

**Statement of Michael L. Connor
Commissioner
U.S. Bureau of Reclamation
Before the
House Committee on Natural Resources
Subcommittee on Water and Power
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Thank you, Mr. Chairman, Ranking Member Napolitano and members of the subcommittee, for the opportunity to discuss with you the President's Fiscal Year 2012 budget request for the Bureau of Reclamation. With me today is Bob Wolf, Director of Program and Budget.

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 FY 2012 request continues support for activities that, both now and in the future, will deliver water and generate hydropower, 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 providing for economic growth in the agricultural, industrial, and recreational sectors of the economy. In keeping with the President's pledge to freeze spending and focus on deficit reduction, this budget reflects reductions and savings where possible. Although the 2012 budget request allows Reclamation to fulfill its core mission, essential functions have been trimmed and economized wherever possible.

The budget continues to emphasize working smarter to address the water needs of a growing population and assisting States, Tribes, and local entities in solving contemporary water resource challenges. It also emphasizes the operation and maintenance of Reclamation facilities in a safe, efficient, economic, and reliable manner; assuring systems and safety measures are in place to protect the public and Reclamation facilities. Funding for each program area down to the individual projects within Reclamation's request is based upon adherence to Administration, Departmental, and Reclamation priorities. Reclamation is responsible for the oversight, operation, and maintenance of major federal infrastructure that is valued at \$87.7 billion in current dollars. Key areas of focus for FY 2012 include Water Conservation, Landscape Conservation Cooperatives and Renewable Energy, Ecosystem Restoration, Youth Employment, supporting Tribal Nations and maintaining infrastructure. Recognizing the budget challenges facing the Federal government as a whole, Reclamation will continue its efforts to partner with other Federal agencies such as the US Army Corps of Engineers (USACE), Department of Energy (DOE), and the Natural Resources Conservation Service, to maximize the efficiency by which we implement our programs.

Reclamation's 2012 budget request is \$1.0 billion, which includes \$53.1 million for the Central Valley Project Restoration Fund (CVPRF). This request is offset by discretionary receipts in the CVPRF, estimated to be \$52.8 million. The request for permanent appropriations in 2012 totals \$194.5 million. Overall, Reclamation's 2012 budget is a responsible one and consistent with the Administration's goal of fiscal sustainability. Reclamation will still be making strategic investments that provide a strong foundation to meet water resources challenges across the West.

Water and Related Resources

The 2012 budget request for Water and Related Resources, Reclamation's principal operating account, is \$805.2 million, a decrease of \$108.4 million from the 2011 request.

The request includes a total of \$398.5 million for water and energy, land, and fish and wildlife resource management and development activities. Funding in these activities provides for planning, construction, water conservation activities, management of Reclamation lands including recreation, and actions to address the impacts of Reclamation projects on fish and wildlife.

The request also provides a total of \$406.7 million for water and power facility operations, maintenance, and rehabilitation activities. 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 the funding needed to achieve these objectives continues to be one of Reclamation's highest priorities.

Highlights of the FY 2012 Request 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 Interior's establishment of a Priority Goal target to enable capability to increase available water supply for agricultural, municipal, industrial and environmental uses in the western United States by 490,000 acre-feet by the end of 2012.

WaterSMART Program — The request focuses resources on the Department of the Interior's WaterSMART program. The program concentrates on expanding and stretching limited water supplies in the West to reduce conflict, facilitate solutions to complex water issues, and to meet the growing needs of expanding municipalities, the environment, and agriculture.

Reclamation proposes to fund WaterSMART at \$58.9 million, \$11.0 million below 2011 levels when considering only the programs included that year. The three ongoing WaterSMART programs include: the WaterSMART Grant program funded at \$18.5 million; Basin Studies funded at \$6.0 million; and the Title XVI Water Reclamation and Reuse program funded at \$29.0 million. Two programs are being added to WaterSMART in 2012, the continuing Water Conservation Field Services program, funded at \$5.1 million, and participation by Reclamation in the Cooperative Watershed Management program, funded at \$250,000. This is a joint effort with the USGS. The USGS will use \$10.9 million, an increase of \$9.0 million, for a multi-year,

nationwide water availability and use assessment program. Other significant programs and highlights include:

Ecosystem Restoration — In order to meet Reclamation's mission goals of securing America's energy resources and managing water in a sustainable manner for the 21st century, a part of its programs must focus on 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 are required in order to continue project operations and directly address the environmental aspects of the Reclamation mission.

The 2012 request provides \$154.6 million for operating, managing and improving California's Central Valley Project (CVP). This amount supports Ecosystem Restoration including \$34.8 million for the Red Bluff Pumping Plant and Fish Screen within the CVP, Sacramento River Division, which will be constructed to facilitate passage for threatened fish species, as well as providing water deliveries. The funding for the CVP also includes \$10.5 million for the Trinity River Restoration program and \$3.0 million from the CVP Restoration Fund which includes development of a comprehensive monitoring and adaptive management program for fishery restoration and construction of channel rehabilitation projects at various sites along the Trinity River.

The request includes \$26.0 million for Lower Colorado River Operations to fulfill the role of the Secretary as water master for the Lower Colorado River and implementation of the Lower Colorado River Multi-Species Conservation (MSCP) program which provides long-term Endangered Species Act compliance for the operations. Of this amount, \$18.3 million for the MSCP program will provide quality habitat to conserve populations of 26 species.

The budget requests \$20.0 million for other Endangered Species Act Recovery Implementation programs, including \$11.0 million in the Great Plains Region to implement the Platte River Endangered Species Recovery Implementation program. It also includes \$6.2 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 instream flows. Additionally, the Columbia/Snake River Salmon Recovery program funding of \$17.8 million will be used for implementation of required Biological Opinion actions including extensive hydro actions, plus tributary habitat and hatchery initiatives.

The 2012 budget includes \$18.6 million for the Klamath project, which supports studies and initiatives to improve water supplies to meet the competing demands of agricultural, tribal, wildlife refuge, and environmental needs in the Klamath River Basin.

No funding is requested for the Klamath Dam Removal and Sedimentation Studies. These studies are being completed with funds previously appropriated and will be used to inform a Secretarial Determination in 2012 as to whether removing PacifiCorp's four dams on the Lower Klamath River is in the public interest and advances restoration of the Klamath River fisheries.

The studies and Secretarial Determination are being carried out pursuant to an agreement with PacifiCorp and the states of California and Oregon.

The 2012 budget includes \$23.6 million for the Middle Rio Grande project. Funds support 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 is used for recurring life cycle river maintenance necessary to ensure uninterrupted, efficient water delivery to Elephant Butte Reservoir, reduced risk of flooding, as well as delivery obligations to Mexico.

The Yakima River Basin Water Enhancement Project request is \$8.9 million, which will continue funding grants to the Benton and Roza Irrigation Districts and Sunnyside Division Board of Control, to implement conservation measures and monitor the effects of those measures on the river diversions.

Cooperative Landscape Conservation and Renewable Energy — Reclamation is actively engaged in developing and implementing approaches to understand, and effectively adapt to, the risks and impacts of climate change on western water management. The Basin Studies Program is part of Interior's integrated strategy to respond to climate change impacts on the resources managed by the Department, and is a key component of the WaterSMART Program. In 2012, the Basin Studies Program will continue West-wide risk assessments focusing on the threats to water supplies from climate change and other factors and will be coordinated through the Department's Landscape Conservation Cooperatives (LCCs). Reclamation will take the lead responsibility for establishing and coordinating work at 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 affecting water availability, including climate change. This research agenda will be collaborated and leveraged with capabilities of the Interior Climate Science Centers.

Reclamation is also working in partnership with DOE and COE in identifying opportunities to address the President's clean energy goals through the development of new sustainable hydropower capacity as well as integrating renewable energy in our operations. The partnership with DOE and its Power Marketing Administrations will also assess climate change impacts on hydropower generation.

Supporting Tribal Nations – Reclamation has a long-standing commitment to realizing the Secretary's goal to strengthen tribal nations. FY 2012 continues support through a number of Reclamation projects ranging from endangered species restoration to rural water and implementation of water rights settlement actions.

The request includes \$12.8 million for the Animas-La Plata project to continue constructing components of the Navajo Nation Municipal Pipeline and filling Lake Nighthorse as the project nears completion .

The 2012 Reclamation budget requests \$35.5 million for on-going authorized rural water projects. The projects that benefit tribal nations include Mni Wiconi, the rural water component of the Garrison Diversion Unit, Fort Peck Reservation/Dry Prairie, Jicarilla Apache Reservation,

and Rocky Boys/North Central Montana. One other rural water project that does not directly affect Tribes is the Lewis and Clark Project. Funding for the Perkins County Project is complete. The first priority for funding rural water projects is the required O&M component, which is \$15.3 million for FY 2012. For the construction component, Reclamation allocated funding based on objective criteria that gave priority to projects nearest to completion and projects that serve on-reservation needs.

The request includes \$7.0 million for the Native American Affairs program to provide technical support for Indian water rights settlements and to assist tribal governments to develop, manage and protect their water and related resources. The Columbia/Snake River Salmon Recovery, Klamath, Central Valley Project Trinity River Restoration, Yakima and Yakima River Basin Water Enhancement Projects mentioned above under Ecosystem Restoration benefit tribal nations. Also, the newly established Indian Water Rights Settlement Account discussed below supports tribal nations.

Youth Employment – To meet the Secretary’s challenge to achieve the Priority Goal for youth employment, Reclamation is working hard to engage, educate and employ our nation’s youth in order to help develop the future stewards of our lands. Secretary Salazar challenged the Interior Bureaus to increase employment of youth between the ages of 15 and 25 in natural and cultural resource positions. Last year, Reclamation began working with youth conservation corps to hire youth and expose them to the great work that it does. We continue to use all hiring authorities available to bring young people in through internships, crew work, and full time positions.

Aging Infrastructure – Through Reclamation’s continued emphasis on preventive maintenance and regular condition assessments (field inspections and reviews), the service life of many Reclamation assets and facilities have been extended, thereby delaying the need for significant replacements and rehabilitation efforts, including the related funding needs. Although Reclamation and its project beneficiaries have benefited greatly from this preventive maintenance, we recognize that as assets and facilities age, they require an increased amount of maintenance. Sometimes this requires more frequent preventive maintenance, and, in other situations, significant extraordinary maintenance, rehabilitations, or replacements may be required.

It is important to note that much of the operation and maintenance (O&M) funding responsibilities of Reclamation’s assets lies with our project beneficiaries and those operating entities that operate and maintain federally owned transferred works. For some operating entities and project beneficiaries, rehabilitation and replacement needs may exceed available resources. In particular, many smaller irrigation or water conservancy districts are unable to fund these needs in the year incurred absent long-term financing assistance. To address this issue, the Administration is currently exploring strategies for helping these entities to rehabilitate these facilities. We are also exploring potential utilization of the authority provided under P.L. 111-11 that would allow extended repayment of extraordinary (non-routine) maintenance costs on project facilities. Water users are currently required by Federal reclamation law to pay these costs, which are often substantial, in advance.

Reclamation's FY 2012 proposed budget is \$40.8 million in appropriations for various projects for Replacements, Additions, and Extraordinary Maintenance (RAX) activities where Reclamation is directly responsible for daily O&M. This request is central to mission objectives of operating and maintaining projects to ensure delivery of water and power benefits. Reclamation's RAX request is part of its overall Asset Management Strategy that relies on condition assessments, condition/performance metrics, technological research and deployment, and strategic collaboration to continue to improve the management of its assets and deal with its aging infrastructure challenges. This amount represents only the FY 2012 request for discretionary appropriations. Additional RAX items are directly funded by revenues, customers, or other federal agencies.

The Bonneville Power Administration will continue to provide up-front financing of power operation and maintenance and for major replacements and additions for the power plants at the Boise, Columbia Basin, Hungry Horse, Minidoka, Rogue River, and Yakima projects. In the Great Plains (GP) Region, Reclamation, Western Area Power Administration, and the U.S. Army Corps of Engineers have entered into an agreement which enables the customers to voluntarily direct fund power RAX items. A long-term funding agreement with the customers for the Parker-Davis Project on the Colorado River was executed in FY 1999. FY 2012 costs of operation, maintenance and replacement for this project will be 100 percent up-front funded by the customers. To date, the Central Valley Project power O&M program is funded 100 percent by the customers, in addition to funding selected RAX items. Reclamation will continue to explore ways to reduce the Federal cost of its projects and programs.

A total of \$83.7 million is requested for Reclamation's Safety of Dams program, which includes \$63.6 million directed to dam safety corrective actions; of that, \$27.5 million is for work at Folsom Dam. Funding also includes \$18.5 million for safety evaluations of existing dams and \$1.6 million to oversee the Interior Department's Safety of Dams program.

Reclamation's request for Site Security is \$25.9 million to ensure the safety and security of the public, Reclamation's employees, and key facilities. This funding includes \$6.9 million for physical security upgrades at high risk critical assets and \$19.1 million to continue all aspects of bureauwide security efforts including law enforcement, risk and threat analysis, personnel security, information security, risk assessments and security-related studies, and guards and patrols.

Reclamation continues efforts to reach agreements with non-Federal and Federal partners to share in the cost of water resource management and development. Cost-sharing of 50 percent for construction and rehabilitation of recreation facilities at various Reclamation reservoirs will continue. Additionally, Reclamation's current planning program seeks 50 percent cost-sharing on most studies. This reflects Reclamation's emphasis on partnerships for water management initiatives.

Indian Water Rights Settlements

On December 8, 2010 the President signed the Claims Resolution Act of 2010 that included four water settlements. These settlements resolve longstanding and disruptive water disputes, provide

for the quantification and protection of tribal rights, and will deliver clean water to the Pueblos of Taos, Nambe, Pojoaque, San Ildefonso, and Tesuque in New Mexico, the Crow Tribe of Montana, and the White Mountain Apache Tribe of Arizona. In order to accomplish this, the Act provides various mechanisms and funding structures designed for both construction and for the tribes to use to manage water systems following construction. The primary responsibility for developing water infrastructure under these settlements was given to Reclamation. Mandatory funding was provided to both BIA and Reclamation in 2011 for a portion of the funds established under the Act. We anticipate that Reclamation will begin expending some of this mandatory funding to work with all parties to begin implementing these settlements.

The four Indian water rights settlements will provide water supplies and offer economic security for the tribes and pueblos described above. The agreements will build and improve reservation water systems, rehabilitate irrigation projects, construct a regional multi-pueblo water system, and codify water-sharing arrangements between Indian and neighboring communities. Construction will take place over time and annual funding requirements will vary from year to year. Notwithstanding the availability of some level of mandatory funding, discretionary appropriations will still be necessary. Reclamation is requesting \$26.7 million in 2012 for the initial implementation of these four settlements.

Reclamation is establishing the 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 establishing this account, Reclamation will also request \$24.8 million for the Navajo-Gallup Water Supply project (Title X of Public Law 111-11) in order to have major current funding for Reclamation's Indian Water Rights Settlements treated in the Claims Resolution Act in a single account.

The Navajo-Gallup Water Supply Project will provide reliable and sustainable municipal, industrial, and domestic water supplies from the San Juan River to the Navajo Nation including the Window Rock, AZ area; the city of Gallup, NM; the Navajo Agricultural Products Industry; and the southwest portion of the Jicarilla Apache Nation Reservation.

The total request for Reclamation for Indian Water Rights Settlements in 2012 is \$51.5 million in discretionary funding and \$60.0 million in permanent funds.

Policy and Administration

The 2012 budget request for the Policy and Administration appropriation account, the account that finances Reclamation's central management functions, is \$60.0 million or 6% of the total request, a reduction of \$1.2 million from the 2011 request. This reduction reflects the impact of the pay freeze and the Administrative Cost Savings discussed below.

Administrative Cost Savings and Management Efficiencies

The 2012 budget request includes reductions that reflect the Accountable Government Initiative to curb non-essential administrative spending in support of the President's commitment on fiscal discipline and spending restraint. In accordance with this initiative, Reclamation's budget

includes \$5.8 million in savings in 2012 against actual 2010 expenditures in the following activities: travel and transportation of persons, transportation of things, printing and reproduction, and supplies and materials. Actions to address the Accountable Government Initiative and reduce these expenses build upon management efficiency efforts proposed in 2011 totaling \$3.9 million in travel and relocation, Information Technology, and strategic sourcing and bureau-specific efficiencies totaling \$1.3 million.

Central Valley Project Restoration Fund

The 2012 budget includes a request of \$53.1 million for the CVPRF. This budget request is offset by collections estimated at \$52.8 million from mitigation and restoration charges authorized by the Central Valley Project Improvement Act. The request considers the effects of the San Joaquin River Restoration Settlement Act (P.L. 111-11, March 30, 2009) which (beginning in 2010) redirects certain fees, estimated at \$5.6 million in FY 2012, collected from the Friant Division water users to the San Joaquin River Restoration Fund.

San Joaquin River Restoration Fund

The 2012 budget also reflects the settlement of *Natural Resources Defense Council v. Rodgers*. Reclamation proposes \$9.0 million in discretionary funds into this account, which was established by the San Joaquin River Restoration Settlement Act. Under the Settlement, the legislation also provides for approximately \$2 million in annual appropriations for the Central Valley Project Restoration Fund for this purpose, as well as mandatory funds. The Fund seeks to provide a variety of physical improvements within and near the San Joaquin River within the service area of the Friant Division long term contractors to achieve the restoration and water management goals. These funds are important for Reclamation to meet various terms of the settlement that brought water contractors, fishery advocates, and other stakeholders together to bring to an end 18 years of contentious litigation.

California Bay-Delta Restoration Fund

The 2012 budget requests \$39.7 million for CALFED, pursuant to the CALFED Bay-Delta Authorization Act. The request focuses on the Bay-Delta Conservation Plan and interagency science efforts to address short- and long-term water resource issues. Other activities include funds for water use efficiency, water quality, storage, ecosystem restoration, & planning and management activities. The CALFED Bay-Delta Program was established in May 1995 to develop a comprehensive long-term plan to address the complex and interrelated problems in the Delta region, tributary watersheds, and delivery areas. The Program's focus is on conserving and restoring the health of the ecosystem and improving water management, including Federal participation in the Bay Delta conservation Plan

FY 2012 Planned Activities

Reclamation's FY 2012 goals are directly related to fulfilling contractual requests to deliver water and power. Our goals also address a range of other water supply needs in the West, playing 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. It should be emphasized that in order to meet Reclamation's mission goals of securing America's energy resources and managing water in a sustainable manner for the 21st century, a part of the Bureau's programs must focus on the protection and restoration of freshwater ecosystems.

By the end of FY 2012, Reclamation will enable capability to increase available water supply for agricultural, municipal, industrial, and environmental uses in the western United States by 490,000 acre feet through its conservation-related programs, such as water reuse and recycling (Title XVI), and WaterSMART grants. Reclamation will maintain dams and associated facilities in good condition to ensure the reliable delivery of water. It will maximize the percent of time that its hydroelectric generating units are available to the inter-connected Western electrical system during daily peak demand periods.

Moreover, the FY 2012 budget request 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 2012 and beyond.

Conclusion

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