

**Statement of Robert W. Johnson, Commissioner
U.S. Bureau of Reclamation
before the
House Natural Resources Committee
Subcommittee on Water and Power
Bureau of Reclamation Fiscal 2008 Budget Request**

March 8, 2007

Thank you, Madam Chairwoman and Ranking Member McMorris Rodgers and members of the subcommittee, for the opportunity to appear in support of the President's Fiscal Year 2008 budget request for the Bureau of Reclamation. With me today is Bob Wolf, Director of Program and Budget.

Since this is my first opportunity to present the President's budget, I would like to make two introductory comments. First, I truly appreciate the time and consideration this Committee gives to reviewing and understanding Reclamation's budget and its support for the program. Second, while the development of an annual budget is a long and complex task, it is truly rewarding to see our institution work so hard to prioritize and define our program in a manner that serves the public and those who rely on Reclamation for their water and power.

Our FY 2008 request has been designed to support Reclamation's efforts to deliver water and generate hydropower, consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner.

The funding proposed is for key projects and programs that are important to the Department and in line with Administration objectives. The budget request also supports Reclamation's participation in efforts to meet emerging water supply needs, to 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.

The FY 2008 request for Reclamation totals \$958.4 million in gross budget authority and is partially offset by discretionary receipts in the Central Valley Project Restoration Fund (\$51.3 million).

Water and Related Resources

The FY 2008 request for Water and Related Resources is \$816.2 million. More specifically, the request for Water and Related Resources includes a total of \$429.5 million for water and energy, land, and fish and wildlife resource management activities (which provides for construction, management of Reclamation lands, and actions to address the impacts of Reclamation projects on fish and wildlife), and \$386.7 million for facility operations, maintenance, and rehabilitation activities.

Providing adequate funding for facility operations, maintenance, and rehabilitation continues to be one of Reclamation's highest priorities. Reclamation continues to work closely with water users and other stakeholders to ensure that available funds are used effectively. These funds are used to allow the timely and effective delivery of project benefits; ensure the reliability and operational readiness of Reclamation's dams, reservoirs, power plants, and distribution systems; and identify, plan, and implement dam safety corrective actions and site security improvements.

Highlights of the FY 2008 Request for Water and Related Resources Include:

I would like to share with the Committee several highlights of the Reclamation budget:

Water 2025 (\$11.0 million). *Water 2025* is a high priority for the Secretary of the Interior and will focus financial and technical resources on areas in the West where conflict over water either currently exists or is likely to occur in the coming years.

The overarching goal of *Water 2025* is to meet the challenge of preventing crises and conflict over water in the West. *Water 2025* will contribute to meeting this goal by increasing certainty and flexibility in water supplies, diversifying water supplies, and reducing conflict through the use of market-based approaches and enhancing environmental benefits in many watershed, rivers and streams consistent with State and Federal laws.

With \$11.0 million, *Water 2025* will continue to be a multifaceted program with projects that embody the overarching goal of preventing crises and conflict over water in the West. Leveraging limited Federal dollars through the Challenge Grant Program will continue to be a major component of *Water 2025*. The Challenge Grant Program will focus on projects that improve water management through conservation, efficiency, and water markets, as well as collaborative solutions to meet the needs of the future. Beginning with FY 2007, a system optimization review component has been added to ensure existing water management systems are operated to maximize water deliveries. Modernization of existing systems will occur within the framework of existing treaties, interstate compacts, water rights, and contracts.

In addition to the program and policy priorities reflected in the FY 2008 budget request, the Department intends to re-submit permanent authorizing legislation this spring to support the *Water 2025* program.

Loan Guarantee Program (\$1.0 million). The FY 2008 request includes funding for a Loan Guarantee Program, which is an important component of Interior's strategy to address aging water infrastructure challenges in the West. The loan guarantee program, which is a business-like approach that recognizes the inability of many water districts to fund expensive rehabilitative repairs without the capability to use Federal facilities as collateral to obtain bank financing, was authorized by Title II of P.L. 109-451, the Rural Water Supply Act of 2006.

Klamath Project in Oregon and California (\$25.0 million). The FY 2008 request will continue and increase funding for Reclamation to collaborate with other Federal and State agencies, tribes and the public to develop a basin-wide recovery plan that addresses water supply, water quality,

fish habitat, and fish populations.

Lower Colorado River Operations Program in California, Arizona and Nevada (\$15.4 million). The FY 2008 request will provide funds for the work necessary to carry out the Secretary's responsibilities as water master of the lower Colorado River. The FY 2008 request funds measures under the multi-species conservation program to provide long-term Endangered Species Act compliance for lower Colorado River operations for both Federal and non-Federal purposes.

Middle Rio Grande in New Mexico (\$23.2 million). The FY 2008 request will continue funding for endangered species activities and Reclamation's participation in the Middle Rio Grande Endangered Species Act Collaborative Program as well as repair of priority river maintenance sites.

Animas-La Plata in Colorado and New Mexico (\$58.0 million). The FY 2008 request includes \$58.0 million to continue construction of the project's major features, Ridges Basin Dam and Durango Pumping Plant and the Ridges Basin Inlet Conduit. The project is critical to implementation of the Colorado Ute Settlement Act. Funding will be primarily directed to these three features while other key features are held for future implementation.

Savage Rapids in Oregon (\$15.0 million). The FY 2008 request will provide funds for continuing construction of the pumping facilities. Removal of this irrigation diversion dam and the installation of pumping facilities will allow the local farming community to continue irrigated agriculture and remove a migration barrier for the threatened Southern Oregon and Northern California coho salmon.

Columbia/Snake River Salmon Recovery in Idaho, Oregon, Montana, and Washington (\$15.0 million). The FY 2008 request will address the requirements in the biological opinions issued in December 2000 by the U.S. Fish and Wildlife Service and in November 2004 by the National Oceanic and Atmospheric Administration Fisheries (NOAA Fisheries). The 2004 biological opinion has been remanded to NOAA Fisheries and a new biological opinion is due in July 2007. During the remand, the 2004 biological opinion remains in place as Reclamation continues to implement actions identified in the 2004 updated proposed action. These requirements include significantly increased regional coordination efforts; actions to modify the daily, weekly, and seasonal operation of Reclamation dams; acquisition of water for flow augmentation; tributary habitat activities in selected subbasins to offset hydrosystem impacts; and significantly increased research, monitoring, and evaluation. The request includes funding for the Nez Perce Water Settlement Act.

Platte River Endangered Species Recovery Program (\$9.6 million). The FY 2008 budget request is for Federal participation in the Platte River Recovery Implementation Program. The agreement for the program was signed by Secretary Kempthorne and the Governors of Nebraska, Colorado and Wyoming in late 2006.

Site Security (\$35.5 million). An appropriation in the amount of \$35.5 million is requested for site security to ensure the safety and security of the public, Reclamation's employees and key

facilities. This funding includes \$11.7 million for physical security upgrades and \$23.8 million to continue all aspects of Reclamation-wide security efforts, including law enforcement, risk and threat analysis, implementing security measures, undertaking security-related studies, and maintaining guards and patrols on the ground.

The FY 2008 budget request assumes annual costs associated with guard and patrol activities will be treated as project O&M costs subject to being reimbursed based on project cost allocations. These costs in FY 2008 are estimated at \$22.1 million of which \$18.9 million will be reimbursed. Of the funding to be reimbursed, \$11.6 million will be in direct up-front funding from power customers, while \$7.3 million in appropriated funds will be reimbursed by irrigation users, M&I water users, and other customers in the year in which they were incurred through Reclamation's O&M allocation process. Reclamation will continue to treat facility fortification, studies, and anti-terrorism management-related expenditures as non-reimbursable.

Safety of Dams (\$77.0 million). Assuring the safety and reliability of Reclamation dams is one of the Bureau's highest priorities. The Dam Safety Program is critical to effectively manage risks to the downstream public, property, project, and natural resources. The FY 2008 request provides for risk management activities at 361 dams and dikes, which would likely cause loss of life if they were to fail. In FY 2008, large-scale, ongoing corrective action work is planned at Folsom Dam. Reclamation is working closely with the U.S. Army Corps of Engineers to coordinate this work with the flood control efforts to minimize Federal costs and duration of work.

Rural Water (\$55.0 million). The FY 2008 request continues funding for ongoing rural water projects. This includes funding for Municipal, Rural, and Industrial (MR&I) systems for the rural water components of the Pick Sloan-Missouri Basin Program – Garrison Diversion Unit (North Dakota), the Mni Wiconi Project (South Dakota), and the Lewis and Clark Project (South Dakota, Iowa, and Minnesota).

On December 22, 2006, the President signed P.L. 109-451, the Rural Water Supply Act of 2006. Title I of the statute requires the Secretary to establish a formal rural water supply program for rural water and major maintenance projects in the 17 western States. The Act requires the establishment of programmatic and eligibility criteria for the rural water program along with other reporting requirements and criteria for appraisal and feasibility studies. Implementation of the Act will allow the Department, the Administration and Congress to set priorities and establish clear guidelines for project development to help meet the water supply needs of rural communities throughout the West.

Science and Technology (S&T) (\$13.4 million). The FY 2008 request includes funding for the development of new solutions and technologies which respond to Reclamation's mission-related needs. We feel our S&T work is important and will contribute to the innovative management, development, and protection of water and related resources. Of the amount requested, about \$4.4 million is planned for internal desalination Research & Development conducted by Reclamation.

Policy and Administration

The \$58.8 million request in FY 2008 is a slight increase and includes funding for labor cost increases due to cost of living raises and inflationary costs for non-pay activities. Funding requested will be used to: 1) develop, evaluate, and direct implementation of Reclamation-wide policy, rules, and regulations, including actions under the Government Performance and Results Act, and implement the President's Management Agenda; and 2) manage and perform functions that are not properly chargeable to specific projects or program activities covered by separate funding authority.

Central Valley Project Restoration Fund

This fund was established by the Central Valley Project Improvement Act, Title XXXIV of P.L. 102-575, October 30, 1992. The request of \$51.6 million is expected to be offset by discretionary receipts totaling \$51.3 million, which is the maximum amount that can be collected from project beneficiaries under provisions of Section 3407(d) of the Act. The discretionary receipts are adjusted on an annual basis to maintain payments totaling \$30.0 million (October 1992 price levels) on a three-year rolling average basis. The request of \$51.6 million was reduced by \$7.5 million (i.e., would have been \$59.1 million) due to a legislative proposal, which redirects \$7.5 million collected from the Central Valley Project Friant Division water users to the new San Joaquin River Restoration Fund for FY 2008. These funds will be used for habitat restoration, improvement and acquisition, and other fish and wildlife restoration activities in the Central Valley Project area of California.

San Joaquin River Restoration Fund Proposed Legislation

The 2008 budget also reflects the settlement of NRDC v. Rodgers. The Administration will submit authorizing legislation, the San Joaquin River Restoration Settlement Act, which includes a provision to establish the San Joaquin River Restoration Fund. Under the settlement, the legislation proposes to redirect approximately \$17.3 million per year of payments from the Central Valley Project, Friant Division water users into the Fund which would be available without further appropriations to implement the provisions of the settlement. Previously, \$7.5 million of these funds went into the Central Valley Project Restoration Fund.

California Bay-Delta Restoration Fund (CALFED)

Title I of P.L. 108-361, titled the Calfed Bay-Delta Authorization Act, was signed by the President on October 25, 2004. The Act authorized \$389 million in Federal appropriations over the period of FY 2005 through FY 2010. For FY 2008, \$31.8 million is requested to enable Reclamation to advance its commitments under the CALFED Record of Decision and with a

focus towards implementation of priority activities included in the Calfed Bay-Delta Authorization Act that will contribute to resolving water resource conflicts in the CALFED solution area. Funds will specifically be used for the environmental water account, feasibility studies of projects to increase surface storage and improve water conveyance in the Delta, conduct critical science activities, implementation of projects to improve Delta water quality, ecosystem enhancements, and program planning and management activities.

FY 2008 Planned Activities

Reclamation's FY 2008 priority goals are directly related to continually fulfilling our progress in water and power contracts while balancing a range of competing water demands. Reclamation will continue to deliver water consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner. Reclamation will strive to deliver 28 million acre-feet of water to meet contractual obligations while addressing other resource needs (for example, fish and wildlife habitat, environmental enhancement, recreation, and Native American trust responsibilities). Reclamation will work to maintain our dams and associated facilities in fair to good condition to ensure the reliable delivery of water. Reclamation will strive to meet or beat the industry forced outage average to ensure reliable delivery of power. Reclamation will reduce salinity by preventing an additional 18,500 tons of salt from entering the water ways.

Moreover, the FY 2008 budget request demonstrates Reclamation's commitment in meeting the water and power needs of the West in a fiscally responsible manner. This budget continues Reclamation's emphasis on delivering and managing those valuable public resources. Reclamation is committed to working with its customers, States, Tribes, and other stakeholders to find ways to balance and provide for the mix of water resource needs in 2008 and beyond.

Management Studies

Reclamation continues to make significant advancements in its quest for management excellence. Reclamation's Managing for Excellence Action Plan reflects specific actions to realize the underlying principles of the President's Management Agenda. The National Academy of Sciences, at Reclamation's request, completed and published its study in 2006 to assist Reclamation in determining the appropriate organizational, management, and resource configurations to meet its construction and related infrastructure management responsibilities associated with fulfilling its core mission of delivering water and power for the 21st century.

The Managing for Excellence action plan, developed in response to the Academy's report, outlines a process and timeframe for identifying and addressing the specific actions that can be taken to increase transparency, efficiency, and accountability within Reclamation. As of the end of January 2007, Reclamation has completed approximately 50 percent of the 41 action items identified. Although the philosophy of Managing for Excellence will continue into the future, the Managing for Excellence Action Plan will conclude after December 2007 and implementation will continue as part of Reclamation's normal business.

Conclusion

Madam Chairwoman and Ranking Member McMorris Rodgers, please allow me to express my sincere appreciation for the continued support that this Committee has provided Reclamation. This completes my statement. I would be happy to answer any questions that you may have at this time.