

## **Report to the House and Senate Committees on Appropriations**

### **Distribution of Additional FY 2016 Funding for Water and Related Resources, Bureau of Reclamation and Discussion of Criteria**

#### Summary

The Consolidated Appropriations Act, 2016 (P.L. 114-113) provided the Bureau of Reclamation with \$1,118,972,000 for its Water & Related Resources account. The accompanying Explanatory Statement includes a discussion and direction regarding \$166,332,000 in funding provided in six categories within Water and Related Resources for studies, projects, and activities. The Statement directed that “Reclamation shall provide to the Committees on Appropriations of the House of Representatives and the Senate a report delineating how these funds are to be distributed, in which phase the work is to be accomplished, and an explanation of the criteria and rankings used to justify each allocation.”

The Bureau of Reclamation has, as required by the Explanatory Statement to P.L. 114-113, allocated funding to projects within the program areas of Rural Water (\$47.0 million); Fish Passage and Fish Screens (\$5.0 million); Water Conservation and Delivery (\$10.0 million); Environmental Restoration or Compliance (\$2.0 million); Western Drought Response (\$100.0 million); and Facilities Operation, Maintenance, and Rehabilitation (\$2.332 million). As directed, Reclamation has allocated these funds “...to advance and complete ongoing work, including preconstruction activities and where environmental compliance has been completed; improve water supply reliability; improve water deliveries; enhance national, regional, or local economic development; promote job growth; advance tribal and nontribal water settlement studies and activities; or address critical backlog maintenance and rehabilitation activities.”

For the \$100.0 million provided for Western Drought Response, the Explanatory Statement includes language for Reclamation to allocate “to any authorized purpose, but shall be allocated to those activities that will have the most direct, most immediate, and largest impact on extending limited water supplies during current drought conditions.”

Reclamation based its decisions on a thorough review at the regional, program and national level to ensure a balanced approach that considered projects and programs on the basis of the directions contained in the Explanatory Statement, while adhering to existing authorizations, mission priorities and relevance to strategic goals and program objectives. In many cases, the funding allows Reclamation to accelerate the selected projects to meet high priority needs sooner than would otherwise be the case, while stimulating regional economies. In other cases, the funding enables Reclamation to respond directly and immediately to many of the most critical needs caused by the current Western drought and to advance means of alleviating future drought impacts. The overall considerations used in the decision-making included:

- Consideration of program/project capability during the remainder of FY 2016;
- Consideration of Reclamation's ability to complete projects or discrete segments of the projects;
- Continued focus on public safety as well as ongoing operation and maintenance requirements;
- Consideration of requirements in Federal or court ordered requirements;
- Consideration of progress towards project completion without increasing future budget requirements;
- Support for high priority programs and activities, and program requirements;
- Consideration as to financial feasibility, such as the acceleration of construction underway, which would achieve more efficient construction schedules, probable cost reductions and an earlier realization of project benefits;
- Consideration of positive economic impacts to communities;
- Consideration of Reclamation's responsibility to tribal nations;
- Balancing geographical distribution against the needs of the most severe and prevailing regions of drought, including river basins with the most critical requirements; and
- Support for programs that through cost sharing or partnerships could leverage these Federal dollars (where not specifically precluded—see Rural Water section below).

#### Rural Water Construction (\$47.0 million)

Reclamation has been working diligently to advance the completion of all of its authorized rural water projects consistent with current fiscal and resource constraints with the goal of delivering potable water to tribal and non-tribal residents within the rural water project areas. At the request of both Congress and the Office of Management and Budget (OMB), Reclamation has developed a set of measures which it believes best rates and ranks the authorized rural water projects for allocating rural water construction funds and provides greater transparency in the allocation of these funds.

Reclamation's prioritization criteria reflect program goals and objectives by incorporating factors such as time and financial resources committed, regional watershed perspective, urgent and compelling need, tribal members served, economic impacts, and water use efficiency. Reclamation then allocated the additional funds based on each project's ability to use those funds to complete discrete construction segments which would significantly advance the provision of potable water to people. As required by the Explanatory Statement, Reclamation has modified its funding allocation criteria for the allocation of

the additional FY 2016 rural water funds by excluding the consideration of any non-Federal sponsored funds in excess of the project's authorized non-Federal requirements.

Fish Passage and Fish Screens (\$5.0 million), Water Conservation and Delivery (\$10.0 million), Environmental Restoration or Compliance (\$2.0 million), and Western Drought Response (\$100.0 million)

Reclamation continually works to address the increasing water demands of the West while protecting the environment. Reclamation has a pivotal role in restoring aquatic habitat impacted by historic development.

The funds in these categories have been allocated to projects with dual goals—the first of which is to make the Western rivers, streams and estuaries environmentally healthy, a requirement in continuing to provide water supply benefits and reliability. The critically important second goal in this year's allocation of both the Water Conservation and Delivery and the Western Drought Response funds is alleviating the impact of severe drought conditions and enhancing resiliency to future droughts throughout much of the West.

*Drought-specific funding considerations:* The extreme and prolonged drought facing the Western states affects major U.S. river basins in many Western states. The effects of the current drought on California water, its economy, and its communities are particularly acute. The Colorado River Basin—crucial for seven states and a number of Tribes, in addition to two countries—is also enduring historic drought. Nearly 40 million people rely on the Colorado River for some, if not all, of their municipal needs. The Basin is currently experiencing an historic drought that has not been witnessed in over 100 years of recorded history. Lake Mead, for example, has reached its lowest level since filled more than 75 years ago.

Drought directly impacts Reclamation's ability to deliver water and power to contractors, which is central to Reclamation's mission. During droughts, reservoir supplies are depleted earlier than usual, which can result in shortages to irrigators, restrictions on residential water users, and reduced supplies for ecological resources. Drought also impacts water quality, due to higher water temperatures and an increased risk of wildfires.

While Congress indicated that funding included in the budget request under "Western Drought Response" may be allocated to any authorized purposes, it also stressed that the funding "shall be allocated to those activities that have the most direct, most immediate, and largest impact on extending limited water supplies during current drought conditions." Reclamation has taken care to identify those projects that fulfill these goals.

*Overall Criteria:* Projects selected for the additional funding in these four areas reflect Reclamation's overall considerations. Funds for these activities were prioritized considering the project's ability to

begin and/or complete the work in FY 2016. In addition, consideration was given to the project's ability to effectively 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. Reclamation gave priority to projects that could make significant progress toward species recovery and protection, especially where the Federal government is required to address the concerns of the Endangered Species Act (ESA), and to projects that would maximize and stabilize the water supply benefits to a given basin, while enhancing regional and local economic development.

This funding was then balanced across the various regions in the West and programs and activities to ensure the continued delivery of public benefits, the operation and maintenance of facilities in a safe and reliable manner, the protection of the health and safety of the public and Reclamation employees, and compliance with environmental requirements and opportunities for ecosystem restoration.

*Drought-specific Criteria:* In addition to the previously stated criteria that were considered, the selection of the specific projects for Western Drought Response clearly identified their nexus to alleviating the impacts of the current drought. Finally, while drought has adversely affected many communities in the West, we allocated the funding to areas where a high intensity level of drought is found. The February 2, 2016 U.S. Drought Monitor graphically shows that the extreme and exceptional drought conditions are principally in California. Moreover, 77 percent of the west is experiencing dry to exceptional drought conditions at the start of the water year, with the Pacific Northwest and the states in the Colorado River Basin most affected by the dry to exceptional drought conditions noted by the U.S. Drought Monitor. Reclamation's selection of drought-related projects reflects this circumstance.

Of note, a substantial portion of the drought funding (\$37.9 million) is allocated to the Central Valley Project (CVP) in California, at the cumulative project level. Although there are specific needs for the divisions listed within the CVP project, Reclamation's proposal maintains the maximum flexibility to respond quickly to the greatest water needs—or those that affect the largest population—that are triggered by the upcoming spring's hydrological manifestations. CVP water project operators continue to monitor daily "real time" conditions with fisheries and water quality experts to effectuate timely changes to dynamic or emergent water operations. Specific division activities have been identified, along with the level of funding for each, in the event that funds are not needed for emergent drought requirements.

*Drought Funding for Tribal Nations:* Reclamation, on behalf of the Secretary of the Interior, has a responsibility to provide support to Native Americans. Tribal communities have also been adversely affected by drought. Reclamation is allocating \$6.0 million to various tribal projects in the hardest hit areas. In addition to the criteria applied to other drought-related projects, funding under the auspices of the Native American Affairs program will be allocated to projects that satisfy the following additional criteria. The project:

- Addresses the water and water related priorities identified by the tribe or tribal organization;
- Shows reasonable distribution of funds among tribes; and
- Provides meaningful benefit to the tribe that is not dependent upon future funding upon completion.

Facilities, Operation, Maintenance & Rehabilitation (\$2.332 million)

Reclamation will use these funds to address infrastructure needs of selected projects, which are essential for maintaining system reliability, resilience, and safety; and for supporting sustainable water management by promoting established asset management practices. Limits on available funding in the face of deficit reduction pressures require that innovative procedures and incentives be explored to provide a means of prioritizing funding to address the most urgent of these needs. Reclamation has developed the following draft Extraordinary Operation and Maintenance (XOM) prioritization criteria, that take into consideration two fundamental factors—risk and benefits:

- **Engineering Need** - The extent to which engineering analyses demonstrate that the facility faces existing or potential conditions that could severely impair its ability to continue delivering project benefits or that could lead to failure of the facility. The effective age of the facility is also factored in. **Consequences of Failure** - The value of project benefits that would likely be lost in the event of failure of the facility, as well as population at risk and potential property damages resulting from such failure.
- **Financial Considerations** - The extent to which the project beneficiaries responsible for the reimbursable share of the work demonstrate the ability to repay the reimbursable share of the work.
- **Efficiency Opportunities** - The extent to which the proposed work demonstrates a significant opportunity to substantially reduce future routine Operation and Maintenance costs associated with the facility and improves the Facility Condition Index.
- **Scheduling** – The duration of the project activities for design and construction.