

**Statement of
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U.S. Department of the Interior
before the Natural Resources Committee
Subcommittee on Water, Oceans and Wildlife
U.S. House of Representatives
on
H.R. 967, the Clean Water for Rural Communities Act, H.R. 1162, the Water Recycling
Investment and Improvement Act, and H.R. 2473, Securing Access for the Central Valley
and Enhancing (SAVE) Water Resources Act**

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Chairman Huffman, Ranking Member McClintock, and members of the Subcommittee, I am Grayford Payne, Deputy Commissioner of Policy, Administration, and Budget for the Bureau of Reclamation within the Department of the Interior (Interior). Thank you for the opportunity to provide Interior's views on H.R. 967, the Clean Water for Rural Communities Act, H.R. 1162, the Water Recycling Investment and Improvement Act, and H.R. 2473, Securing Access for the Central Valley and Enhancing (SAVE) Water Resources Act.

H.R. 967, the Clean Water for Rural Communities Act

In the 115th Congress, Reclamation provided testimony on S. 685, and previously in the 114th on S. 2902 and S. 1552 which all contained language similar to H.R. 967. H.R. 967 differs from these previous bills because it authorizes construction of the Musselshell-Judith Rural Water System, while authorizing a study of the Dry-Redwater Regional Water Authority System.

My testimony today will update previous statements on these projects to include recent events; however, the Department's concern regarding funding has not changed from these earlier testimonies.

Musselshell--Judith

Section 4 of H.R. 967 would authorize the planning, design, and construction of the Musselshell-Judith Rural Water System in central Montana and would authorize appropriations of 65 percent of total project costs. This project had an estimated total construction cost of \$87,102,000 (2014 estimate), therefore the total Federal contribution of 65 percent would equate to \$56,616,300 (2014 dollars).

Section 7(b) of H.R. 967 provides that the funding amount authorized for this project may be increased or decreased in accordance with ordinary fluctuations in development costs incurred after November 1, 2014, as indicated by any available engineering cost indices applicable to similar construction activities. The Department recommends this cost indexing follow Reclamation Construction cost indexing to be consistent with how indexing for other rural water projects are indexed.

In 2015, the Central Montana Rural Water Authority's Musselshell-Judith Rural Water System Feasibility Study (Feasibility Study) was submitted to Reclamation for technical review under Public Law 109-451. Reclamation's Rural Water Supply program expired on September 30, 2016.

Dry-Redwater

Section 5 of H.R. 967 applies to the completion of a study, to include a review of the project sponsor's previously submitted feasibility study, in order to determine the feasibility of constructing the Dry-Redwater Regional Water Authority System in eastern Montana and a small service area in northwest North Dakota.

The Dry-Redwater Regional Water Authority submitted a feasibility study to Reclamation for evaluation in 2012. Reclamation's review of this study identified significant findings and recommendations requiring resolution in order to support the project as being financially or economically feasible under Reclamation's requirements of the Rural Water Program (P.L. 109-451). These findings and recommendations are summarized in Reclamation's September 2016 Feasibility Study Concluding Report completed in conjunction with the expiration of Reclamation's authority to continue work on rural water appraisal and feasibility studies under P.L. 109-451. The issues and recommendations identified in the 2016 Concluding Report, and any other project changes that have occurred since 2016, will all need to be incorporated into any new feasibility study undertaken.

If legislative authority is granted, we recommend the Dry-Redwater Regional Water Authority work with Reclamation to evaluate the System for scale and economic viability in an effort to refine the National Economic Development accounting such that the ratio of total benefits exceeds costs. The System should meet appropriate guidelines and be updated to include new infrastructure required to accommodate the increase in population served. If a viable alternative is identified, then all federal environmental compliance activities must be addressed.

While H.R. 967 does not authorize construction of the Dry-Redwater Regional Water System, Reclamation estimates that if under future legislation this project were to be authorized, the estimated federal share would be at least \$200 million dollars.

Common to Both Water Systems

Authorized rural water projects compete with several priorities within Reclamation's Budget, including aging infrastructure, Indian water rights settlements, environmental compliance, restoration actions, developing sustainable water supply strategies, and other priorities intended to address future water and energy related challenges.

While the Department is committed to completing construction of the authorized projects, we have concerns about adding to the nearly \$1.3 billion backlog of Reclamation's authorized rural water projects seeking Federal construction funding. Discretionary rural water funding has enabled Reclamation to make progress in promoting certainty, sustainability, and reliability in support of basic drinking water needs of rural western communities. However, Reclamation's ability to make Federal investments that match on the ground capabilities has its limitations. Reclamation's five currently authorized rural water projects under construction and one rural water project funded under operation and maintenance (construction is completed) all pre-date Title I of the Rural Water Supply Act of 2006 (now expired). Authorizing additional rural water projects may delay completion of rural water projects that are already under construction.

H.R. 1162, the Water Recycling Investment and Improvement Act

Title XVI of the Reclamation Projects Authorization and Adjustment Act of 1992 (P.L. 102-575) provides authority for the Bureau of Reclamation's water recycling and reuse program. It is commonly referred to as Title XVI. Amended in 2016 as part of the Water Infrastructure Improvement for the Nation (WIIN) Act, Title XVI is now a competitive grant program with congressional oversight. Through the Title XVI program, Reclamation identifies and investigates opportunities to reclaim and reuse wastewaters and impaired ground and surface water in the 17 Western States and Hawaii. Title XVI funding can be used for the planning, design, and construction of water recycling and reuse projects in partnership with local government entities. In 2018, an estimated 431,000 acre-feet of water was recycled through Title XVI projects.

H.R. 1162, the Water Recycling Investment and Improvement Act, would amend Section 1602(f) of the Reclamation Wastewater and Groundwater Study and Facilities Act (title XVI of Public Law 102-575; 43 U.S.C. 390h et seq.) to increase the authorization for Reclamation's Title XVI water recycling competitive grant program from \$50 million to \$500 million and would increase the cost share ceiling from \$20 million to \$30 million. While some adjustment for inflation may be appropriate, the program remains successful at the current ceiling. The WIIN Act sunsets the Title XVI competitive grants program five years after enactment. H.R. 1162 eliminates that sunset to make the program permanent by striking the duration of the program. The Department

looks forward to working with the Committee on these provisions and other aspects of potential WIIN reauthorizations.

Earlier this year, the Bureau of Reclamation awarded \$35.3 million for six authorized Title XVI water reclamation and reuse projects in California. The funding will be used to improve flexibility during water shortages and diversify the water supply.

H.R. 2473, Securing Access for the Central Valley and Enhancing (SAVE) Water Resources Act

Securing Access for the Central Valley and Enhancing Water Resources Act, H.R. 2473, provides new financing methods for projects in the Western States, to include Alaska and Hawaii and includes several authorizations. Section 2 of H.R. 2473 would direct \$300 million in revenues that would otherwise be deposited in the Reclamation Fund each year for 30 years to three types of Reclamation water projects. We note that the bill would add to the deficit and does not provide an offset.

Reclamation's Rural Water Supply Program was authorized by Title I of P.L. 109-451, the Rural Water Supply Act of 2006 (Act). This program has enabled Reclamation to assist rural communities in the western United States with the planning and design of projects to develop and deliver potable water supplies. Rulemaking to establish the programmatic criteria for the program was conducted with public comment in 2008. The interim final rule became effective in 2009 and the Directives and Standards, which further define Program requirements, responsibilities, and review processes, became effective in 2010.

Under the Program, states (or a political subdivision of a state), Indian tribes, and entities created under state law with water management authority can seek financial and technical assistance to undertake appraisal investigations and feasibility studies to explore potable water supply needs and options for addressing those needs. In the Program's first year, Reclamation funded ten appraisal investigations and three feasibility studies. In 2011, seven appraisal investigations and two feasibility studies were awarded. The program expired on September 30, 2016.

If passed, Section 6 of H.R. 2473 would reauthorize the Rural Water Supply Act through 2026, subject to available appropriations. The Department's concerns with H.R. 967 are also relevant to Section 6 of H.R. 2473.

H.R. 2473 would also provide Reclamation with the authority to establish a loan program similar to the Environmental Protection Agency Water Infrastructure Finance and Innovation Act (WIFIA) program and require compliance with direction from P.L. 115-270, America's Water Infrastructure Act. That law directs the EPA to enter into an agreement with Reclamation to

provide assistance in administering and servicing Federal credit instruments that Reclamation is authorized to make available. H.R. 2473 would authorize a loan program at Reclamation.

Reclamation has not yet completed the agreement referenced in P.L. 115-270, but we intend to meet the statutory deadline of October 2019. The forthcoming work with EPA on that agreement will help inform a final Departmental position on Section 4 of H.R. 2473.

H.R. 2473, like H.R. 1162, also extends the authorization of the Title XVI competitive grants program, and increases the authorized funding levels from \$50 million to \$500 million. Our concerns with H.R. 1162 are also relevant to Section 4 of H.R. 2473.

Conclusion

Reclamation and Interior recognize that the people who would be served by these bills have legitimate needs for better quality drinking water and more reliable water supplies. Reclamation has provided technical assistance and we look forward to continue working with this Committee on these bills.

In conclusion, the Department is very pleased to work with the Committee on its water supply goals. I thank you again for the opportunity to testify and will be happy to answer any questions.