

Committee on Resources

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Statement of John W. Keys, III

Commissioner

U.S. Bureau of Reclamation

before the House Subcommittee on Water and Power

Committee on Resources

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Thank you, Mr. Chairman, and members of the subcommittee, Thank you again for the opportunity to appear before you today to support the President's Fiscal Year 2004 budget request for the Bureau of Reclamation. With me today is Robert Wolf, Director of the Program and Budget Group.

Our FY 2004 request has been designed to support Reclamation's core mission, as stated in DOI's Strategic Plan:

"Deliver Water and Hydropower, Consistent with Applicable State and Federal Law, in an Environmentally Responsible and Cost Efficient Manner."

Funding is proposed for key emerging projects which are important to the Department and in line with Administration objectives. The budget request also supports Reclamation's participation in efforts to meet emerging water supply needs, to resolve water shortage issues in the West, and to promote water conservation and improved water management.

The FY 2004 request for Reclamation totals \$878.0 million in gross budget authority, an increase of \$23.1 million from the FY 2003 President's Amended Request of January 7, 2003, and a decrease of \$33.3 million from FY 2003 Enacted Level. The request is partially offset by discretionary receipts in the Central Valley Project Restoration Fund, resulting in net discretionary budget authority of \$847.2 million, a decrease of \$24.5 million over the FY 2003 Enacted Level.

Center to this is \$11.0 million to launch a Western Water Initiative that uses collaboration, conservation, and innovation to make sure every drop of water counts. This initiative will provide a comprehensive forward-looking water resource management program that will respond to growing water demands. To be successful in dealing with today's complex water issues, we know collaboration is the key. We all must work together to forge workable solutions. We are looking for new ways to make existing water supplies go further. We must continue to develop strategies where water can be used more than once in order to satisfy multiple users and stretch existing water supplies even more. This means improved water conservation, investments in science and technology, and modernization of existing infrastructures.

The four major components of the initiative are Enhancing Water Management and Conservation; Expanding Science and Technology Program; Preventing Water Management Crisis; and Strengthening Endangered Species Act (ESA) Expertise.

This budget is good news for the West. Each year Reclamation is focused on customer value as well as increased accountability and modernization. This request is citizen-centered and founded on the Administration's principle of results rather than procedures. It is also a fiscally responsible request, which will provide funding to keep our dams and facilities safe, deliver water, provide a stable source of power for our growing population, and support environmental efforts.

Demonstrated Commitment and Accomplishments

While performing its core mission, Reclamation delivered 10 trillion gallons of water to over 31 million people

in the 17 western states for municipal, rural, and industrial uses. Reclamation facilities stored over 245 million acre-feet of water, serving one of every five western farmers to irrigate about 10 million acres of land. Those irrigated lands produced 60 percent of the nation's vegetables and 25 percent of its fruits and nuts. As the largest water resources management agency in the West, Reclamation continues to administer and/or operate 348 reservoirs, 56,000 miles of water conveyance systems, and 58 hydroelectric facilities, which generate 42 billion kilowatt-hours annually.

Reclamation also continues to manage approximately 8.6 million acres of Federal land, plus another 600,000 acres of land under easements. In addition, our facilities provide substantial flood control, recreation, and fish and wildlife benefits. Reclamation and its employees take very seriously their mission of managing, developing, and protecting water and related resources in an environmentally and economically sound manner in the interest of the American public.

The FY 2004 budget request demonstrates Reclamation's commitment in meeting the water and power needs of the West in a fiscally responsible manner. This budget continues Reclamation's emphasis on delivering and managing those valuable public resources. In cooperation and consultation with the state, tribal, and local governments, along with other stakeholders and the public at large, Reclamation offers workable solutions regarding water and power resource issues that are consistent with the demands for power and water. With the need to pursue cost effective and environmentally sound approaches, Reclamation's strategy is to continue to use the Secretary's four "C's": "Consultation, Cooperation and Communication all in the service of Conservation...." These principles provide Reclamation an opportunity, in consultation with our stakeholders, to use decision support tools, including risk analyses, in order to develop the most efficient and cost-effective solutions to the complex challenges that we face.

During the second session of the 107th Congress, both the committee and Reclamation's stakeholders accentuated their concerns over the availability of water two decades from now. Our FY 2004 request includes measures that will be utilized to help assure that water will be available for a growing population when needed. Through our Western Water Initiative, Reclamation plans to develop a forward looking water resource management program that will respond to growing water demand.

Furthermore, funding is proposed for key emerging projects that are important to the Department and the Administration's objectives. The budget proposal also supports Reclamation's participation in efforts of meeting emerging water supply needs, resolving water issues in the West, promoting water efficiencies, and improving water management.

Moreover, Reclamation's request reflects the need to address an aging infrastructure and the rising costs and management challenges associated with scarce water resources. As our infrastructure ages, we must direct increasing resources toward technological upgrades, new science and technologies; and preventative maintenance to ensure reliability; which will increase output, and improve safety.

More and more everyday we see how important water resource needs are to our state, local and tribal partners. Many states are developing statewide water plans or drought contingency plans to address resource utilization and stewardship against the backdrop of large population increases with the growing concern for sustainable development. Reclamation, in partnership with other federal, state, local, tribal, and private entities, has consistently proven its ability to work with others to optimize water use. This technical capability is one of our most valuable resources.

Water and Related Resources

The FY 2004 request for the Water and Related Resources account is \$771.2 million. The request provides funding for five major program activities: Water and Energy Management and Development (\$331.3 million); Land Management and Development (\$41.3 million); Fish and Wildlife Management and Development (\$90.4 million); Facility Operations (\$176.8 million); and Facility Maintenance and Rehabilitation (\$171.5 million). The request is partially offset by an undistributed reduction of \$40.0 million, in anticipation of delays in construction schedules and other planned activities.

The request continues to emphasize the operation and maintenance of Reclamation facilities in a safe, efficient, economic, and reliable manner, while sustaining the health and integrity of ecosystems that addresses the water needs of a growing population. It will also assist the states, tribes, and local entities in solving contemporary water resource issues.

Highlights of the FY 2004 request include:

Animas-La Plata in Colorado and New Mexico (\$58.0 million). The FY 2004 request includes \$58 million for the project and will fund the construction contracts awarded in FY 2003 that are associated with critical path activities. This level of funding is crucial to complete the construction of this project within the time frames required by the Colorado Ute Settlement Act Amendments of 2000. In December 2000, Congress enacted legislation to resolve the Colorado Ute Indian Tribes' water right claims and allowed construction of a smaller Animas-La Plata Project to proceed.

Columbia-Snake River Salmon Recovery in Idaho, Oregon, Montana, and Washington (\$19.0 million). This program addresses the implementation of Reasonable and Prudent Alternatives (RPAs) included in two Biological Opinions issued in December 2000. The first opinion was issued by the National Marine Fisheries Service (NMFS) entitled "Operation of the Federal Columbia River Power System (FCRPS), Including the Juvenile Fish Transportation Program, and 19 Bureau of Reclamation Projects in the Columbia Basin," and the second opinion was issued by the U.S. Fish and Wildlife Service (FWS) entitled "Effects to Listed Species from Operations of the Federal Columbia River Power System."

Those Biological Opinions superseded all previous FCRPS Biological Opinions and all actions will now be focused toward the new "reasonable and prudent alternatives (RPA)." Section 7(a)(2) of the Endangered Species Act (ESA) requires Federal agencies to consult with NMFS and the FWS to ensure that agency actions will not likely jeopardize the continued existence of endangered or threatened species, or will not adversely modify or destroy their designated critical habitats.

The FWS Biological Opinion is coordinated with the NMFS Biological Opinion, and calls for operational changes to the FCRPS, by way of additional research measures. A substantial majority of the action items resulted from the NMFS Biological Opinion, while the FWS action items included significantly increased regional coordination with the Federal regulatory agencies; aggressive actions to modify the daily, weekly, and seasonal operation of Federal dams; and the "off-site mitigation" of hydro system impacts.

Klamath Project in California and Oregon (\$20.8 million). The funding will provide for scientific studies and initiatives as a result of the 2002-2012 biological opinions and for the establishment of a water bank as required under those same opinions, as well as to provide water to meet ESA compliance.

The request will also continue funding for studies and initiatives related to improving water supply and quality to meet agriculture, tribal, wildlife refuge, and environmental needs in the Klamath River Basin and to improve fish passage and habitat.

Safety of Dams (\$71.0 million). The safety and reliability of Reclamation dams is one of Reclamation's highest priorities. Approximately 50 percent of Reclamation's dams were built between 1900 and 1950, and 90 percent of those dams were built before the advent of current state-of-the-art foundation treatment, and before filter techniques were incorporated in embankment dams to control seepage. Safe performance of Reclamation's dams continues to be of great concern and requires a greater emphasis on the risk management activities provided by the program.

The FY 2004 request of \$71.0 million for the Safety of Dams Program is being made to provide for the reducing of public safety risks at Reclamation dams, particularly those identified as having deficiencies. The request provides for risk management activities throughout Reclamation's Safety of Dams inventory of 362 dams and dikes, which would likely cause loss of life if they were to fail. Pre-construction and construction activities for up to 19 of these dams are identified for funding through the Safety of Dams Program. The FY 2004 request includes \$1.7 million for the Department of the Interior Dam Safety Program.

Site Security (\$28.6 million). Since September 11, 2001, Reclamation has maintained heightened security at its facilities to protect the public, its employees, and infrastructures. The supplemental funding in FY 2002 was necessary to cover the costs of site security activities in three principle areas. The first area was for guards and law enforcement, the second area included reviews, studies, and analyses, and the third area was for equipment. The FY 2004 request continues funding for those critical activities under the categories of Critical Infrastructure Protection and Continuity of Operations.

Drought (\$1.1 million). The program includes those activities related to administering the Reclamation States Emergency Drought Relief Act of 1991, as amended, to undertake activities that will minimize losses and damages resulting from drought conditions. The major component of the program relates to response

activities taken during an actual drought to minimize losses or mitigate damages. The program also provides for assistance in the preparation of drought contingency plans.

Desalination of Seawater and Groundwater (\$775,000). This program provides a promising opportunity to expand water supplies for both coastal and inland areas. The 2004 budget contains increased funding for desalination research activities aimed at decreasing the cost and facilitating local implementation of desalination.

Our research activities are carefully chosen to align with the Department's draft Strategic Plan and are developed in collaboration with stakeholders. We believe that cost shared research conducted at existing institutions is the quickest and most economical means to achieve our ambitious long-term goal of decreasing desalination costs by 50 percent by 2020.

Sumner Peck Settlement (\$34.0 million). The budget request provides payment to the plaintiffs towards the settlement of Sumner Peck Ranch Inc v. Bureau of Reclamation.

Western Water Initiative

The new Western Water Initiative will position the bureau in playing a leading role in developing solutions that will help meet the increased demands for limited water resources in the West. The budget proposes \$11.0 million, which will benefit western communities that are struggling with increased water demands, drought, and compliance with the Endangered Species Act. The Western Water Initiative involves:

Enhanced Water Management and Conservation (\$6.9 million). Funding will be used for the modernization of irrigation delivery structures such as diversion structures and canals. This will also allow Reclamation to use existing intrastate water banks where they are available, and to promote intrastate water banking as a concept to help resolve future water supply conflicts.

Reclamation will develop alternative ways to balance the existing demands for water for agricultural, municipal, tribal, and environmental purposes. Examples include water management tools; inexpensive and accurate water measuring devices; and computer technologies that will allow remote sensing and automation. Moreover, new canal lining material, data collection and analysis systems should make predicting, managing, and delivering water much more effective.

Preventing Water Management Crisis (\$917,000). Funding will enable us to provide effective environmental and ecosystem enhancements in support of Reclamation's project operations through proactive and innovative activities. For example, we are exploring ways of addressing issues at projects by identifying and integrating long-term river system ecological needs within the context of regulated river management.

Pilot projects will be selected from a list of critical areas based on the potential for cost savings resulting from the development of a program in advance of the occurrence of a crisis. Pilot projects are anticipated to include environmental enhancements that provide support for project operations or optimization of project operations for both water supply and environmental benefits. For example, in some cases, water release patterns can be modified to address environmental needs without impairing the delivery of water for authorized project purposes.

Expanded Science and Technology Program (\$2.7 million). Reclamation's Desalination Research and Development Program will be expanded to research cost reduction of water desalination and waste disposal. Reclamation has developed much of the current desalination technology used around the world today, and will continue to work with partners in the industry to accomplish this goal.

Funding will also expand the effective use of science in adaptive management of watersheds. This cooperative effort with the USGS will assist Reclamation in reaching decisions that are driven by sound science and research, are cost effective, and are based on performance criteria.

Funding will also provide for peer review of the science used in ESA consultations and other environmental documents issued by Reclamation. The National Academy of Science, USGS, and other federal and state entities with science expertise will peer-review the science used by Reclamation in preparing Biological assessments. This initiative will improve Reclamation's use of science and technology to address critical water resource management issues.

Strengthening Endangered Species Act (ESA) Expertise (\$458,000). Funding will be used to strengthen ESA

expertise and will produce identifiable mechanisms in order to achieve continuity in evaluating biological assessments and/or biological opinions. This initiative will enable managers to acquire a greater understanding of the purpose, process and requirements of the ESA as it relates to federal actions that are important to carrying out Reclamation's water resources management mission.

Central Valley Project Restoration Fund

The FY 2004 Reclamation budget includes a request for \$39.6 million and is expected to be offset by discretionary receipts totaling \$30.8 million, which can be collected from project beneficiaries under provisions of Section 3407(d) of the Act. These funds will be used for habitat restoration, improvement and acquisition, and other fish and wildlife restoration activities in the Central Valley Project area of California. This fund was established by the Central Valley Project Improvement Act, Title XXXIV of P.L. 102-575, October 30, 1992.

The funds will be used to achieve a reasonable balance among competing demands for the use of Central Valley Project water, including the requirements of fish and wildlife, agricultural, municipal and industrial and power contractors. Reclamation is seeking appropriations for the full amount of funds of the estimated collections for FY 2004.

California Bay-Delta Restoration

The FY 2004 Reclamation budget includes a request for \$15.0 million. The funds will be used consistent with commitment to find long-term solutions in improving water quality; habitat and ecological functions; and water supply reliability; while reducing the risk of catastrophic breaching of Delta levees. FY 2004 budget contains funds for Bay-Delta activities that can be undertaken within existing statutory authorities for implementation of Stage 1 activities. Those activities are included in the preferred program alternative recommended by CALFED and approved by the Secretary of the Interior. The majority of these funds will specifically address the environmental water account, storage, and program administration.

Policy and Administration

The request for Policy and Administration (P&A) is \$56.5 million. P&A funds are used to develop and implement Reclamation-wide policy, rules and regulations (including actions under the Government Performance and Results Act) and to perform functions which cannot be charged to specific project or program activities covered by separate funding authority. These funds support general administrative and management functions.

Loan Program

No funding is requested for any direct loans. Funding of \$200,000 is requested for program administration.

Performance Assessment Rating Tool (PART)

During FY 2002, all cabinet level agencies reviewed at least 20 percent of their programs in concert with the Office of Management and Budget. The Administration conducted these reviews using PART, a standardized format for program evaluation and management. Results from the PART process were one of many criteria used in making budget decisions. The three Reclamation programs that were reviewed were Hydropower, Water Reuse and Recycling Program (Title XVI), and Rural Water. Reclamation is currently addressing all deficiencies identified with respect to each program.

Hydropower was rated "moderately effective" and Reclamation has begun developing long-term goals that will address the identified issues, such as aging facilities and the need for better performance measures. The Title XVI program review indicated that the program was "moderately well managed." However, Reclamation's oversight of individual projects is limited by strong local control, and the PART findings indicated that there is no clear linkage between Federal funding and progress towards outcomes.

The Rural Water Supply Projects were rated "results not demonstrated." FY 2004 funding requests for this program has been reduced due to systemic program weaknesses, such as non-existent guidelines for eligibility; local cost share and program planning; and overlaps with other Federal agencies. The Administration intends to submit legislation this spring, establishing a Reclamation Rural Water Program with adequate cost controls and clear guidelines for project development.

President's Management Agenda

Reclamation is engaged in a variety of activities designed to meet the Department's "Getting to Green" Scorecard requirements related to the President's Management Agenda (PMA). These activities are concentrated in five major components of the PMA: Expanding E-Government, Financial Management Improvement, Human Capital, Performance and Budget Integration, and Competitive Sourcing.

E-Government: Reclamation participates in a one-stop Internet access that provides citizens information about recreational opportunities on public lands and participates in the Volunteer.gov website which provides information on volunteer activities. We also recently completed an internal review of our web program and are in the process of implementing the recommendations from the review, including the development of a common website.

Financial Management Improvement: Reclamation continues to make progress to ensure that our financial systems are compliant with the Joint Financial Management Improvement Program core requirements. To ensure that accurate and timely financial information is provided, our financial management program uses the Federal Financial System, the Program and Budget System, and its corporate data base system to report summary and transactions data on a 24-hour basis.

Human Capital: Reclamation effectively deploys the appropriate workforce mix to accomplish mission requirements. The use of existing human resources flexibilities, tools, and technology is in a strategic, efficient, and effective manner. Our workforce plan addresses E-Government and Competitive Sourcing and a plan is in place for recruitment, retention, and development of current and future leaders, in addition supervisors are encouraged to work individually with employees to develop Individual Development Plans.

Competitive Sourcing: Reclamation's A-76 Inventory Consistency Team was established to ensure consistency in inventory reporting. The team established guidelines for commercial, commercial core, and inherently governmental functions that are specific to Reclamation's workforce. Two streamlined studies have been completed for 124 FTE and a tentative decision has been announced, moreover two additional streamlined studies are with the Independent Review Official and a preliminary planning is underway for the Express Review studies scheduled in early 2003.

Performance and Budget Integration: Reclamation continues to issue joint planning guidance through the Budget Review Committee process to provide budget targets, priorities, objectives, and goals. A Government Performance and Results Act (GPRA) planning calendar, including budget process and major milestones, has been developed. In addition, budget accounts, staff, and programs/activities are aligned with program targets.

FY 2002 Accomplishments Highlights and Future Planned Activities

In FY 2002, we delivered the contracted amount of water to our water users, thereby meeting our contractual obligations. However, severe drought conditions increased demand for water, and in some cases, the water delivered to the water users was not enough to meet the increased requirement. If snow pack runoff continues at or below normal levels and if the drought continues, there will be far less water to release to our water users during FY 2003 and FY 2004.

Reclamation renewed 100 percent of the water service contracts expiring in FY 2002, helping to ensure continued reliable service. An additional contract that was not planned for was also renewed for a total accomplishment of 114 percent.

Reclamation also completed Safety of Dams modifications on four facilities in FY 2002, the Caballo, Avalon, Clear Lake and Red Willow dams. Also, in FY 2003, Reclamation anticipates completing Safety of Dams modifications at Deadwood Dam in Idaho and Salmon Lake Dam in Washington.

Completion of these modifications improves overall facility condition by reducing risk and improving safety. In some cases, completion of the modifications increased Reclamation's ability to deliver water by removing restricted capacity requirements, and allowing the reservoir to be filled to full operational capacity, if needed.

Reclamation's draft cost of power production per megawatt capacity for FY 2002 was \$6,855. This amount puts Reclamation within the upper 25th percent of the lowest cost hydropower facilities. Reclamation also achieved a 1.3 percent forced outage rate, which measures the amount of unplanned time out of service.

This performance level is 56 percent better than the industry average forced outage rate of 3 percent.

By the end of FY 2002, Reclamation conducted over 130 reviews of its recreational facilities to determine the state of its facilities, identify corrective actions, and determine needed improvements. Also in FY 2002, Reclamation's partnerships and cost-sharing practices allowed Reclamation to complete additional corrective actions to improve more facilities than originally planned. This resulted in performance greater than 100 percent completion of the planned corrective actions.

Reclamation completed 130 percent of its planned site security improvements. Moreover, funding was used to implement additional high-priority security improvements at its high-priority facilities, which was well above the target originally established.

FY 2004 Planned Activities

In FY 2004, Reclamation plans to deliver 27.0 million acre-feet of water for authorized project purposes. In addition, we will complete the Safety of Dams projects at Wickiup Dam, Keechelus Dam, Pineview Dam, and Horsetooth Dam. This will reduce total reservoir restrictions and increase the available storage capacity by 127,300 acre-feet. Reclamation will also complete projects or parts of projects that have the potential to deliver an additional 42,030 acre-feet of water, which will naturally be dependent upon water availability and operations.

Reclamation plans to complete the Escondido and San Elijo Water Reclamation Program; the Olivenhain Recycled Water Project; the Yuma Area Water Resource Management Group bifurcation structure; portions of the El Paso Waste Water Reuse Project; canal linings; and other salinity reduction projects that increase water availability.

Reclamation also plans to continue ranking within the upper 25th percentile of low cost hydropower producers, by comparing power production costs per megawatt capacity, Reclamation plans to achieve a forced outage rate 50 percent better than the industry average, which is currently 3 percent. While Reclamation anticipates completing the baseline condition assessments for 80 percent of the recreation facilities it manages, it plans to continue to maintain the overall facility condition rating assessed at the FY 2003 baseline level.

Reclamation intends to ensure that 14 percent of recreation facilities meet universal accessibility standards, thereby increasing access to recreation areas to the disabled from 8 percent in FY 2003, in addition to maintaining the annual level of on-the-job employee fatalities and serious accidents at zero.

Conclusion

This completes my statement. Please allow me to express my sincere appreciation for the continued support that this Committee has provided Reclamation. I would be happy to answer any questions you may have at this time.

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