

**Statement of Michael L. Connor
Commissioner
U.S. Bureau of Reclamation
Before the
House Natural Resources Committee
Subcommittee on Water and Power
On the President's Fiscal Year 2013 Budget
March 20, 2012**

Thank you Chairman McClintock and members of this Subcommittee, for the opportunity to discuss with you the President's Fiscal Year 2013 budget for the Bureau of Reclamation.

I appreciate the time and consideration this Subcommittee gives to reviewing and understanding Reclamation's budget and its support for the program. Reclamation works hard to prioritize and define our program in a manner that serves the best interest of the public.

Our 2013 budget continues support for activities that, both now and in the future, will deliver water and generate power, consistent with applicable State and Federal law, in an environmentally responsible and cost-effective manner. Overall, our goal is to promote certainty, sustainability, and resiliency for those who use and rely on water resources in the West. Success in this approach will help ensure that Reclamation is doing its part to support the basic needs of communities, as well as provide for economic growth in the agricultural, industrial, energy and recreational sectors of the economy. In keeping with the President's pledge to reduce spending and focus on deficit reduction, this budget reflects reductions and savings where possible. The 2013 budget allows Reclamation to fulfill its core mission, but cost savings have been implemented where possible.

The budget also supports the Administration's and Department of the Interior's (Department) priorities to tackle America's water challenges; promote America's Great Outdoors and Cooperative Landscape Conservation; support and strengthen tribal nations. The Department will continue the WaterSMART Program (with participation from both Reclamation and the U.S. Geological Survey) and Reclamation's budget reflects that priority.

Reclamation's 2013 budget is \$1.0 billion, \$42.4 million below the 2012 enacted level. Reclamation's budget request is partially offset by discretionary receipts in the Central Valley Project Restoration Fund, estimated to be \$39.6 million. The request for permanent appropriations in 2013 totals \$174.1 million. The budget proposes the establishment of a new Indian Water Rights Settlement account and a discretionary appropriation for the San Joaquin River Restoration Fund.

As the largest supplier and manager of water in the 17 Western States and the Nation's second largest producer of hydroelectric power, Reclamation's projects and programs are critical to driving and maintaining economic growth in the Western States. Reclamation manages water for agricultural, municipal and industrial use, and provides flood control and recreation for millions

of people. According to a June 2011 economic report prepared by the Department, Reclamation activities, including recreation, have an economic contribution of \$55 billion, and support nearly 416,000 jobs. Reclamation's 58 hydroelectric power plants generate over 40 million megawatt hours of electricity to meet the annual needs of over 3.5 million households and generates nearly \$940 million in revenues for the Federal Government. It would take more than 23.5 million barrels of crude oil or about 6.8 million tons of coal to produce an equal amount of energy with fossil fuel. As a result, Reclamation facilities eliminate the production of over 27 million tons of carbon dioxide that would have been produced by fossil fuel power plants.

The 2013 budget allocates funds to projects and programs based on objective, performance-based criteria to most effectively implement Reclamation's programs and its management responsibilities for its water and power infrastructure in the West.

Water and Related Resources

The 2013 budget for Water and Related Resources, Reclamation's principal operating account, is \$818.6 million, a decrease of \$76.4 million from the 2012 enacted level. This decrease is due, in part, to a shift of \$46.5 million for the requested establishment of the Indian Water Rights Settlement account, and \$12.0 million for a discretionary appropriation for the San Joaquin River Restoration Fund.

The 2013 budget includes a total of \$395.6 million at the project/program level for water, energy, land, and fish and wildlife resource management and development activities. Funding in these activities provides for planning, construction, water sustainability activities, management of Reclamation lands including recreation areas, and actions to address the impacts of Reclamation projects on fish and wildlife.

The budget also provides a total of \$423.1 million at the project/program level for the operation, maintenance, and rehabilitation associated with Reclamation's water and power facility. Reclamation emphasizes safe, efficient, economic and reliable operation of facilities, ensuring systems and safety measures are in place to protect the facilities and the public. Providing adequate funding for these activities continues to be one of Reclamation's highest priorities.

Highlights of the FY 2013 Budget for Water and Related Resources

I would like to share with the Committee several highlights of the Reclamation budget including an update on the WaterSMART (Sustain and Manage America's Resources for Tomorrow) program, and the Department's priority goal target to enable capability to increase available water supply in the Western United States by 730,000 acre feet by the end of 2013 based on cumulative savings since 2009.

WaterSMART Program - The 2013 budget continues to focus resources on expanding and stretching limited water supplies in the West to reduce conflict, facilitate solutions to complex water issues, and meet the growing needs of expanding municipalities, domestic energy development, the environment, and agriculture.

Reclamation proposes to fund WaterSMART at \$53.9 million, \$6.8 million above the 2012 enacted level. There are five ongoing WaterSMART programs: the WaterSMART Grant program funded at \$21.5 million; Basin Studies funded at \$6.0 million; the Title XVI Water Reclamation and Reuse program funded at \$20.3 million; Water Conservation Field Services program, funded at \$5.9 million; and the Cooperative Watershed Management program, funded at \$250,000.

Cooperative Landscape Conservation Initiative – Reclamation has budgeted \$6.5 million to actively engage in developing and implementing approaches to understand, and effectively adapt to landscape-level conservation challenges, including the impacts of climate change on western water management. The Basin Studies program is part of an integrated strategy to respond to changing impacts on the resources managed by Interior, and is a key component of the WaterSMART initiative. In 2013, the Basin Studies program will continue West-wide risk assessments, coordinated through the Department’s Landscape Conservation Cooperatives (LCCs) and focus on the threats to water supplies from changing weather patterns. Reclamation will continue to participate in and lead the Desert and Southern Rockies LCCs. Included within Reclamation’s Science and Technology program is water resources research targeting improved capability for managing water resources under multiple drivers, including a changing climate. This research agenda will be collaborated and leveraged with capabilities of the Interior Climate Science Centers.

Supporting Renewable Energy Initiatives – To support the Administration’s New Energy Frontier initiative, and the Renewable Energy priority goal, the 2013 Reclamation budget allocates \$2.0 million to provide support for the renewable energy initiative and to collaborate with other agencies and entities on renewable energy integration. The funds will be used to explore how other renewable energy technologies can be integrated into Reclamation projects. Reclamation will continue the effort to facilitate the development of sustainable hydropower; optimize Reclamation hydropower projects to produce more energy with the same amount of water; explore hydro pump-storage projects that can help integrate large amounts of variable renewable resources such as wind and solar into the electric grid; and work with Tribes to assist them in developing renewable energy sources. These important projects can help produce cleaner, renewable energy.

Supporting Tribal Nations – Reclamation has a long-standing commitment to realizing the Secretary’s goal to strengthen tribal nations. The 2013 budget continues to support that goal through a number of activities and projects ranging from ecosystem restoration to rural water infrastructure and the implementation of water rights settlement. The budget includes \$6.4 million for the Native American Affairs Program to continue support of Reclamation activities with Indian Tribes. These activities include providing technical support for Indian water rights settlements and assisting tribal governments to develop, manage and protect their water and related resources. Also, the office provides policy guidance for Reclamation’s work with tribes throughout the organization in such areas as the Indian trust responsibility, government-to-government consultations, and Indian self-governance and self-determination.

Rural Water Projects – Congress has specifically authorized Reclamation to undertake the design and construction of seven projects intended to deliver potable water supplies to specific rural communities in the West. 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. In support of rural communities, the 2013 budget includes a funding increase to advance the construction of rural water projects.

Reclamation has proposed \$69.6 million in funding for Reclamation's seven on-going authorized rural water projects. This funding reflects the high priority that the Department and Reclamation place on improving the circumstances of rural economies and those living in rural economies. Tribal and non-tribal people will greatly benefit by this demonstrated commitment to rural water construction.

Specifically, the budget includes \$18.0 million for operation and maintenance of tribal features for two projects -- the Mni Wiconi Project and the Garrison Diversion Unit of the Pick-Sloan Missouri Basin Program-- and \$51.6 million in construction funding combined for the seven projects: Garrison Diversion Unit, (ND); Mni Wiconi Rural Water System, (SD); Jicarilla Apache Reservation Rural Water System, (NM); Lewis and Clark Rural Water System, (SD, IA, MN); Fort Peck Reservation/ Dry Prairie Rural Water System, (MT); Rocky Boys/ North Central Montana Rural Water System, (MT); and Eastern New Mexico Water Supply Project, (NM). The 2013 Budget includes sufficient funding to complete construction of the Mni Wiconi Project.

Aging Infrastructure – In recognition of the growing need to address aging infrastructure associated with Reclamation projects, the 2013 Reclamation budget includes \$7.3 million for a Reclamationwide Aging Infrastructure program that will make use of recently enacted authorities such as the aging infrastructure program enacted in Public Law 111-11. This funding will address the infrastructure needs of Reclamation projects, which is essential for maintaining system reliability and safety and to support sustainable water management by promoting established asset management practices. This budget will provide additional funding for an increased number of extraordinary maintenance and rehabilitation activities which will enhance the ability of Reclamation and its operating entities to preserve the structural safety of project facilities, while continuing delivery of project benefits.

Dam Safety Program - A total of \$87.5 million is budgeted for Reclamation's Safety of Dams program. This includes \$67.0 million directed to specific dam safety modifications; of which \$15.0 million is for work at Folsom Dam. Funding also includes \$19.4 million for safety evaluations of existing dams and \$1.1 million to oversee the Interior Department's Safety of Dams program.

Site Security - A total of \$26.9 million is budgeted for Site Security to ensure the safety and security of the public, Reclamation's employees, and key facilities. This funding includes \$5.9 million for physical security upgrades at high risk critical assets and \$21.0 million to continue all aspects of bureau-wide security efforts.

This includes law enforcement, risk and threat analysis, personnel security, information security, risk assessments and security-related studies, and guards and patrols.

Ecosystem Restoration – In order to continue to meet Reclamation’s mission goals of generating power and managing water in a sustainable manner for the 21st century, one focus of its programs must be the protection and restoration of the aquatic and riparian environments affected by its operations. Ecosystem restoration involves a large number of activities, including Reclamation’s Endangered Species Act recovery programs, which directly address the environmental aspects of the Reclamation mission. These programs also implement important river restoration efforts that support the America’s Great Outdoors initiative.

The 2013 budget provides \$128.0 million to operate, manage, and improve the Central Valley Project. This amount includes \$16.1 million for the Trinity River Restoration program, and \$2.9 million for the Red Bluff fish passage to complete post-construction activities of the new pumping plant and fish screen, which will be operational in the Spring of 2012, as well as continued biological and research and monitoring activities.

The budget provides \$27.2 million for Lower Colorado River Operations to both fulfill the role of the Secretary as water master for the Lower Colorado River and continue the multi-species conservation program, which is \$17.8 million of that total, and provides long-term Endangered Species Act compliance for the river operations.

The budget includes \$18.9 million for Endangered Species Act Recovery Implementation programs, which includes \$8.0 million in the Great Plains Region to implement the Platte River Endangered Species Recovery Implementation program. This funding will facilitate the implementation of measures to help recover four endangered or threatened species, thereby enabling existing water projects in the Platte River Basin to continue operations, as well as allowing new water projects to be developed in compliance with the Endangered Species Act. This program also includes \$8.4 million for the Upper Colorado and San Juan River Endangered Fish Recovery programs. This funding will continue construction of a system that automates canal operations to conserve water by matching river diversions with actual consumptive use demands and redirecting the conserved water to improve in-stream flows. The budget also provides \$18.0 million for Columbia/Snake River Salmon Recovery. This funding will be used for the implementation of required Biological Opinion actions including extensive hydro actions, plus tributary habitat and hatchery initiatives as “off-sets” for the impacts of Federal Columbia River Power System operations.

The 2013 budget includes \$7.1 million for Reclamation to move forward with actions that address water supply enhancement and restoration of natural resources that support the Klamath Basin Restoration Agreement and are authorized under existing law. The Klamath Basin Restoration Agreement includes restoration and related activities to reduce conflicts over water between the Upper and Lower Klamath Basins.

The results of the Klamath Dam Removal and Sedimentation Studies conducted over the past several years will be used in discussions over whether or not removing PacifiCorp's four dams on the Lower Klamath River is in the public interest and advances restoration of the Klamath River fisheries. No funds are budgeted in 2013 for this effort.

The 2013 budget includes \$22.5 million for the Middle Rio Grande project. Within this amount \$8.4 million supports the acquisition of supplemental non-Federal water for Endangered Species Act efforts and low flow conveyance channel pumping into the Rio Grande during the irrigation season. Further, funding will be used for recurring river maintenance necessary to ensure uninterrupted, efficient water delivery to Elephant Butte Reservoir, reduced risk of flooding, as well as water delivery obligations to Mexico.

The Yakima River Basin Water Enhancement project budget is \$9.5 million, which will continue funding grants to implement conservation measures that stretch water supplies and improve fishery conditions.

Central Utah Project Completion Act

The 2013 budget proposes to consolidate the CUPCA Program with the Bureau of Reclamation, while maintaining a separate appropriations account for CUPCA. This consolidation is part of broader Administration efforts to implement good government solutions to consolidate and streamline activities when possible. The proposed merger would ensure that all major federal water projects within Interior are managed by Reclamation, ensuring that these projects receive equal consideration and treatment. The 2013 CUPCA budget is \$21.0 million, a decrease of \$7.7 million from the 2012 enacted level. Of this amount, \$1.2 million will be transferred to the Utah Reclamation Mitigation and Conservation Account for use by the Mitigation Commission.

Central Valley Project Restoration Fund

The 2013 budget includes \$39.9 million for the CVPRF, a decrease of \$13.2 million from the 2012 enacted level. This budget is indexed to 1992 price levels and determined on the basis of a three-year rolling average. This budget is offset by collections estimated at \$39.6 million from mitigation and restoration charges authorized by the Central Valley Project Improvement Act. The fund supports a number of programs authorized by the CVPIA, including anadromous fish restoration and the acquisition and delivery of water to state and federal wildlife refuges.

California Bay-Delta Restoration

The 2013 budget includes \$36.0 million for CALFED, pursuant to the CALFED Bay-Delta Authorization Act, a decrease of \$3.7 million from the 2012 enacted level. The budget will support implementation of the Bay Delta Conservation Plan, under the following new program activities: \$1.9 million for a Renewed Federal State Partnership, \$6.6 million for Smarter Water Supply and Use, and \$27.6 million for actions that address the Degraded Bay-Delta Ecosystem.

San Joaquin River Restoration Fund

The 2013 budget funds activities consistent with the settlement of *Natural Resources Defense Council v. Rodgers* as authorized by the San Joaquin River Restoration Settlement Act. The Act included a provision establishing the San Joaquin River Restoration Fund to implement the provisions of the Settlement. The Settlement's two primary goals are to restore and maintain fish populations, and restore and avoid adverse water impacts. Under the Settlement, the legislation provides for approximately \$2.0 million in annual appropriations from the Central Valley Project Restoration Fund for this purpose, as well as mandatory funds of \$88 million. The legislation also authorized appropriations and Reclamation proposes \$12.0 million of discretionary funds for the San Joaquin River Restoration Fund account in 2013.

Indian Water Rights Settlements

The 2013 Budget includes \$46.5 million in the proposed Indian Water Rights Settlement account. Of this amount, \$21.5 million is for implementation of the four settlements included in the Claims Resolution Act of 2010. These settlements will deliver clean water to the Taos Pueblo of New Mexico, the Pueblos of New Mexico named in the Aamodt case, the Crow Tribe of Montana, and the White Mountain Apache Tribe of Arizona. Reclamation is requesting the establishment of an Indian Water Rights Settlements account to assure continuity in the construction of the authorized projects and to highlight and enhance transparency in handling these funds.

In addition to the four settlements, the account also budgets \$25.0 million for the on-going Navajo-Gallup Water Supply Project (authorized in Title X of Public Law 111-11). The total for Reclamation's implementation of Indian Water Rights Settlements in 2013 is \$106.5 million, \$46.5 million in discretionary funding and \$60.0 million in permanent authority, which is provided in Title VII of the Claims Resolution Act.

Policy and Administration

The 2013 budget for the Policy and Administration appropriation account, the account that finances Reclamation's central management functions, is \$60.0 million.

Research and Development

Reclamation's Science and Technology Program focuses on a range of solutions for supporting the bureau's capability to manage, conserve, and expand water supplies. This year Reclamation's budget includes \$13.0 million to support research and development programs which give the highest priority to address the impacts of drought and climate change; mitigation of invasive species such as zebra and quagga mussels; creating new water supplies through advanced water treatment; and advance renewable energy development on Reclamation lands.

Permanent Appropriations

The total permanent appropriation in 2013 of \$174.1 million includes \$111.1 million for the Colorado River Dam Fund and \$60.0 million for Reclamation's Indian Water Rights Settlements account.

Campaign to Cut Waste

Over the last two years, the Administration has implemented a series of management reforms to curb growth in contract spending, terminate poorly performing information technology projects, deploy state of the art fraud detection tools, focus agency leaders on achieving ambitious improvements in high priority areas, and open Government up to the public to increase accountability and accelerate innovation.

In November 2011, President Obama issued an Executive Order reinforcing these performance and management reforms and the achievement of efficiencies and cost-cutting across the government. This Executive Order identifies specific savings as part of the Administration's Campaign to Cut Waste to achieve a 20 percent reduction in administrative spending from 2010 to 2013. Each agency was directed to establish a plan to reduce the combined costs associated with travel, employee information technology devices, printing, executive fleet efficiencies, and extraneous promotional items and other areas.

The Department of the Interior's goal is to reduce administrative spending by the end of 2013, \$207 million from 2010 levels. To contribute to that goal, the Bureau of Reclamation is targeted to save \$13.5 million by the end of 2013. At the end of 2011, Reclamation had achieved \$5.2 million in savings. The 2012 budget identified \$5.8 million in administrative savings for which specific reductions were taken. To meet the President's 2013 savings goal, Reclamation will achieve another \$7.7 million in savings by the end of 2013 to offset mission requirements.

FY 2013 Priority Goal for Water Conservation

Priority goals are a key element of the President's agenda for building a high-performing government. The priority goals demonstrate that they are a high value to the public or that they reflect achievement of key Departmental milestones. These goals focus attention on initiatives for change that have significant performance outcomes which can be clearly evaluated, and are quantifiable and measurable in a timely manner. Reclamation's participation in the Water Conservation priority goal helps to achieve these objectives.

Reclamation's water conservation efforts are critical to sustain the economy, environment, and culture of the American West. Competition for finite water supplies is increasing because of population growth, ongoing agricultural demands, and increasingly evident environmental needs. With increased emphasis on domestic energy development, additional pressure is placed on limited water supplies, as significant amounts of water may be required for all types of energy development. At the same time, climate change, extended droughts, and depleted aquifers are impacting water supplies and availability.

In response to these demands, by the end of 2013, Reclamation will enable capability to increase available water supply for agricultural, municipal, industrial, and environmental uses in the western United States by 730,000 acre feet cumulatively since 2009 through its conservation-related programs, such as water reuse and recycling (Title XVI), and WaterSMART grants.

Moreover, Reclamation's Water Conservation program addresses a range of other water supply needs in the West. It plays a significant role in restoring and protecting freshwater ecosystems consistent with applicable State and Federal law, enhancing management of our water infrastructure while mitigating for any harmful environmental effects, and understanding and responding to the changing nature of the West's limited water resources.

Finally, the 2013 budget demonstrates Reclamation's commitment to meeting the water and power needs of the West in a fiscally responsible manner. This budget continues Reclamation's emphasis on managing those valuable public resources. Reclamation is committed to working with its customers, States, Tribes, and other stakeholders to find ways to balance and provide for the mix of water resource needs in 2013 and beyond.

Conclusion

This completes my statement. I would be happy to answer any questions that you may have at this time.