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Submitted to the U.S. House Committee on Resources  
Subcommittee on Water and Power  
Legislative Hearing on S. 895

***The Rural Water Supply Act of 2005***

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Chairman Radanovich and Members of the Subcommittee:

Thank you for this opportunity to submit testimony on behalf of the Family Farm Alliance ( Alliance). My name is Dan Keppen, and I serve as the executive director for the Alliance, which advocates for family farmers, ranchers, irrigation districts, and allied industries in seventeen Western states. On behalf of the Alliance, I would like to offer some observations and recommendations on S. 895, "The Rural Water Supply Act of 2005".

The Family Farm Alliance is focused on one mission - To ensure the availability of reliable, affordable irrigation water supplies to Western farmers and ranchers. The Alliance believes that ensuring the continued viability of irrigated agriculture in the West depends in large part on strengthening and protecting the Bureau of Reclamation's (Reclamation) ability to carry out its core responsibilities. Simply stated, these are the operation and maintenance of existing water infrastructure and the fulfillment of contractual obligations to water and power users.

We understand that S. 895 is intended to protect Reclamation's core activities by applying consistent engineering and economic standards to proposed rural (domestic) water supply projects that are currently authorized by Congress on an ad hoc basis, often without sufficient scrutiny of their costs and benefits. In addition, the bill would make federal loan guarantees available to irrigation districts to help them pay for extraordinary operations and maintenance projects at existing Reclamation water supply and conveyance facilities.

The Alliance supports S. 895's goals, but we have concerns about how the legislation would achieve those goals. The bill needs improvement, and the Alliance cannot give its full support to the bill unless several improvements are made. Below is a discussion of those concerns and some recommendations for addressing them.

Expansion of the Bureau of Reclamation Mission

Subjecting proposed rural water supply projects to strict scrutiny is certainly an improvement over current practice, and it seems logical that such scrutiny would result in fewer, better and cheaper projects. Nevertheless, S. 895 formally expands Reclamation's mission and authorizes millions of dollars to carry out a *new* rural water program at a time when appropriations for the agency's existing obligations are shrinking. Good intentions notwithstanding, the Alliance is concerned that this new program will compete with Reclamation's essential functions for scarce resources.

Moreover, the Alliance and others have long-standing concerns about how Reclamation operates some of its existing programs, especially the agency's Denver Technical Services Center (TSC). It's conceivable that the rural water supply program envisioned by S. 895 could provide an expanded role for the TSC.

Some of the Alliance's concerns about the TSC could be addressed if the Bureau follows the recommendation of the National Research Council of the National Academies (NAS), which in December released a draft report titled, "Managing Construction and Infrastructure in the 21st Century Bureau of Reclamation". In comments on S. 895 earlier this year, the Alliance recommended to House Resources Committee that S 895 include provisions codifying the NAS Committee recommendations to optimize Reclamation's planning, design and construction management functions.

In the time since we submitted our initial comments, the Bureau has undertaken the "Managing for Excellence" program, an action plan intended to address the NAS report. It is essential that Congress continue closely monitor the Bureau's effort to implement the NAS recommendations, and legislation to codify or enforce them may eventually be necessary. However, such legislation may be premature at this time.

Still, the Alliance remains concerned that the S. 895 may create opportunities for bureaucratic growth and administrative

cost escalation. The Alliance recommends that the S. 895 be amended to limit the number of full-time equivalent employees or the level of funding or both that can be devoted to the new Bureau of Reclamation rural water supply program.

### Infrastructure Repair Loan Guarantees

The Rural Water Supply Act of 2005 addresses an important issue to western water users: the inability of irrigation and water districts to pay for expensive repairs to Bureau of Reclamation dams, canals and other facilities. As the Subcommittee is well aware, many Reclamation facilities are near the end of their design life, and maintaining the West's aging water infrastructure is a major financial challenge for Reclamation. It is also a challenge for irrigation districts and communities that depend upon these projects because in most cases, project beneficiaries are obligated by contract to pay 100 percent of operation, maintenance and repair costs at Reclamation facilities. Repair and replacement of aging gates, canals and other facilities often involve major construction projects costing millions of dollars. Under Reclamation law, project beneficiaries are required to pay these costs immediately; they cannot be repaid over time.

Private financing is difficult for many local entities to obtain because they do not own the facilities that are being repaired. In the past, programs such as the Rehabilitation and Betterment Act provided federal loans and other assistance for meeting the costs of repairs and replacement of equipment. However, such programs are no longer available.

The alternative financing mechanism proposed in S. 895 – which would provide a government loan guarantee to allow local entities to amortize expensive operation, maintenance and replacement (OM&R) projects – would be helpful to some local agencies struggling to afford repairs to federally owned facilities. By making it easier for certain local agencies to meet their financial responsibilities, S. 895 would make it easier to protect the federal investment in the West water supply infrastructure.

However, while the loan guarantee program would be helpful in many cases, it will not work in every case, or at least not be itself. Other options that Congress might consider for this or other legislation could further enhance the ability of rural irrigators to meet the costs of repairing aging Bureau facilities. These options include adapting repayment requirements that ease borrowing requirements and extend repayment periods, reinstating the Small Project Loan Program, and allowing entities with annual repayment obligations to shift those obligations to reserve OM&R accounts.

The Alliance believes the federal loan guarantee authority in S. 895 can also be an effective tool for improving water conservation, efficiency and management in areas served by federal Reclamation projects. The loan guarantee program should be expanded to make it easier for local authorities to finance improvements to the facilities that distribute and deliver the water made available by Bureau of Reclamation projects. Such improvements could include lining leaking canals, modernization of control structures, installation of water conservation systems and other projects for which local agencies may find difficult to secure financing.

The Alliance recommends that the Subcommittee consider amending S. 895 to provide loan guarantees for improvement of local water infrastructure connected to Reclamation projects. Such an expansion could be configured as a temporary pilot program to demonstrate the effectiveness of this type of assistance.

### Conclusion

The recommendations in this testimony are intended to be constructive, and they are offered in a spirit of cooperation. However, the bottom line is that neither S. 895, nor any legislation currently pending in the 109 th Congress addresses what's really important to the family farmers in the West. Their future is what's really important to them, and their future is at risk.

Urbanization and competition for water supplies for environmental uses are driving Western farmers off the land at a time when American food production in general is following other industries "off-shore" in search of lower costs. Traditional farms and ranches are disappearing, and this year it appears that our country will actually become a net importer of food.

The U.S. needs a stable domestic food supply, just as it needs a stable energy supply. The post 9/11 world of terrorist threats makes the stability of domestic food supply even more pressing. For farmers to survive; for food to be produced in America there must be a stable water supply for Western agriculture. Yet, supplies are anything but stable. Urban and environmental demands are claiming more and more water, and they are draining it from agricultural.

This is happening in every Western state, but especially in Colorado, Arizona, Nevada and California. A report released in April by Environment Colorado found that, from 1987-2002, Colorado lost an average of 460 acres per day of agricultural land. The report predicts 3.1 million more acres will be lost to development by 2022. Arizona's Salt River Project (SRP) is the "poster child" for transfers of agricultural water to urban areas. In a few years, the SRP will cease to provide water

to agriculture in order to meet new demands exerted by development. In Las Vegas, over 70,000 new residents are moving in every year, and Southern Nevada Water Authority is looking to rural areas to satisfy its growing thirst. California remains the most populous state in the nation, with over 36 million people calling it home, and more arriving every year.

Western farmers, ranchers and water managers are getting nervous. To them, it's clear that either by intention or by default current federal policy is inconsistent with reliable long term domestic agriculture and food production.

Congress and the federal agencies need to take a careful look at what's happening in the West and decide if irrigated agriculture is important to the nation or not. If it is important, then we need to have a public policy conversation about how meet urban and environmental needs while providing for a healthy agricultural sector.

But we need to answer that question soon, because some part of the rural West is drying up and dying every day.

Thank you for this opportunity to testify.