



— BUREAU OF —
RECLAMATION

Expenditures Report

Inflation Reduction Act of 2022 (Pub. L. 117-169),

**Title V: Committee on Energy and Natural Resources,
Subtitle B: Natural Resources, Part 3: Drought
Response and Preparedness, Section 50233:
Drought Mitigation in the Reclamation States**

Prepared by

**Department of the Interior
Bureau of Reclamation**

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Introduction

The Inflation Reduction Act (IRA) was enacted on August 16, 2022, when President Biden signed HR 5376 and it became Public Law 117-169. IRA provided \$4.6 billion for Reclamation programs supporting Domestic Water Supply, Canal Improvements, Emergency Drought Relief to Tribes, and Drought Mitigation. Section 50233, titled Drought Mitigation in the Reclamation States, provides \$4 billion and gives priority to the Colorado River Basin and other basins experiencing comparable levels of long-term drought, and is the primary focus of this report. The funds remain available through Fiscal Year 2026.

The funding provided by Congress through Section 50233 of the IRA provided an opportunity to dramatically advance the Bureau of Reclamation's ability to protect and stabilize the Colorado River system. Funding will also support mitigating the impacts of drought through long-term, durable investments in the Colorado River Basin and other basins experiencing comparable levels of drought.

Drought conditions made worse by climate change have had critical impacts in the Colorado River Basin. The Colorado River Basin experienced its driest 23-year period in over 1,200 years through year 2022. Lake Powell and Lake Mead reached historically low levels in 2022, with a risk of Lake Powell reaching minimum power pool in 2023. In 2023, Lake Mead operated under a Level 2 Shortage Condition for the first time ever, with significant water contributions required from the State of Arizona, the State of Nevada, and the Republic of Mexico. Although hydrology improved in year 2023, it would require multiple successive years of above average hydrology and additional actions to recover the contents of Lake Powell and Lake Mead. Forecasts, based on the best available science, including those from the National Oceanic and Atmospheric Administration's Colorado River Basin Forecast Center indicate a low likelihood of this improved hydrology continuing, and that there has likely been a hydrologic regime shift to prolonged drought and aridification.

Given the critical and urgent need, the Bureau of Reclamation (Reclamation) is investing the majority of the \$4 billion in the Colorado River Basin, with a majority of the amount invested in long-term projects identified by subject matter experts in Reclamation's Lower Colorado Basin Region and Upper Colorado Region Basin offices that can help bridge the supply and demand imbalance in the Colorado River System.

Reclamation began the development and implementation of Section 50233-funded programs in the Colorado River Basin immediately after the IRA was signed into law. In large part due to the investments from Section 50233 in the Colorado River Basin along with improved winter hydrology, recent projections show that the risk of declining to critical elevations (e.g., where the passage of water and the ability to generate hydropower becomes compromised) in Lake Powell and Lake Mead is now very low through year 2026.

Reclamation is also focused on supporting other basins experiencing comparable levels of long-term drought through investments out of Section 50233. The program to support other basins was developed in 2023 and is currently in implementation.

Reclamation has been and will continue to be engaged with stakeholders and the public in the implementation of the IRA, including through public webinars where Reclamation's leadership and subject matter experts receive input and provide updates on the development and implementation of

IRA-funded programs. Reclamation began holding public webinars regarding the IRA in September of 2022, with the most recent one as of January 2024 taking place in December 2023.

Reclamation is submitting this expenditures report in accordance with the requirement set out in Title V: Committee on Energy and Natural Resources, Subtitle B: Natural Resources, Part 3: Drought Response and Preparedness, Section 50233(c) of the Inflation Reduction Act of 2022 (Pub. L. 117-169):

“Not later than 1 year after the date of enactment of this Act, and each year thereafter, the Secretary shall submit to Congress a report that describes any expenditures under this section.”

Section 50233 Programs

Salton Sea Agreement

Declining Salton Sea Lake levels are exposing the lakebed (playa), contributing to water and air quality challenges that impact human health and wildlife. Soil from the exposed lakebed can emit dust which negatively impacts local air quality and poses significant health risks to residents in Imperial and Riverside counties. The Sea is primarily sustained by inflows from agricultural run-off from Imperial Irrigation District (IID) and Coachella Valley Water District (CVWD), which receive Colorado River water for irrigation. As part of the Quantification Settlement Agreement (QSA) in 2003, which includes agricultural use to urban water use transfers, the State of California assumed principal responsibility for the restoration of the Salton Sea.

In 2022, the State of California and its Colorado River agencies identified a collection of proposed water conservation opportunities that would yield approximately 400,000 acre-feet of system conservation supplies that would contribute to Lake Mead elevations each year through 2026. Given that this additional conservation is expected to expand lakebed exposure, on December 16, 2022, the State of California, IID, CVWD, and the Department of the Interior (DOI) executed an agreement funded by the Inflation Reduction Act to further provide support to the Salton Sea.

Lower Basin System Conservation and Efficiency Program

Since 2014, and pursuant to Congressional authorities including Title II of Division D of the Consolidated and Further Continuing Appropriations Act, 2015, Public Law (Pub. L.) No. 113-235, dated December 16, 2014, Reclamation has successfully implemented programs to reduce diversions from the Colorado River System through the voluntary, compensated, and temporary reduction in use by water users commonly referred to as “System Conservation.” As a result of these system conservation programs, approximately 4.0 million acre-feet (maf) was conserved through 2020; Lake Mead’s elevation at the end of 2020 was approximately 50 feet higher than it would have been in their absence.

Bureau of Reclamation modeling in the summer of 2022 projected that, absent a change in hydrology, an additional 2 to 4 maf of conserved water would be needed annually to help stabilize the Colorado River System and keep the Lakes Powell and Mead above critical operational levels. Subsequently, the August 2022 24-Month Study projected Lake Mead’s elevation would be below 1,050 feet on January 1, 2023, and consistent with the provisions of the 2007 Interim Guidelines and Drought Contingency Plans, the first ever Tier 2a shortage determination limiting deliveries of

Colorado River water to Arizona and Nevada would be in effect in Calendar Year 2023. These reductions include a 592,000 acre-feet reduction for Arizona, which is approximately 21% of the state's annual apportionment, 25,000 acre-feet reduction for Nevada, which is 8% of the state's annual apportionment, and 104,000 acre-feet reduction for Mexico, which is approximately 7% of the country's annual allotment. For these hydrologic reasons, the Department developed the new Lower Colorado River Basin System Conservation and Efficiency Program, building on the successful experience of the previous system conservation programs.

Bucket 1a: under this component, Colorado River water delivery contract or entitlement holders were able to submit proposals resulting in water remaining in Lake Mead at a set price of \$330 per acre-foot for a one-year agreement, \$365 per acre-foot for a two-year agreement, and \$400 per acre-foot for a three-year agreement. System water conserved is based on a history of prior use. The pricing schedule was informed by Reclamation's experience in implementing system conservation programs, with higher tiered pricing devised to incentivize prompt commitments of large volumes of system conservation over multiple years to help rapidly shore up elevations at Lake Mead.

Bucket 1b: under this component, Reclamation accepted proposals for additional water conservation and efficiency projects that could involve a variety of pricing options as proposed by Colorado River water delivery contract or entitlement holders and based on an economic analysis justifying the proposed price. This proposed pricing option was developed in response to requests from Colorado River entitlement holders that have unique circumstances resulting in higher costs for implementation of fallowing and conservation programs, including issues such as complete dependence on Colorado River water for their agricultural activities and agriculture as the main source of revenue for their communities. As with Bucket 1a, system conservation in bucket 1b is based on historical use.

As of January 2024, Reclamation has executed 21 Bucket 1a system conservation agreements and one under Bucket 1b for an estimated 1.538 million acre-feet of system conservation through year 2026.

Bucket 2: under this component, Reclamation accepted proposals from Colorado River water delivery contract or entitlement holders and their partners through August 18, 2023, for funding long-term durable system efficiency improvements that result in quantifiable, verifiable water savings in Lake Mead. This effort will be critical since it will fund long-term solutions to help bridge the supply and demand imbalance in the basin. Expenditure data will be available after selections are finalized.

Upper Basin System Conservation and Efficiency Program

As outlined in the Lower Basin System Conservation and Efficiency Program section, Reclamation has been implementing system conservation programs since 2014.

On July 30, 2014, Reclamation executed an agreement with the Central Arizona Water Conservation District (CAWCD), the Southern Nevada Water Authority (SNWA), Metropolitan Water District (MWD), and Denver Water for a Pilot Program for Funding the Creation of Colorado River System Water Through Voluntary Water Conservation and Reductions in Use. This agreement included both Upper and Lower Colorado Basin Regions of Reclamation. The Upper Colorado River Commission (UCRC) served as the Upper Basin Contracting Entity for conservation projects in the Upper Colorado Basin from 2015 through 2018. The success and results of the initial System Conservation Pilot Program (SCPP) evidenced that Upper Basin water users have an interest and willingness to participate in voluntary, temporary, and compensated water conservation activities.⁵

Recent Colorado River System modeling projections show a serious near-term risk that the water elevations in Lake Powell and the upstream Colorado River Storage Project “Initial Units” could decline to levels that would interrupt the ability of the Upper Division States to benefit from the operation of Lake Powell and the upstream Initial Units. In response to these hydrologic conditions, Reclamation developed the new Upper Colorado River Basin System Conservation and Efficiency Program, building on the successful experience of the SCPP.

On January 6, 2023, Reclamation and the UCRC entered into an Agreement Regarding the Funding of a Temporary Colorado River System Conservation Pilot Program in the Upper Colorado River Basin (Cooperative Agreement). This Cooperative Agreement outlined the roles and responsibilities for implementing and administering the SCPP by UCRC to provide for short term voluntary reductions in diversions funded by Section 50233 of the IRA.

Bucket 1a: Under this component, Upper Colorado River basin water users were able to submit proposals resulting in a reduction of consumptive use at a set price of \$150 per acre-foot for a one-year agreement, which was set by the UCRC, with the approval of Reclamation and was based on the average price per acre-foot in the previous iteration of the SCPP (2018).

Bucket 1b: Under this component, Upper Colorado River basin water users were able to submit proposals resulting in a reduction of consumptive use that could involve a variety of pricing options as proposed by the water users.

Under the Bucket 1a and 1b funding opportunity, UCRC executed separate single year agreements with approved individual project participants known as System Conservation Implementation Agreements (SCIAs). In 2023, UCRC executed 64 SCIAs with a total conservation of approximately 38,000 acre-feet. As of January 2024, the UCRC and Reclamation are collaborating on the 2024 iteration of this program; more information about successful proposals will be available later this year.

Bucket 2: Reclamation anticipates having a funding opportunity released in 2024. This effort will be critical since it will fund long-term solutions to help and long-term investments to help bridge the supply and demand imbalance in the basin in addition to ecosystem restoration projects. Expenditures will be available after selections are finalized.

Other Basins Program

The goal of the Other Basins Program is to fund long-term solutions to mitigate drought in basins experiencing comparable levels of drought to the Colorado River Basin. In the fall of 2023, Reclamation requested input from stakeholders on the types and nature of projects that could be funded consistent with the Section 50233. Reclamation offices received a significant amount of interest from projects and stakeholders across the West. This information has been used to inform program eligibility. Project selections are pending and anticipated in FY 2024. Expenditure information will be available after selections are finalized.

Section 50233 Obligations and Expenditures

The table below represents the obligations and expenditures as of September 30, 2023, for Section 50233 of the IRA.

		Appropriated	Obligations	Expenditures
	Total	\$4,000,000,000	\$527,015,060	\$215,302,411
	Subprogram			
Section 50233: Drought Mitigation in the Reclamation States	Salton Sea		\$71,981,124	
	Lower Colorado River Basin Conservation and Efficiency Project		\$434,164,920	\$201,665,924
	Upper Colorado River Basin Conservation and Efficiency Project		\$19,100,000	\$14,000,000
	Other Basins			
	Administrative Costs		\$1,769,016	