

TESTIMONY OF
GRAYFORD PAYNE,
DEPUTY COMMISSIONER
FOR POLICY, ADMINISTRATION, AND BUDGET
BUREAU OF RECLAMATION,
DEPARTMENT OF THE INTERIOR
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES
ON
“THE STATUS OF THE RECLAMATION FUND AND THE BUREAU OF RECLAMATION’S FUTURE
INFRASTRUCTURE NEEDS”

July 24, 2019

Good afternoon, Chairman Cox, Ranking Member Gohmert, and Members of the Subcommittee. My name is Grayford Payne, Deputy Commissioner for Policy, Administration, and Budget for the Bureau of Reclamation (Reclamation) within the Department of the Interior. Thank you for the opportunity to testify today on the Reclamation Fund and Reclamation’s infrastructure funding needs.

Reclamation’s inventory of assets includes 492 dams and 338 reservoirs with a total storage capacity of 140 million acre-feet throughout the 17 Western States. Our dams and reservoirs, water conveyance systems, and power generating facilities are integral components of the Nation’s infrastructure. Reclamation constructed many of these facilities early in the 20th century, but today, approximately two-thirds of these facilities, while still owned by the federal government, are now operated as “transferred works”, operated and maintained under a transfer agreement by local non-Federal operating entities who derive the direct benefits these features provide.

This infrastructure and the partnerships that sustain it are key to Reclamation’s continued success. Assuring the benefits that these structures provide is among the significant challenges facing Reclamation and its operating partners.

As the largest supplier and manager of water in the nation and the second largest producer of hydroelectric power, Reclamation’s projects and programs are foundational to driving and maintaining economic growth in hundreds of watershed basins throughout the United States. Reclamation owns 76 power plants, and overall, Reclamation’s water, power and recreation activities support \$62.7 billion in national economic activity and support 457,754 jobs.¹

¹ DOI Economic Activity Report, Table 3,
https://www.doi.gov/sites/doi.gov/files/uploads/fy_2017_econ_report_final_11_1_18.pdf

History and Status of The Reclamation Fund

The Reclamation Fund (Fund) was established in the Reclamation Act of 1902 (Pub.L. 57-161), which also established the United States Reclamation Service within the U.S. Geological Survey at the Department of the Interior. The Fund was intended for “the examination and survey for and the construction and maintenance of irrigation works for the storage, diversion, and development of waters for the reclamation of arid and semiarid lands in the said States and Territories, and for the payment of all other expenditures provided for in this Act,” (43 U.S.C §391). Initially the Fund was designed to be a revolving account, supported by proceeds from sales of public lands and was later augmented by a percentage of the onshore royalties from oil, gas, and other mineral leases on Federal lands, collections from projects, and from other sources.

By 1910 it became clear the revolving fund would not have enough receipts to pay for normal operating expenses as well as planned and ongoing projects. In 1910 and 1930, Congress authorized major deposits into the Reclamation Fund. In 1914, Congress amended the Reclamation Act to require all spending from the Fund be subject to the annual appropriations process, which the Administration believes provides proper oversight and fiscal constraint.

In 1928, Congress authorized construction of Hoover Dam and Powerplant to be financed from the General Fund rather than the Reclamation Fund. By the end of the 1930s, many major Reclamation projects under construction were financed by monies from the General Fund. Since that time, including in recent decades, billions of dollars of Reclamation projects have been appropriated out of the general treasury (rather than from the Reclamation fund). Had these projects been appropriated out of the Reclamation fund, its balances would be significantly lower.

Today, deposits into the Reclamation Fund come from public land sales, Reclamation project repayments, water contracts, power revenues, and onshore natural resource and mineral royalties. These deposits do not represent complete income to the Government from these sources but only the percentage of the revenue authorized by law to be deposited in the Reclamation Fund.

Beginning in fiscal year 1978, Reclamation’s power marketing function was transferred to the Department of Energy. Since then, funds have been appropriated from the Reclamation Fund to the Department of Energy for the Western Area Power Administration. Receipts that are not appropriated remain in the Fund as unappropriated receipts. Balances in the Reclamation Fund are not available for Reclamation program expenditures unless Congress appropriates funds in annual appropriations acts. Congress retains discretion to appropriate money from the fund for Bureau of Reclamation projects every year.

Reclamation Fund History (\$ in mil)

	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Starting Balance	9,624*	10,841	12,029	13,145*	14,162*	12,936*	16,021
Receipts	2,089	2,046	1,984	1,903	1,967	1,942	1,842
Approps	872	858	901	889	996	1,054	1,233
Ending Balance	10,841	12,029	13,112	14,150	15,133	13,824	16,630

**Administrative adjustments made.*

At the end of fiscal year 2012, the unappropriated receipts balance remaining in the Reclamation Fund was approximately \$10.8 billion; by the end of fiscal year 2018, the balance was \$16.6 billion. The Omnibus Lands Act of 2009 (Public Law 111-11) established the Reclamation Water Settlements Fund in the Treasury. P.L. 111-11 provides that annually, from fiscal years 2020 through 2029, \$120 million of funds (if available) that would otherwise be deposited into the Reclamation Fund instead be available for Indian water right settlement construction efforts without further appropriation.

Importance of the Reclamation Fund in Modernizing Reclamation’s Infrastructure

Reclamation’s dams, water conveyance systems, and power generating facilities are integral components of our Nation’s infrastructure. Effectively managing our infrastructure and the benefits these structures provide is among the significant challenges facing Reclamation.

Approximately 50 percent of Reclamation’s dams were built between 1900 and 1950, and approximately 90 percent of the dams were built before adoption of currently used, state-of-the-art design and construction practices. Of the 492 dams in Reclamation’s inventory, our Dam Safety Program has identified 363 high and significant hazard dams, where there is potential for loss of life and/or significant economic damage if those dams were to experience significant structural failures. Reclamation evaluates dams to address new hydrologic or seismic data, or changes in state-of-the-art criteria deemed necessary for safety purposes to ensure that risks do not exceed current Reclamation public protection guidelines.

Reclamation released an Infrastructure Investment Strategy in 2015, which initially focused on improving the quality of Major Rehabilitation and Replacement (MR&R) data at Reclamation facilities. MR&R needs include all extraordinary maintenance, safety of dams modifications, and deferred maintenance at all Reclamation facilities regardless of the source of funding. The John D. Dingell, Jr. Conservation, Management, and Recreation Act (P.L. 116-9), enacted in March 2019, requires categorization of repair needs and the regular reporting of information related to Reclamation’s investments in its infrastructure, for both reserved and transferred works, to Congress. The MR&R data being collected will enable Reclamation to meet this requirement.

The Fiscal Year 2020 budget for Reclamation requests appropriations for specific projects for Extraordinary Maintenance (XM) activities across Reclamation. Reclamation's XM request is part of its overall Asset Management Strategy that relies on condition assessments, condition/performance metrics, technological research and deployment, and strategic collaboration to better inform and improve the management of its assets and deal with its infrastructure maintenance challenges. Through this strategy, Reclamation has been successful in ensuring proper maintenance of our facilities. For example, over the previous year, Reclamation has continually maintained over 81% of our facilities in good condition. Additional XM items are directly funded by revenues, customers, or other Federal agencies (e.g., Bonneville Power Administration).

Dam safety efforts include major modifications in the near future that are integral to the safe and efficient operation of Reclamation facilities, including the B.F. Sisk Dam in California and the Scoggins Dam in Oregon; such endeavors may require Congressional action to raise the authorized appropriations ceiling for dam safety modifications. Examples of extraordinary maintenance activities within the five-year reporting window include the Leadville Water Treatment Facility, Friant-Kern Canal repairs to the subsidence area, and general equipment repairs and replacements (such as switch replacements, computer system upgrades and installs, and motor control replacements) at the Grand Coulee Dam facilities.

Sources of funding for MR&R activities include appropriations for dam safety modifications, appropriations for activities other than dam safety, non-appropriated funding for power facilities (power financing), non-appropriated funding for water facilities (from transferred works operating entities), and non-appropriated funding by water users at facilities where Reclamation retains the operations and maintenance responsibility (reserved works). Of the identified \$3.0 billion in MR&R needs for FY 2019-2023, \$2.0 billion or 68% of the projected five-year need is projected to be funded from sources other than Reclamation annual appropriations.

Reclamation's FY 2020 budget request includes construction funding for projects such as the Cle Elum Fish Passage within the Yakima River Basin Enhancement Project, the Mendota Pool Bypass of the San Joaquin River Restoration Program, and the Navajo-San Juan Indian water rights settlement, among others. Finally, the FY 2020 Budget supports the Administration's and Department of the Interior's goals to provide secure, reliable water supplies for irrigation, people, and the environment; supports certain rural water projects; and fulfill our commitments to tribal nations.

Conclusion

Once again, Congress retains discretion to appropriate money from the Reclamation Fund for Bureau of Reclamation projects every year, and we appreciate the collaborative relationship with Congress in the Reclamation budgeting process. Thank you for the opportunity to testify before you on these matters, and I look forward to working with the committee and Congress to address any outstanding questions on the Reclamation Fund.