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U.S. House of Representatives
Committee on Natural Resources
Subcommittee on Water, Wildlife and Fisheries
hearing
“Why We Need to Store More Water and What’s Stopping Us”

March 28, 2023

Good afternoon Chairman Bentz, Ranking Member Huffman, and members of the Subcommittee. Thank you for the invitation to testify at today’s Subcommittee hearing, *Why We Need to Store More Water and What’s Stopping Us*. I am Joshua Sewell, Senior Policy Analyst at Taxpayers for Common Sense, a national non-partisan budget watchdog group based in Washington, DC.

You don’t have to be a resident of a western state to understand not just the desire, but the need to store more water. Access to sufficient quantities of quality water is critical to the economic future of an important part of our country. As I will document in my testimony, as the populations and economies of western states have grown, more storage has been added in recent decades. I will also document many of the reasons that even more has not been developed. But I also think the second part of the hearing’s title is critical – what is stopping us. I would argue that one major factor is that historically, despite being very valuable, water has not been appropriately valued by both consumers and managers. Creating and improving tools to better price and better utilize western water will be critical to both the region and the country’s economic future.

Before getting into the particulars, it is important to remember the fiscal environment in which this important hearing is being held. The federal deficit for fiscal year 2023 is currently projected to be \$1.4 trillion. This deficit and all future deficits, which are currently projected to average more than \$2 trillion annually over the next 10 years, will be piled onto the current federal debt of nearly \$31.5 trillion. Our nation has reached its statutory debt limit with the Secretary of the Treasury employing extraordinary measures to avoid a catastrophic default on our debt obligations. Leadership, especially in this chamber, has committed to addressing our deficit problem, and as a budget watchdog we support this commitment.

It is in this environment that we must develop public policy, whatever the challenge being addressed. It has long been TCS’s position that our fiscal challenges are so great that no part of the federal budget can be held sacred. Lawmakers must scrutinize every spending program, tax policy, or revenue generator, no matter how popular or familiar, to ensure taxpayers are getting the best return on our federal investments and from our federal policies.

As such, this scrutiny rightfully applies to policies, procedures, and projects intended to secure water in western states.

Obtaining and managing water in the public's interest at a cost that is fiscally responsible is today's primary challenge. The recent droughts and long history of the west show that western water users need to use available water better. As federal taxpayers are in the midst of a potential generational debt crisis, we must ensure efforts to address this challenge produce the most return on federal investments. To get those projects approved and delivered in a timely manner, those investments must serve the greatest number of public interests, not one particular user or another. Projects to increase storage capacity in the west are one potential tool. Other tools include more efficient use of water currently available, maximizing efficiencies from existing, at times under-maintained federally financed infrastructure, and prioritizing future investments on projects that increase stability and predictability in water availability through diversification of storage. When it comes to ensuring the economic future of western states, we must follow the fiscally prudent path of not putting all our eggs in one basket, or all of our hopes for water in one model of water storage.

Background

Since the creation of the Bureau of Reclamation in 1902 federal taxpayers have invested significantly in the water infrastructure of western states.

Western water users have benefited tremendously from various forms of federal financial assistance. Under reclamation law beneficiaries of projects are required to pay for the capital costs of their share of benefits from those projects, with the period for repayment having been extended from an original 10 years to now typically 40 years. Besides having a long repayment period, the clock for these payments does not start until the project is completed. History has shown that projects can deliver water for decades without being deemed complete (or substantially complete) and thus not starting the clock on the bulk of repayment costs. And at least for agricultural beneficiaries, there are no interest calculations, meaning these users are effectively treated to a no-interest federal loan lasting decades.

Federal assistance has been extended to project elements beyond initial construction that are vital to water users. Loans for the construction of agricultural water distribution systems, water service contracts, and authorization to provide relief from payment for users unable to pay their full obligation are additional ways various users have benefited from federal assistance.

Quantifying the exact dollar amount these benefits have provided is difficult, but it is in the billions of dollars easily.

Importantly federal investments in western water infrastructure are not simply an artifact of history, they continue to this day. In addition to the annual appropriations the Bureau of Reclamation receives, billions of dollars were included in recent legislation, such as \$8.3 billion in the Infrastructure and Jobs Act.ⁱ While a common criticism from some is bemoaning the lack of new reservoir construction since the late 1970s, there has been investment in projects to increase water storage. It just does not always take the shape of large, traditional reservoirs.

Federal taxpayers can and should continue to provide federal assistance to western states to help their water management, but that assistance cannot be unlimited or have too narrow a focus on one set of beneficiaries.

Fiscally Responsible Solutions for Storing More Water

The critical task now is to figure out how to store more water in a manner that is fiscally responsible and does not short-change competing public priorities seeking to benefit from that water. There are several principles that, if followed, will provide the opportunity to develop these fiscally responsible solutions.

Price Water Correctly

First, we must price water correctly. It's a basic rule in economics that when resources are priced incorrectly, inefficient use occurs. In other words when something is cheap, we don't value it. While a lot of responsibility in rate setting is rightfully done at the non-federal level, there is a federal responsibility in pricing water correctly. Project economic evaluations must be based on sound, credible science and assumptions on both the project cost and potential benefits side. When reality-based project costs are calculated we must strengthen the beneficiary pays principle for water projects. People and institutions manage their resources more responsibly when it is their money that is at risk. We need to ensure all parties are pulling their weight. Congress needs to make the statutory and regulatory changes to improve water markets by first charging closer to market rates for water. Finally, project planning and development must be guided by the fact that multiple parties and types of beneficiaries have a valuable stake and legitimate interest in water management decisions. All these parties must be provided with a seat at the negotiating table.

The Los Vaqueros project from the Contra Costa County Water District (CCWD) is one example of how new surface storage infrastructure can be built. In 1997 CCWD completed 100,000 acre feet, later expanded to 160,000 acre feet, of new off-river storage at the Vaqueros Reservoir and over the years undertook a number of other projects to update and enhance water intake and delivery infrastructure. While this project was financed with water district bonds, it can serve as a model for engagement and use of federally funded projects. As the General Manager of the district testified, by having broad stakeholder involvement from the beginning and exploring project alternatives in a way that sought to serve all these stakeholders to avoid or mitigate environmental harms, the parties ultimately settled on the project that made the most economic sense with the option of scaling up if future partners and economic opportunities developed.ⁱⁱ

Fix-it-First

Second, fixing existing infrastructure to maximize its performance is one of the most cost-effective ways to increase storage and efficient use of available water. As I mentioned earlier, federal taxpayers have already invested heavily in western water infrastructure. Even if new large reservoir storage projects are constructed, there must be adequate infrastructure to manage and deliver the water they capture. Deficiencies that reduce the capacity to use already available water, such as the 33 mile sag in the Friant-Kerr Canal that reduced water flow by nearly half, should be a primary focus. While this particular deficiency is on pace to be fixed by September of next year,ⁱⁱⁱ many other opportunities exist. Lawmakers must not repeat the all too often folly we see of new projects crowding out critical maintenance.

Expand Options Beyond Traditional On-River Reservoirs

Focusing solely on construction of new and bigger reservoirs is too narrow and fiscally irresponsible. The challenge of securing enough water to meet our needs is too important and too complex to tackle with most of our tools left inside the toolbox. The tendency to focus almost exclusively on one solution, new and bigger reservoirs, has the unfortunate effect of ignoring many other tools that can be a part of the solution. It is also fiscally irresponsible to gamble the West's economic future on an effort focused solely on capturing more water in a historically wet year.

California alone has 1400 dams. After aggressive 20th century dam building, the truth is that those sites where the engineering, economic, and political calculations pencil-out the easiest, are mostly built. The vast majority of rivers already have dams and adding another doesn't generate more water; in fact, in some cases it will capture water that was going to be captured by another dam. A dam isn't a divining rod. And while there is a lot of attention being paid to the enormous recent precipitation events, you can also look at the Colorado River Basin and see enormous empty reservoirs. We can't cost-effectively build storage to capture all the rain, nor should we. Attempting to do so would result in excess unused storage capacity most years and an underinvestment in tools capable of providing water in years of average precipitation or even drought.

That's why a more diverse and diversified strategy is needed.

Plan for Dry Years and Wet Years

Developing a suite of policies that work in all types of years, by utilizing all cost-effective options for water storage will be key. New dams to produce new reservoirs may be an appropriate tool. But numerous projects undertaken over the last 40 years show they are not the only tool, and sometimes, there are better tools. Again, new reservoirs are not off the table. But other more innovative options are likely to produce quicker, more stable returns, at a cheaper cost to all involved. That is, we should increase the use of 21st century appropriate approaches, including water reuse and recycling, water-use efficiency, and groundwater storage.^{iv} As an example, the Los Angeles Department of Water and Power is working to clean up contaminated groundwater in order to use the aquifer to store water, including recycled water and urban storm water.^v These types of projects often have lower capital costs than large reservoirs and can produce water for use at much lower costs per-acre-foot. The current historically wet year in California should also prompt policymakers to adopt effective water management techniques that pre-date the Bureau of Reclamation. Floodplain restoration, temporary flooding of agricultural fields, and mountain meadow preservation and restoration are all tools that can be used to cost-effectively manage and capture precipitation often while recharging quickly draining aquifers.

Conclusion

There are numerous opportunities to more efficiently use western water. Reservoirs, even new ones, may be an appropriate tool. But they can't be the only tool. I think what's stopping us, is that too many people look at the days of old and think a costly big dam paid for at taxpayers' expense is the solution, when in reality, it is a lot of measures like reuse, conservation, floodplain restoration to allow groundwater recharge, off-stream storage, and yes, charging closer to market rates for water that is solution.

Thank you again for the opportunity to testify, and I look forward to your questions.

ⁱ United States Bureau of Reclamation, www.usbr.gov/bil, accessed March 25, 2023.

ⁱⁱ Water for Our Future and Job Creation: Examining Regulatory and Bureaucratic Barriers to New Surface Storage Infrastructure: Hearing before the Subcommittee on Water and Power of the Committee on Natural Resources, 112th Congress (2012) (Testimony of Jerry Brown, General Manager, Contra Costa Water District.

ⁱⁱⁱ SJV Water, "Temperance Flat Dam Put on the Shelf Indefinitely," GVWire, July 1, 2020. Accessed March 25, 2023.

^{iv} Natural Resources Defense Council, "The Untapped Potential of California's Water Supply," June 10, 2014. <https://www.nrdc.org/resources/untapped-potential-californias-water-supply>, accessed March 25, 2023.

^v Nelson, Barry. "New Water Storage Strategies Serve California's 21st Century Needs," The New Humanitarian. January 25, 2018. <https://deeply.thenewhumanitarian.org/water/community/2018/01/25/new-water-storage-strategies-serve-californias-21st-century-needs>. Accessed March 25, 2023.