The Freshwater Trust protects and restores freshwater ecosystems. Using science, technology and incentive-based solutions, we're changing the course of conservation on a timeline that matters.

July 7, 2023
Wayne Pullman
Regional Director
U.S. Bureau of Reclamation
125 South State Street, Room 8100
Salt Lake City, UT 84138

Submitted via email to UCBEfficiency@usbr.gov

Re: Request for Input for the Upper Colorado River Basin System Conservation and Efficiency Program

Dear Mr. Pullman:

Thank you for the opportunity to provide comments on the second phase of Upper Colorado River Basin System Conservation and Efficiency Program funding under the Inflation Reduction Act (IRA). Founded in 1983, The Freshwater Trust (TFT) is a nonprofit conservation organization committed to accelerating the pace and scale of watershed restoration through the design and implementation of data-driven, science-based solutions. TFT has a track record using insight-driven approaches to help design and develop watershed-scale solutions to some of the nation's biggest water challenges. We bring this extensive experience to bear in submitting the following comments.

In its solicitation for input, Reclamation specifically requested input on the types of projects that may be eligible for funding, the evaluation criteria that might be used during project selection, and the administration of the program. TFT submits the following comments with respect to these three general categories.

FOCUS ON LONG-TERM RESILIENCE

Phase 1 projects operating under the System Conservation Pilot Program supported water reductions in 2023 largely through full-season fallowing of agricultural lands. But full-season fallowing is a temporary solution to the persistent problems induced by aridification. The basin faces enduring constraints, and this level of financial resourcing will not likely be available to address those constraints in the future. As such, IRA funds should support more durable water conservation actions that help stakeholders prepare for the worsening impacts of aridification and position them to adapt to a future with less water. IRA-funded projects that support more durable conservation actions may include partial- and split-season irrigation, deficit irrigation, crop switching, bluegrass removal, urban water reuse, and irrigation infrastructure upgrades. Work in the agricultural sector needs to be done with an eye to safeguarding local economies, and all work should produce verifiable reductions, which can be accounted for at the point of diversion.

ENABLE "AGGREGATORS" TO MOVE LARGER BLOCKS OF FUNDING TO MORE INTEGRATED PROJECTS

Phase 1 efforts focused on getting Drought Response and Preparedness funding out quickly, to implement projects in 2023. 72 projects are anticipated to produce approximately 39,000 acre-feet (AF) of conserved

consumptive use. To address a structural deficit in the basin that equates to approximately 2.4 million AF/year, Reclamation and other federal agencies need transparent and trustworthy partners who can move larger blocks of funding to the right projects. TFT strongly recommends that Reclamation deploy funds through regional "aggregators" that can ensure strategic, coordinated, locally supported investment. The first phase of Upper Basin IRA funding was managed through the Upper Colorado River Commission (UCRC). For Phase 2, an approach that deploys funds through regional public entities attuned to local needs and concerns is warranted. (This is not to say the latter approach should replace the former; but it should, at the very least, broaden it.) Entities like water conservation districts work more closely and frequently with local water users and have developed deep trust and experience with these partners. TFT recommends using these types of entities as funding aggregators because they will help ensure that funds are deployed to projects in a way that is attuned to local needs and does not cause unintended injury or impacts to other water users. These entities can focus on geographies that are big enough to promote holistic approaches, while applying greater precision around implementation. Reclamation could set reduction thresholds for this type of agreement (e.g., *x* AF), and it could incentivize multibenefit outcomes (e.g., reductions in use that simultaneously benefit local production economies and/or create a water quality/quantity benefit).

INVEST IN PROJECTS THAT CAN GROW—AND RETURN MORE COST-EFFECTIVE BENEFITS OVER TIME

The intention of IRA Subtitle B, Part 3, Drought Response and Preparedness is to enable "preparedness" in addition to "response." Phase 1 efforts, in providing payments for water reductions in 2023, supported immediate and rapid response. Phase 2 should advance more sophisticated, multiyear efforts at scale, and it should include planning and capacity support. If, for example, an aggregator brokered an agreement with a large water user association or irrigation district to develop a multiyear water conservation program that could demonstrably conserve 20,000 AF, with benefits that continued to accrue beyond the contract period—and a fraction of the total estimated IRA water-savings price (e.g., 5%-15%) was required to support planning and capacity—Reclamation should make the upfront investment in planning, with subsequent funding contingent upon brokered agreements that achieve verifiable reductions (i.e., "pay-for-performance" agreements). Alternatively, Reclamation can think creatively about the capacity needed to scale certain efforts. A 500-acre crop switching pilot, which saves a very modest amount of water, could scale to 10,000 acres with capacity investments in production and processing equipment that farmers need to make the water saving transition. Year-over-year savings (which should be quantified up-front) could create a good return on investment and a durable, sustainable change in practice.

SUPPORT THE TECHNOLOGIES AND INSIGHTS NEEDED TO DESIGN AND DELIVER SCALABLE SOLUTIONS

Reclamation can also invest in the technologies necessary to deliver smart, cost-effective, scalable solutions. To assess and address the array of interrelated outcomes that result from interventions in complex water networks—hydraulic, hydrologic, ecologic, economic—thoughtful approaches backed by robust analytical models are essential. Multiyear investments in pilot projects are a great way to drive technological innovation. For example, the Colorado River District (CRD)—in a pilot with the Uncompahgre Valley Water User Association (UVWUA), which serves over 80,000 irrigated acres—commissioned TFT to develop a multi-objective decision-support tool (DST) that will enable CRD and UVWUA stakeholders to determine where and how IRA funds can be applied in ways that maximize reductions; minimize cost; maximize participant and environmental benefit; and minimize adverse, indirect agricultural-economic impacts. Each year of the pilot is intended to broaden the range of potential water conservation practices being employed—ensuring actions are durable, profitable, and sustainable. TFT believes this kind of data-backed, multibenefit pilot is both replicable and scalable, and Reclamation should fund large-

scale pilots and projects that drive new technologies and approaches. The technologies and approaches should show what types of investments are warranted—in what locations—given local needs, desired outcomes, and water availability under a range of hydrological conditions.

UNLEASH THE FULL POWER OF FEDERAL FUNDING ON THIS PROBLEM

The national crisis unfolding in the Colorado River Basin requires transforming traditional procurement processes to support rapid innovations in thinking, approach, and implementation. Lowering bureaucratic hurdles to funding and enabling Drought Response and Preparedness dollars to be used as match against other USDA and DOI programs (eliminating the non-federal match requirement) is called for at this time. Through the IRA and the Bipartisan Infrastructure Law (BIL), the U.S. is poised to make a once-in-a-generation investment to address critical water and climate issues; but new appropriations cannot deliver results expediently, at scale, without more efficient, wholesale funding approaches. In addition to the $4B for drought preparedness and response, the IRA added $19B to Farm Bill programs. The BIL added $23B in supplemental State Revolving Fund (SRF) dollars for clean water and drinking water purposes (including 49% available for loan forgiveness or grants) and $1B to FEMA's Building Resilient Infrastructure and Communities (BRIC) program. Because each funding source is currently focused on a sliver of the overall water issue, with complicated "match" and eligibility requirements, it is difficult to create a leveraged funding stack that supports a coordinated, multibenefit effort. The remaining $375M Phase 2 Upper Basin allocation will have more long-lasting impact if it is used in ways that help build a bigger, more diverse funding stack that leverages these federal sources together with other state, local and private sources. A bill currently before the Senate Energy & Natural Resources Committee could create new authorities to simplify, accelerate, and catalyze this process. The Watershed Results Act would establish up to five pilots in Reclamation States. In each pilot, analytics would be used to establish project investment priorities and develop an implementation plan. Within pilots, DOI would have flexibility to use federal sources to meet other federal cost-share requirements and streamline and simplify project contracting. TFT encourages Reclamation to consider the benefits this legislation could afford the Upper Basin—in particular, the construction of a more durable, longer-term funding stack that leverages additional resources beyond the $375M in Phase 2 IRA funding.

Thank you for the opportunity to provide this input. We look forward to continuing dialog with Reclamation, the Upper Basin states, and key regional stakeholders on how to implement Phase 2 IRA funding in a way that maximizes results and catalyzes durable momentum.

Sincerely,

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