

**TESTIMONY OF JOHN STEELE, PRESIDENT, OGLALA SIOUX TRIBE,
PINE RIDGE INDIAN RESERVATION, SOUTH DAKOTA**

**IN SUPPORT OF HR 4638, TO RE-AUTHORIZE THE
MNI WICONI RURAL WATER SUPPLY PROJECT**

This testimony has been developed conjunctively and is offered on behalf of the Oglala Sioux Tribe, West River/Lyman-Jones, Inc., the Rosebud Sioux Tribe and the Lower Brule Sioux Tribe, the four beneficiaries and sponsors of the Mni Wiconi Rural Water Supply System in southwestern South Dakota. HR 4638, a re-authorization of the Mni Wiconi Project, will increase project funding by \$58.8 million (October 1997 dollars) and extend the completion of the project to 2008. The sponsors, individually and collectively, support HR 4638 and seek support from the Subcommittee.

Background

The Mni Wiconi Project Act of 1988 (Public Law 100-516) authorized and directed the Secretary of the Interior to construct the Mni Wiconi Rural Water Supply Project to provide a safe and adequate municipal, rural, and industrial water supply to both Indian and non-Indian residents of South Dakota. Initially, the Project included the Oglala Sioux Rural Water Supply System (OSRWSS), the West River Rural Water System, and the Lyman-Jones Rural Water System. In 1994, the West River and the Lyman-Jones Systems were merged into one system, known as the West River/Lyman-Jones Rural Water System. The Mni Wiconi Act Amendments of 1994 (Public Law 103-434, Title 8) added the Rosebud Sioux and the Lower Brule Sioux Rural Water Systems to serve the respective reservations, thereby increasing the number of Project “sponsors” to four. The amendments also raised the authorized appropriation ceiling for the Project from \$87.5 to \$263.2 million, subject to cost indexing, and provided that the systems would generally be constructed in accordance with the Project’s Final Engineering Report, dated May 1993.

The overall Project includes a water treatment plant, 4,500 miles of pipeline, 60 booster pump stations, and 35 water storage reservoirs. The Project will ultimately serve more than 52,000 people, including more than 40,000 on the three Indian reservations.

Current Status of Construction and Funding

The following is the average federal funding need to complete the project in FY 2008. Figure 1 shows the location of the project and the current status of construction.

Total Federal Required	\$ 391,091,000
Federal Spent Through FY 2002	\$ 213,384,726
% Spent	54.56%
Amount Remaining	\$ 177,706,274
Average Required for FY 2008 Finish	\$ 29,617,712

Figure 1

The Project has a total estimated cost (October 2000 dollars) of \$411 million according to the most recent master plan. Federal funding requirements for the project are \$391 million, including the \$58.8 million proposed by HR 4638. The total amount spent from federal funds is \$213.4 million, 54.56% of the total federal requirement. Most non-federal funds for the project have already been expended. The amount remaining in federal funds to complete the project is \$177.7 million, which will require an average annual appropriation through FY 2008 of \$29.6 million (October 2001 dollars). If cost indexing at 3% is taken into account between FY 2002 and FY 2008, the average indexed funding requirement is \$34.9 million annually.

The sponsors are extremely pleased to report to the Subcommittee that the OSRWSS water treatment plant on the Missouri River near Fort Pierre, South Dakota, is fully operational and will deliver treated water on a sustained and dependable basis during FY 2002 and thereafter. By the end of the 2002 calendar year, large diameter OSRWSS core pipelines (24 inch) will have been constructed from the water treatment plant to Vivian and Murdo, a distance of over 100 miles. The completion of these critical segments of the core pipeline will permit the Lower Brule Sioux Tribe to interconnect at Vivian and allow the immediate delivery of water to large areas of West River/Lyman-Jones. Over a period of several years, Lower Brule will complete its core system into the Reservation. The Rosebud Sioux Tribe and other parts of West River/Lyman-Jones will interconnect at Murdo, allowing over 50% of the design population have access to Missouri River water from the OSRWSS core pipelines at the 2002 level of completion.

The project now has the most significant project components completed and can conclude the project in a timely manner given the amendment of the project ceiling as proposed by HR 4638 and adequate appropriations in fiscal years 2003 through 2008. The degree of poverty and need to improve the drinking water in the sponsors' areas are set forth in greater detail in the next section of this statement. The statistics underscore the importance of this project and the necessity for a timely completion.

Attention is directed to the fact that the Pine Ridge Indian Reservation and the western portion of the West River/Lyman-Jones service areas are the furthest from the water treatment plant on the Missouri River. These areas will be served last, and it is crucial that the project is funded adequately and timely over the next six years to serve the remaining 50% of the project design population (Figure 1).

Unique Needs of This Project

This project covers much of the area of western South Dakota that was formerly the Great Sioux

Reservation established by the Treaty of 1868. Since the separation of the Reservation in 1889 into smaller, more isolated reservations, including Pine Ridge, Rosebud and Lower Brule, tensions between the Indian population and the non-Indian settlers on former Great Sioux lands has been high with little easing by successive generations. The Mni Wiconi Project is perhaps the most significant opportunity in more than a century to bring the sharply diverse cultures of the two societies together for a common good. Much progress has been made due to the good faith and genuine efforts of both the Indian and non-Indian sponsors. The project is an historic basis for renewed hope, dignity and improvement in quality of life among the Indian people. It has been a basis for substantive improvement in relationships.

The project beneficiaries, particularly the three Indian Reservations, have the lowest income levels in the Nation. The health risks to the Indian people from drinking unsafe water are compounded by reductions in health programs. It is respectfully submitted that the project is unique and that no other project in the Nation has greater human needs. Poverty in the Indian service areas is consistently deeper than elsewhere in the Nation. Health effects of water borne diseases are consistently more prevalent than elsewhere in the Nation, due in part to (1) lack of adequate water in the home and (2) poor water quality where water is available. Higher incidences of impetigo, gastroenteritis, shigellosis, scabies and hepatitis-A are well documented on the Indian reservations of the Mni Wiconi Project area although improvements have been noted since the initial delivery of good water beginning in 1994. At the beginning of the third millennium one cannot find a region in our Nation in which social and economic conditions are as deplorable. These circumstances are summarized in Table 1. Mni Wiconi builds the dignity of many, not only through improvement of drinking water, but also through direct employment and increased earnings during planning, construction, operation and maintenance and from economic enterprises supplied with project water. The Subcommittee is urged to consider the need for creating jobs and improving the quality of life on the Pine Ridge, Lower Brule and Rosebud Indian Reservations of the project area.

TABLE 1

1990 BUREAU OF CENSUS ECONOMIC STATISTICS¹

Indian Reservation/State	Per Capita Income (\$)	Families Below Poverty Level (%)	Unemployment (%)
Pine Ridge (Shannon County)	\$3,029	59.6	32.7
Rosebud (Todd County)	4,005	54.4	27.3
Lower Brule (Lyman County)	4,679	45.0	15.7
State of South Dakota	10,661	11.6	4.2
National	14,420	10.0	6.3

Employment and earnings among the Indian people of the project area are expected to positively impact the high costs of health-care borne by the United States and the Tribes. OSRWSS data suggest clear relationships between income levels and federal costs for heart disease, cancer and diabetes.

It is believed that the Subcommittee will share the shock of the sponsors with respect to future health care costs associated with poverty and the extremely high mortality rates of Indian people in the Great Plains. OSRWSS has found that an *extra* \$0.8 to \$1.6 billion (present value of 50 years of future health-care) will be required for each 24,000 members of the Indian population in the Mni Wiconi Project (relative to the non-Indian population). This is not *total* costs of health care, it is the *extra* cost of health care. A task

force to thoroughly study this matter with the objective of taking corrective action is needed.

The Oglala Sioux Rural Water Supply System is a part of the solution to lower incidence of these diseases. It brings much needed employment, which, in turn, engages part of our unemployed and brings about some measurable improvement in the health of the Lakota Nation. It will help reduce federal health-care costs and, most of all, the tragedy in the families affected. Support for the additional funds needed for completion of the project and acceleration of the Project in the Administration's budget will be invaluable.

Financial support for the Indian membership has already been subjected to drastic cuts in funding programs through the Bureau of Indian Affairs. This project is a source of strong hope that helps offset the loss of employment and income in other programs and provide for an improvement in health and welfare. Welfare Reform legislation and other budget cuts nation-wide have created a crisis for tribal government by forcing tribal members back to the reservations simply to survive. Recent Census Bureau data indicate that the population of Shannon County (Pine Ridge Indian Reservation) increased over 24% between 1990 and 2000. The populations of the Rosebud and Lower Brule Indian Reservations have also continued to grow. Economic conditions have clearly resulted in accelerated population growth on the reservations. The Mni Wiconi Project Act declares that the United States will work with us under the circumstances:

...the United States has a trust responsibility to ensure that adequate and safe water supplies are available to meet the economic, environmental, water supply and public health needs of the Pine Ridge, Rosebud and Lower Brule Indian Reservations...

Indian support for this project has not come easily because the historical experience of broken commitments to the Indian people by the Federal Government is difficult to overcome. The argument was that there is no reason to trust and that the Sioux Tribes are being used to build the non-Indian segments of the project: that the Indian segments will linger uncompleted. This argument has been overcome by better planning, an amended authorization and solid agreements and relationships among the parties. The Subcommittee is respectfully requested to take cognizance of the need to complete the project to maintain the faith of the Indian people.

The Mni Wiconi sponsors have worked especially hard to implement cost controls and to minimize the increase in the authorization required to finish this valuable project. There has been every effort to comply with cost reduction measures, and the sponsors trust that others will find that actions and decisions have been genuine, comprehensive and effective.

Components of Additional Cost

TABLE 2
DETAILS OF INCREASE IN PROJECT CEILING
(October 1997 \$)

Item	OSRWSS		WRR/LJ	Rosebud	Lower Brule	Total
	Core	Distribution				
Not Included in FER						
Added Years Administration	\$ 2,458,000	\$ 2,675,000	\$ 1,549,000	\$ 2,443,000	\$ 1,016,000	\$ 10,141,000
Operation and Maintenance Buildings	-	6,681,000	988,000	1,098,000	1,044,000	9,811,000
Other Construction	-	4,723,000	-	433,000	4,845,000	10,001,000
Features Bid Higher Than FER Estimates	23,506,000	8,920,000		-	1,199,000	33,625,000

Before fully reviewing the components of the increase of \$58.8 million in

Savings Proposed By Sponsors							the project
Federal Procurement	(140,000)	(110,000)		(60,000)	(10,000)	(320,000)	ceiling, the
Reconfiguration	(5,502,000)					(5,502,000)	sponsors are
Total Costs	\$ 20,322,000	\$ 22,889,000	\$ 2,537,000	\$ 3,914,000	\$ 8,094,000	\$ 57,756,000	in complete

agreement that the Bureau of Reclamation has worked with us in a thoroughly cooperative and effective manner throughout the project. In preparation of the cost estimates for HR 4638, the Bureau of Reclamation worked closely with the sponsors. Agreement was reached on the causes of the cost increases, the steps to be taken to control and limit future costs, and on reconfiguration of the OSRWSS core system. Table 2 summarizes the factors requiring amendment of the project ceiling and the amounts of additional costs.

Factors contributing to increases in cost include items not originally contemplated in the Final Engineering Report (FER) upon which the project costs were based. These include extension of the project completion date from 2003 to 2008 and the associated costs of administration. Operation and maintenance buildings were required that were not originally included in the project costs. Moreover, facilities were approved and constructed that were not part of the original plan formulation, but were subsequently determined necessary due to change in circumstances.

Bid prices, particularly on the OSRWSS core and distribution system on the Pine Ridge Indian Reservation, were received at higher prices than contemplated in the FER. The Reservation is the most remote area in the project, the number of bids received was generally low (whether for the OSRWSS core or distribution system) and bid prices by contractors reflected a higher level of risk. Moreover, criteria used in common by all sponsors for estimating minor construction items, did not adequately reflect the requirements for the OSRWSS core (Table 2).

OSRWSS and the other sponsors agreed to a reconfiguration of the OSRWSS core that resulted in an estimated savings of \$5.5 million. Federal procurement processes were improved but have less impact on savings than the reconfiguration of the OSRWSS core. The total costs of \$57.8 million in Table 2 were later adjusted to the \$58.8 million in HR 4638.

It is important to review of the project design criteria based on the 1990 Census of Population in the FER and the subsequent population count by the Bureau of Census for 2000. A factor in the cost of additional construction on the Pine Ridge Indian Reservation was an accelerated growth rate. Population on Pine Ridge has grown at an estimated annual rate of 2.18% as contrasted with the design rate of growth of 1.65%, an increase of 32% in the growth rate. By year 2020, little more than a decade after project completion, the design population on Pine Ridge will have reached 24,560 persons, 17% greater than the 21,000 persons projected in the FER by the same date. Stated differently, if current growth rates are sustained, the design capacities for Pine Ridge will be exceeded in years 2011 and 2012, respectively, 3 to 4 years after the scheduled completion of construction. The population of other service areas is growing but more in accord with original projections. The increase in population on Pine Ridge is believed to stem in large part from the availability of a new source of safe and adequate water as well as new opportunities for earnings and employment associated with the project.

On each of the Indian Reservations in the project: Pine Ridge, Rosebud and Lower Brule, population estimates prepared by the Bureau of Indian Affairs argue for higher population than estimated by the Bureau of Census. Therefore, numbers of persons residing on the reservations may significantly exceed the numbers presented here, and the ability of the project to serve a future population may be more

important than currently found.

Reconfiguration, as agreed-upon by the sponsors and the Bureau of Reclamation, provides for a northern and southern pipeline in the OSRWSS core with pipe sizes meeting FER design requirements but with some excess capacity for the following reasons: (1) along the northern route, a pipe size between 10" and 12" is required between the water treatment plant and Philip Junction, and 12 inches would be provided; and (2) along the southern route, a pipeline between 20" and 24" would be required from the water treatment plant to Murdo, and 24" would be provided. The Oglala Sioux Tribe needs a core transmission system with capability to deliver water through the southern and northern OSRWSS core as defined in the FER. Reconfiguration supports the projections of project population based on the 2000 Census.

Sicangu Mni Wiconi (Rosebud Indian Reservation)

The Sicangu Mni Wiconi- Rosebud Sioux Rural Water System was not included in the original Mni Wiconi Act. Nine years ago an amendment was introduced to add Rosebud and Lower Brule to the Project and make other modifications to the legislation. That amendment, enacted as part of P.L. 103-434, and the amendment introduced this year illustrates the commitment of the project sponsors, the Congress and Administration to improving the quality of life for thousands of South Dakotans on three Indian Reservations and beyond.

While much of the population of the project area still endures with some of the poorest water quality and lowest income levels in the Nation, Mni Wiconi has made a big difference to the lives of many. In 1997 and 1998 the Rosebud Sioux Tribe worked with West River/Lyman-Jones to bring high quality water to Horse Creek, Swift Bear and White River. Indians and non-Indians alike now have a reliable source of high quality water and schools in White River no longer have to close because of a lack of water. Other success stories abound in the area served by the Mni Wiconi.

For Rosebud the present amendment is needed primarily to extend the sunset date and address facilities not contemplated in the FER. For other project sponsors the amendment is more critical. The amendment is needed to construct the reservation distribution system for Lower Brule and the north loop of OSRWSS. These facilities are needed to meet critical needs at Lower Brule and in the WR/LJ service areas. On behalf of the thousands of people who have yet to benefit from Mni Wiconi and who will not benefit without passage of this amendment, the Rosebud Sioux Tribe seeks your support. It is also urged that the Subcommittee bear in mind that legislation is seldom complete and perfect and one cannot rule out additional modifications that may be needed to meet our objective of providing equal benefits to all of the Sicangu Oyate in our Primary and Secondary Service Areas.

Lower Brule

The Lower Brule Rural Water System has demonstrated its ability to manage and maintain their portion of the project with the tremendous amount of progress accomplished over the last few years. A state of the art microfiltration water treatment plant was constructed and placed into operation in December 1999. The completion of this plant has not only benefited the users of the LBRWS but also allowed the provision of high quality water to a significant number of users of the West River/Lyman Jones (WR/LJ) Rural Water System from Oacoma to Draper.

The provision of water to WR/LJ RWS and its users has been a very rewarding experience. The

cooperation and communication between the two systems, especially the operation and maintenance personnel, has been exceptional and has thus led to the successful delivery of high quality water to users on both systems. As a result, much of the apprehension that was felt prior to this supply of water has turned to praise.

LBRWS has committed current funding for the construction of the last segment of LBRWS core pipeline between Kennebec and Reliance during the 2002 construction season. This will result in the core pipeline from Vivian to Reliance serving WR/LJ service areas along the pipeline and the cities of Vivian, Presho and Kennebec.

The inclusion of Lower Brule in the Mni Wiconi Project occurred late in the process. Consequently, facilities and associated cost in the Final Engineering Report for Lower Brule were not nor could not be based on a thorough evaluation of the required facilities for Lower Brule's portion of the project. Upon initiation of the project, LBRWS quickly realized that the original estimated cost was severely underestimated. This need for additional funds was also confirmed in the Bureau of Reclamation's Cost Containment Report and the OIG Audit.

The major items affecting the cost increase for Lower Brule are the pipe sizes and unit costs for the core pipeline; pipe sizes, quantities (The current total footage includes 510,200 feet for pasture taps. Much of this quantity may not have been in the FER cost estimate) and unit costs for the distribution system; there is a decrease in the estimated cost of pump stations; costs for reservoirs are substantially higher; and the costs the water treatment plant and administration building were not included in the FER.

Another factor affecting Lower Brule's cost was the initial distribution of the appropriated funds. During the first years the project received funds, the funds were distributed based on a percentage of the sponsors' overall portion of the project. As such, the amount of money received by Lower Brule on a yearly basis (\$500,000-\$700,000) was not sufficient to fund a worthwhile segment of the project. The funds needed to be accumulated over a period of years. This not only affected construction costs but also significantly increased the cost of administration as a percentage of the construction costs.

Primarily, as a result of the underestimated cost in the FER, the LBRWS has received the extent of the funding designated for its portion of the project with the receipt of the 2001 funds. The LBRWS with the support of the other sponsors is proceeding with the optimism that the amendment will be approved in a time frame that will not impact the progress currently being made. To that extent, LBRWS has received \$1,450,000 in FY 2002 funds for the Kennebec to Reliance segment of core pipeline and is requesting \$3,091,000 in FY 2003 funds for the Fort Hale, Medicine Butte North and Kennebec North - Medicine Creek distribution systems. This will be the initiation of the on-Reservation distribution system and thereby provide service to on-Reservation users.

If the amendment is not passed, the continued support of the other sponsors to designate funds for Lower Brule's portion cannot be expected. Therefore, it is crucial to the continued success of Lower Brule and the Mni Wiconi Project as a whole that the proposed amendment is passed.

TOPICAL SUMMARY

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¹ 2000 census data are not yet available for income and poverty. Preliminary estimates based on 1997 census information indicate that conditions have not changed significantly.