to contractors, which is central to Reclamation's mission. During droughts, reservoir supplies are depleted earlier than usual,

which can result in shortages to irrigators, restrictions on residential water users, and reduced supplies for ecological resources. Drought also impacts water quality, due to higher water temperatures and an increased risk of wildfires.

Overall Criteria: Projects selected for the additional funding in these four areas reflect Reclamation's overall considerations. Funds for these activities were prioritized considering the project's ability to begin and/or complete the work in FY 2017 or early FY 2018. In addition, consideration was given to the project's ability to effectively address water shortage issues in the West, to promote water conservation and improved water management, and to take actions to mitigate adverse environmental impacts of projects. Reclamation gave priority to projects that could make significant progress toward species recovery and protection, especially where the Federal government is required to address the concerns of the Endangered Species Act (ESA), and to projects that would maximize and stabilize the water supply benefits to a given basin, while enhancing regional and local economic development.

This funding was then distributed according to Reclamation's West-wide priorities, to ensure the continued delivery of public benefits, the operation and maintenance of facilities in a safe and reliable manner, the protection of the health and safety of the public and Reclamation employees, and compliance with environmental requirements and opportunities for ecosystem restoration.

Western Drought Response-specific Criteria: In addition to the previously stated criteria that were considered, the selection of the specific projects for Western Drought Response clearly identified their nexus to alleviating the impacts of the current drought, especially in the Colorado River Basin. Finally, while drought has adversely affected many communities in the West, we allocated the funding to areas where a high intensity level of drought has impacted water supplies and delivery. Because water shortage conditions may arise in the future in California, the use of the funds for projects within the state shall be directed to water conservation and extending scarce water supplies.

Of note, a substantial portion of the drought funding (\$16.05 million) is allocated to the Central Valley Project (CVP) in California, at the cumulative project level. Although there are specific needs for the divisions listed within the CVP project, Reclamation's proposal maintains the maximum flexibility to respond quickly to the greatest water needs—or those that affect the largest population—that are triggered by current hydrological manifestations. CVP water project operators continue to monitor daily "real time" conditions with fisheries and water quality experts to effectuate timely changes to dynamic or emergent water operations. Specific division activities have been identified, along with the level of funding for each, in the event that funds are not needed for emergent drought requirements.

Facilities, Operation, Maintenance & Rehabilitation (\$1.8 million)

Reclamation will use these funds to address infrastructure needs of selected projects, for maintaining system reliability, resilience, and safety; and for supporting sustainable water management by promoting established asset management practices. Limits on available funding in the face of deficit reduction pressures require that innovative procedures and incentives be explored to provide a means of prioritizing funding to address the most urgent of these needs. Reclamation has developed the following draft Extraordinary Operation and Maintenance (XOM) prioritization criteria, that take into consideration two fundamental factors—risk and benefits:

- **Engineering Need** - The extent to which engineering analyses demonstrate the facility faces existing or potential conditions that could severely impair its ability to continue delivering project benefits or that could lead to failure of the facility. The effective age of the facility is also factored in.
- **Consequences of Failure** - The value of project benefits that would likely be lost in the event of failure of the facility, as well as population at risk and potential property damages resulting from such failure.
- **Financial Considerations** - The extent to which the project beneficiaries responsible for the reimbursable share of the work demonstrate the ability to repay the reimbursable share of the work.
- **Efficiency Opportunities** - The extent to which the proposed work demonstrates a significant opportunity to substantially reduce future routine Operation and Maintenance costs associated with the facility and improves the Facility Condition Index.
- **Scheduling** - The duration of the project activities for design and construction.