

Statement of John W. Keys, III
Commissioner
U.S. Bureau of Reclamation
before the
House Resources Committee
Subcommittee on Water and Power

March 2, 2006

Thank you, Mr. Chairman and members of the subcommittee for the opportunity to appear in support of the President's Fiscal Year 2007 budget request for the Bureau of Reclamation. With me today is Bob Wolf, Director of Program and Budget.

Our FY 2007 request has been designed to support Reclamation's efforts to deliver water and generate hydropower, consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner.

The funding proposed is for key projects that 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 address water shortage issues in the West, to promote water conservation and improved water management, and to take actions to mitigate adverse environmental impacts of projects.

The FY 2007 request for Reclamation totals \$971.6 million in gross budget authority and is partially offset by discretionary receipts in the Central Valley Project Restoration Fund (\$33.8 million) and rescission of unobligated balances for At Risk Desert Terminal Lakes (\$88 million). The total program, after offsets to current authority and the inclusion of permanent authority is \$849.8 million.

Water and Related Resources

The FY 2007 request for Water and Related Resources is \$883.4 million. More specifically, the request for Water and Related Resources includes a total of \$456.5 million for water and energy, land, and fish and wildlife resource management activities (which provides for construction, management of Reclamation lands, and actions to address the impacts of Reclamation projects on fish and wildlife), and \$376.9 million for facility operations, maintenance, and rehabilitation activities.

Providing adequate funding for facility operations, maintenance, and rehabilitation continues to be one of Reclamation's highest priorities. Reclamation continues to work closely with water users and other stakeholders to ensure that available funds are used effectively. These funds are used to allow the timely and effective delivery of project benefits; ensure the reliability and operational readiness of Reclamation's dams, reservoirs, power plants, and distribution systems; and identify, plan, and implement dam safety corrective actions and site security improvements.

Highlights of the FY 2007 Request for Water and Related Resources Include:

Water 2025 (\$14.5 million). *Water 2025* is a high priority for the Secretary of the Interior and will focus Reclamation's financial and technical resources on areas in the West where conflict over water either currently exists or is likely to occur in the coming years.

The overarching goal of *Water 2025* is to meet the challenge of preventing crises and conflict over water in the West. *Water 2025* will attain this goal by increasing certainty and flexibility in water supplies, diversifying water supplies, and reducing conflict through the use of market-based approaches and enhancing environmental benefits in many watershed, rivers and streams consistent with State and Federal laws.

With \$14.5 million, *Water 2025* will continue to be a multifaceted program with projects that embody the overarching goal of preventing crises and conflict over water in the West. Leveraging limited Federal dollars through the Challenge Grant Program will continue to be a major component of *Water 2025*. The Challenge Grant Program will focus on projects that improve water management through conservation, efficiency, and water markets, as well as collaborative solutions to meet the needs of the future. Beginning in FY 2007, a system optimization review component has been added to ensure existing water management systems are operated to maximize water deliveries. Modernization of existing systems will occur within

the framework of existing treaties, interstate compacts, water rights, and contracts. *Water 2025* will also continue to fund research for water purification, including research on desalination.

In addition to the program and policy priorities reflected in the FY 2007 budget request, the Department intends to propose authorizing legislation this spring.

I would like to share with the Committee several highlights of the Reclamation budget:

Klamath Project in Oregon and California (\$24.8 million). The FY 2007 request will continue and increase funding for studies and initiatives related to improving water supplies to meet the competing demands of agricultural, tribal, wildlife refuge, and environmental needs in the Klamath River basin. Key areas of focus include increasing surface and groundwater supplies, continuing a water bank, making improvements in fish passage and habitat, taking actions to improve water quality, and continuing coordination of Reclamation's conservation implementation program.

Lower Colorado River Operations Program (\$17.0 million). The FY 2007 request will provide funds for the work necessary to carry out the Secretary's responsibilities as water master of the lower Colorado River. The FY 2007 request funds measures under the multi-species conservation program to provide long term Endangered Species Act compliance for lower Colorado River operations for both Federal and non-Federal purposes.

Middle Rio Grande (\$23.7 million). The FY 2007 request will continue to address endangered species issues and support of the Endangered Species Collaborative Program. In addition, the request will continue funding for acquiring supplemental water, channel maintenance, and pursuing government-to-government consultations with Pueblos and Tribes. Finally, the funding will continue efforts that support the protection and contribute to the recovery of the Rio Grande silvery minnow and southwestern willow flycatcher.

Animas-La Plata in Colorado and New Mexico (\$57.4 million). The FY 2007 request includes \$57.4 million to continue construction of the project's major features, Ridges Basin Dam and Durango Pumping Plant. While work on these two features began in FY 2003, maintaining funding at the level we have identified is necessary to complete construction of these features in a timely fashion. This level of funding will also permit the start of construction on the Ridges Basin Inlet Conduit, which is necessary to avoid substantial Project delays. Funding will be primarily directed to these three features while other key features are held for future implementation.

Columbia/Snake River Salmon Recovery in Idaho, Oregon, Montana, and Washington (\$17.3 million). The FY 2007 request will address the requirements in the biological opinions issued in December 2000 by the Fish & Wildlife Services and in November 2004 by the National Marine Fisheries Service. The 2004 biological opinion has been remanded to NOAA Fisheries and a new biological opinion is due in October 2006. During the remand, the 2004 biological opinion remains in place as Reclamation continues to implement actions identified in the 2004 updated proposed action. These requirements include significantly increased regional coordination efforts; actions to modify the daily, weekly, and seasonal operation of Reclamation dams; acquisition of water for flow augmentation; tributary habitat activities in selected subbasins to offset hydrosystem impacts; and significantly increased research, monitoring, and evaluation.

Site Security (\$39.6 million). An appropriation in the amount of \$39.6 million is requested for site security to ensure the safety and security of the public, Reclamation's employees and key facilities. This funding includes \$15.4 million for physical security upgrades and \$24.2 million to continue all aspects of Reclamation-wide security efforts, including law enforcement, risk and threat analysis, implementing security measures, undertaking security-related studies, and maintaining guards and patrols on the ground.

The FY 2007 budget request assumes annual costs associated with guard and patrol activities will be treated as project O&M costs subject to reimbursability based on project cost allocations. These costs in FY 2007 are estimated at \$20.9 million of which \$18.9 million will be reimbursed; the actual amount may differ from this estimate based on actual operations costs. Of the funding to be reimbursed, \$11.6 million will be in direct up-front funding from power customers, while \$7.3 million in appropriated funds will be reimbursed by irrigation users, M&I water users, and other customers in the year in which they were incurred through Reclamation's O&M allocation process. Reclamation will continue to treat facility fortification, studies, and anti-terrorism management-related expenditures as non-reimbursable.

Safety of Dams (\$69.0 million). Assuring the safety and reliability of Reclamation dams is one of the Bureau's highest priorities. The Dam Safety Program is critical to effectively manage risks to the downstream public, property, project, and natural resources. The FY 2007 request will provide for risk management activities throughout Reclamation's inventory of 361 dams and dikes, which would likely cause loss of life if they were to fail. The request includes preconstruction activities for modifications planned for the future. In FY 2007, there will be two large-scale ongoing corrective action projects plus four

new awards.

Rural Water (\$68.7 million). This request supports the completion of ongoing rural water projects. This includes funding for Municipal, Rural, and Industrial (MR&I) systems for the Pick Sloan-Missouri Basin Program – Garrison Diversion Unit (North Dakota), the Mni Wiconi Project (South Dakota), the Fort Peck Reservation/Dry Prairie Project (Montana), and the Lewis and Clark Project (South Dakota, Iowa, and Minnesota). The “Rural Water Act of 2005” (S. 895) was passed by the Senate in November 2005, and should address many of the problems identified by the Program Assessment Rating Tool (PART) evaluation of this program. The legislation directs the Secretary of the Interior to carry out a rural water supply program in reclamation states to: (1) investigate and identify opportunities to ensure safe and adequate rural water supply projects for municipal and industrial use in small communities and rural areas; and (2) plan the design and construction, through the conduct of appraisal investigations and feasibility studies, of such projects. This measure will bring more uniformity, direction, and prioritization for rural water projects. The legislation is awaiting action by the House.

Science and Technology (S&T) (\$8.5 million). The FY 2007 request includes funding for the development of new solutions and technologies which respond to Reclamation’s mission-related needs. We feel our S&T work is important and will contribute to the innovative management, development, and protection of water and related resources. Of the amount requested, about \$1 million is planned for internal desalination Research & Development (R&D) conducted by Reclamation. Additionally, water purification funds requested through the *Water 2025* program will be managed by the S&T program.

Policy and Administration

The \$58.1 million request is an increase of approximately \$800 thousand from the FY 2006 enacted level of \$57.3 million. The additional funding in the FY 2007 request includes funding for labor cost increases due to cost of living raises and inflationary costs for non-pay activities. Funding requested will be used to 1) develop, evaluate, and direct implementation of Reclamation-wide policy, rules, and regulations, including actions under the Government Performance and Results Act, and implement the President’s Management Agenda; and 2) manage and perform functions that are not properly chargeable to specific projects or program activities covered by separate funding authority.

Central Valley Project Restoration Fund

This fund was established by the Central Valley Project Improvement Act, Title XXXIV of

P.L. 102-575, October 30, 1992. The request of \$41.5 million is expected to be offset by discretionary receipts totaling \$33.8 million, which is the maximum amount that can be collected from project beneficiaries under provisions of Section 3407 (d) of the Act. The discretionary receipts are adjusted on an annual basis to maintain payments totaling \$30.0 million (October 1992 price levels) on a three-year rolling average basis. The net amount requested for FY 2007, after the offset, is the same as FY 2006. 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.

California Bay-Delta (CALFED)

Title I of P.L. 108-361, titled the Calfed Bay-Delta Authorization Act, was signed by the President on October 25, 2004. The Act authorized \$389 million in Federal appropriations over the period of FY 2005 through FY 2010. For FY 2007, \$38.6 million is requested to enable Reclamation to advance its commitments under the CALFED Record of Decision and with a focus towards implementation of priority activities included in the Calfed Bay-Delta Authorization Act that will contribute to resolving water resource conflicts in the CALFED solution area. Funds will specifically be used for the environmental water account, feasibility studies of projects to increase surface storage and improve water conveyance in the Delta, conduct critical science activities, implementation of projects to improve Delta water quality, ecosystem enhancements, and program planning and management activities.

President’s Management Agenda

Reclamation continues to make progress in all areas of the President's Management Agenda. Efforts toward advancing management excellence in the FY 2007 budget include: 1) improvements in performance based budgeting, 2) program evaluations utilizing the Program Assessment Rating Tool (PART), and 3) management studies to improve organizational, management, and resource configurations.

Performance Based Budgeting: Reclamation's budget is supported by a performance-oriented framework that aligns to its mission and key outcome goals to: 1) Deliver Water Consistent with Applicable State and Federal Law, in an Environmentally Responsible and Cost-Efficient Manner, and 2) Deliver Power Consistent with Applicable State and Federal Law, in an Environmentally Responsible and Cost-Efficient Manner. Reclamation's work in Resource Protection and Recreation are also reflected in its outcome goals. The framework includes both long-term and annual performance goals that link to the Department of the Interior (DOI) Strategic Plan.

As part of Reclamation's budget process, funding requests for all projects and bureauwide programs are linked to the DOI Strategic Plan, further demonstrating their budget and performance ties. Activity Based Cost Management (ABCM) output data is also refined and analyzed to support Reclamation's efforts to produce cost information that, along with performance data, is used to enhance budget decision-making. ABCM data analysis will play an even greater role in formulating the FY 2008 budget.

Program Assessment Rating Tool (PART):

Reclamation's performance budget also includes performance goals used in the assessment of program performance. For the FY 2007 budget, Reclamation's Safety of Dams, Site Security and Water Management/Supply – Operations and Maintenance programs were evaluated using the PART process. The safety of dams program was rated *effective*. For this program, the Administration has identified the need to establish performance data and track performance. The program has a strong track record, and refined performance measures will help us better track how well we are addressing dam safety issues. The site security program was rated *moderately effective*, with improvements needed in budget and performance integration. The program has been dramatically re-designed since 9/11/2001, and is making progress towards meeting our short-term and long-term goals of improving security at Reclamation facilities. The PART also rated the water management/supply operations and maintenance as *adequate*. Improvement plans for this program include developing a comprehensive strategy to operate and maintain Reclamation facilities.

Management Studies: The National Academies of Science, National Research Council has completed its study to assist Reclamation in determining the appropriate organizational, management, and resource configurations to meet its construction and related infrastructure management responsibilities associated with fulfilling Reclamation's core mission of delivering water and power for the 21st century. An action plan that addresses the findings and recommendations in the study has been approved by the Secretary of the Interior. The action plan has been published on Reclamation's website and provided to the Committee.

Budget and Performance Integration

In line with the Department's initiative, Reclamation continues to advance its efforts for improving budget and performance integration. To do so, Reclamation's senior leadership participates in quarterly reviews to focus on projections of whether or not our published annual performance targets will be met by the end of the fiscal year. When it is determined that accomplishment of a performance target may be in question, Reclamation identifies corrective actions to be taken.

Both Reclamation's budget and performance documents incorporate references to its outcome-oriented goals and measures as identified in the PART and the information that is used in the quarterly reviews with senior leadership. Reclamation completion of baseline data for several new measures will enable it, over time, to develop and analyze historical trends that may be used to better support its budget requests and the goals included in its operating plan.

FY 2007 Planned Activities

Reclamation's FY 2007 priority goals are directly related to continually fulfilling our progress in water and power contracts while balancing a range of competing water demands. Reclamation will continue to deliver water consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner. Reclamation will strive to deliver 28.4 million acre-feet of water to meet contractual obligations while addressing other resource needs (for example, recreation, fish and wildlife habitat, environmental enhancement, and Native American trust responsibilities). Reclamation will work to maintain our dams and associated facilities in fair to good condition to ensure the reliable delivery of water. Reclamation will strive to meet or beat the industry forced outage average to ensure reliable delivery of power. Reclamation will reduce salinity by preventing an additional 21,000 tons of salt from entering the water ways.

Moreover, the FY 2007 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. 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 2007 and beyond.

Conclusion

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