

**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 2014 Budget
April 16, 2013**

Thank you Mr. Chairman, Madame Napolitano, and members of this Subcommittee for the opportunity to discuss with you the President's Fiscal Year 2014 budget for the Bureau of Reclamation and the Central Utah Project Completion Act Program known as CUPCA.

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 2014 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 sustainability, resiliency, and certainty 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. The budget is consistent with the President's pledge to reduce spending and focus on deficit reduction. The 2014 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 an all-of-the-above energy strategy; 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 2014 budget is \$1.0 billion. Reclamation's budget request is partially offset by discretionary receipts in the Central Valley Project Restoration Fund, estimated to be \$53.3 million. The request for permanent appropriations in 2014 totals \$180.6 million. The budget proposes the establishment of an Indian Water Rights Settlement account and a discretionary appropriation for the San Joaquin River Restoration Fund.

As the largest wholesaler 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. Reclamation activities, including recreation, have an economic contribution of \$46

billion, and support nearly 312,000 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 generate over \$1 billion in gross revenues for the Federal government on an annual basis. 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 2014 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 2014 budget for Water and Related Resources, Reclamation's principal operating account, is \$791.1 million, a decrease of \$109.3 million from the 2013 Full Year Continuing Resolution (P.L. 112-175). This decrease is due, in part, to shifts in funding of \$78.7 million for the establishment of the Indian Water Rights Settlement Account and \$26.0 million for a discretionary appropriation within the San Joaquin River Restoration Fund. Congress has previously provided funding for these programs in the Water and Related Resources Account. Other significant changes include the completion of authorized construction on the Mni Wiconi Project this year and an increase in the Central Valley Project for court ordered drainage requirements.

The 2014 budget includes a total of \$373.3 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 \$417.8 million at the project/program level for the operation, maintenance, and rehabilitation associated with Reclamation's water and power facilities. 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 2014 Budget for Water and Related Resources

I would like to share with the Committee several highlights of the Reclamation budget. Even in this tight fiscal climate, Reclamation's budget continues to promote and support efficient water management; increased renewable energy production; the construction of new infrastructure and sound maintenance of existing facilities; restoration of aquatic environments; and the continued use of applied science and new technologies to help ensure sustainable water deliveries and energy production. As a result, Reclamation continues to play an important role in providing a strong foundation for economic activity across the American West.

WaterSMART Program – The 2014 budget continues to focus resources on 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, ongoing environmental challenges such as drought, climate change, and agriculture. In particular, the WaterSMART (Sustain and Manage America’s Resources for Tomorrow) program is directly aligned with the Department’s Priority Goal for Water Conservation. Through Title XVI and cost-shared WaterSMART Grants and through the Bureau’s other conservation related programs, Reclamation has already helped facilitate the conservation of 616,000 acre feet of water from 2010 through 2012. Reclamation’s current goal is to conserve a cumulative total, since 2009, of 790,000 acre feet of water by the end of 2014.

Reclamation proposes to fund WaterSMART at \$35.4 million. There are now six complementary programs that will participate in WaterSMART: the WaterSMART Grant program funded at \$12 million; Basin Studies funded at \$4.7 million; the Title XVI Water Reclamation and Reuse program funded at \$14 million; the Water Conservation Field Services program funded at \$3.4 million; \$1.0 million for a new external water resources grants program called the Shared Investment Water Innovation Program; and the Cooperative Watershed Management program, funded at \$250,000.

Supporting Renewable Energy Initiatives – To support the Administration’s New Energy Frontier initiative, the Renewable Energy priority goal, and President Obama’s “all of the above” strategy, the 2014 Reclamation budget allocates \$1.1 million for a pilot initiative to increase renewable generation by exploring how renewable energy technologies, including solar, small hydropower, and hydrokinetics, can be integrated into Reclamation projects. Reclamation will also 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, more efficient renewable energy.

Strengthening Tribal Nations – Reclamation has a long-standing commitment to support the Secretary’s goal to strengthen tribal nations. The 2014 budget provides significant resources to continue 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 settlements. The budget also includes \$7.4 million for the Native American Affairs Program to continue support of Reclamation activities with Indian Tribes such as providing technical support for Indian water rights settlements and assisting tribal governments to develop, manage, and protect their water and related resources. The program office also provides policy guidance throughout Reclamation for work with Tribes in such areas as Indian trust responsibility, government-to-government consultations, and Indian self-governance and self-determination.

Rural Water Projects – The budget includes construction funding for five ongoing projects specifically authorized by Congress where Reclamation conducts design and construction to deliver potable water supplies to specific rural communities in the West. Reclamation has worked diligently to make meaningful progress in constructing 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.

Reclamation has proposed \$40.0 million in funding for Reclamation's on-going authorized rural water projects. Specifically, the budget includes \$17.8 million for obligatory operation and maintenance of tribal features for two projects – the Mni Wiconi Project, (SD) and the Garrison Diversion Unit of the Pick-Sloan Missouri Basin Program, (ND) – and \$22.2 million in construction funding combined for five of the projects: Garrison Diversion Unit; 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). Construction funding for the Mni Wiconi Project will be completed in 2013.

Dam Safety Program – A total of \$88.1 million is budgeted for Reclamation's Safety of Dams program. This includes \$66.5 million directed to specific dam safety modifications; of which \$24.6 million is for work at Folsom Dam. Funding also includes \$20.3 million for safety evaluations of existing dams and \$1.3 million to oversee the Interior Department's Safety of Dams program.

Site Security – A total of \$27.8 million is budgeted for Site Security to ensure the safety and security of the public, Reclamation's employees, and key facilities. This funding includes \$6.4 million for physical security upgrades at high risk critical assets and \$21.4 million to continue all aspects of bureau-wide security efforts. This includes law enforcement, risk and threat analysis, personnel security, and information security, and guards and patrols.

America's Great Outdoors (AGO) Program – In order 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. In 2014, additional river restoration programs within Reclamation are included in the AGO Program.

Reclamation's river restoration helps reduce environmental conflicts and litigation, as evidenced by the San Joaquin River Restoration Program, where 18 years of litigation was settled providing restored water flows and reintroduction of salmon to the River, as well as certainty on water and power delivery to customers. Restoration programs support tribal needs in restoring fisheries affected by water and power operations as demonstrated by the Trinity River Restoration program which is re-establishing the physical process and rescaling the Trinity River as a foundation for fishery recovery. Restoration programs also develop valuable conservation skills for people working on projects, as seen on the Lower Colorado River Multi-Species Conservation Program among others.

The 2014 budget provides \$152.5 million to operate, manage, and improve California's Central Valley Project. Within this total, \$14.0 million and an additional \$2.0 million in the Central Valley Project Restoration Fund is for the Trinity River Restoration program, and \$38.2 million continues actions required for drainage services in the West San Joaquin Division, San Luis Unit.

The budget provides \$27.8 million for Lower Colorado River Operations to fulfill the role of the Secretary as Water Master for the Lower Colorado River. This amount includes \$18.2 million for the multi-species conservation program which provides long-term Endangered Species Act compliance for the river operations.

The budget includes \$21.2 million for Endangered Species Act Recovery Implementation programs including \$10.1 million in the Great Plains Region for the Platte River Endangered Species Recovery Implementation program, which provides 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 provides \$8.5 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. The budget also provides \$18.0 million for the Columbia/Snake River Salmon Recovery program. This funding will be used to implement the required Biological Opinion actions which include extensive hydro actions that vary downstream flow regimes and tributary habitat and hatchery improvements as offsets for the impacts of the Federal Columbia River Power System operations.

The 2014 budget includes \$18.0 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 along with facilities operations and maintenance activities.

The 2014 budget includes \$25.9 million for the Middle Rio Grande project, of which \$10.2 million will continue funding endangered species activities and Reclamation's participation in the Middle Rio Grande Endangered Species Act Collaborative Program. Funds support the acquisition of supplemental non-Federal water for Endangered Species Act efforts including 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 and efficient water delivery to Elephant Butte Reservoir, reduce the risk of flooding, as well as meeting water delivery obligations to Mexico.

The Yakima River Basin Water Enhancement project budget is \$8.0 million, which will stretch water supplies, continue funding grants to implement conservation measures, and monitor the effects of those measures on the river diversions.

Central Utah Project Completion Act

The 2014 budget proposes to integrate the CUPCA Program with the Bureau of Reclamation, while maintaining a separate appropriations account within Reclamation 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 and operated in a consistent manner and receive equal consideration and treatment. The 2014 CUPCA budget is \$3.5 million. Of

this amount, \$1.0 million will be transferred to the Utah Reclamation Mitigation and Conservation Account for use by the Mitigation Commission.

Central Valley Project Restoration Fund

The 2014 budget includes \$53.3 million for the CVPRF. This budget is indexed to 1992 price levels and determined on the basis of a three-year rolling average, not to exceed \$50.0 million. These expenditures are offset by collections estimated at \$53.0 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 2014 budget includes \$37.0 million for CALFED, pursuant to the CALFED Bay-Delta Authorization Act. The budget will support implementation of the Bay Delta Conservation Plan, under the following program activities: \$1.7 million for a Renewed Federal-State Partnership, \$9.9 million for Smarter Water Supply and Use, and \$25.5 million for Habitat Restoration.

San Joaquin River Restoration Fund

The 2014 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 \$88.0 million. The legislation also authorized discretionary appropriations and Reclamation proposes \$26.0 million for the San Joaquin Restoration Fund account in 2014.

Indian Water Rights Settlements

The 2014 Budget strongly supports Reclamation's role in fulfilling obligations set forth in several congressionally authorized Indian water rights settlements. Funding in 2014 includes \$78.7 million for implementation activity. Of this amount, \$18.2 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 proposing 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 budget also includes \$60.5 million for the on-going Navajo-Gallup Water Supply Project (authorized in Title X of P. L. 111-11) in the account. The total for Reclamation's implementation of Indian Water Rights Settlements in 2014 is \$159.7

million, \$99.7 million in discretionary funding, and \$60.0 million in mandatory funding available in 2014, which is provided in Title VII of the Claims Resolution Act of 2010.

Policy and Administration

The 2014 budget for the Policy and Administration appropriation account, the account that finances Reclamation's central management functions, is \$60.0 million.

Permanent Appropriations

The total permanent appropriation in 2014 of \$180.6 million includes \$110.1 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 three years, the Administration has implemented a series of management reforms to curb uncontrolled 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 and sustain these savings in 2014. Each agency is directed to establish a plan to reduce the combined costs associated with travel, employee information technology devices, printing, executive fleet services, and extraneous promotional items and other areas.

The Department of the Interior is on target to reduce administrative spending by \$217 million from 2010 levels by the end of 2013, and to sustain these savings in 2014. To meet this goal, the Department is leading efforts to reduce waste and create efficiencies by reviewing projected and actual administrative spending to allocate efficiency targets for Bureaus and Departmental Offices to achieve the 20 percent target. To contribute to that goal, the Bureau of Reclamation is targeted to save \$13 million in administrative costs by the end of 2014.

FY 2014 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 2014, Reclamation's goal is to enable the capability to increase available water supply for agricultural, municipal, industrial, and environmental uses in the western United States by a cumulative total of 790,000 acre feet, 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 2014 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 2014 and beyond.

Conclusion

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