

An aerial photograph of a large concrete dam and reservoir in a desert canyon. The reservoir is a deep blue color, contrasting with the brown, rocky terrain. The dam is a massive concrete structure with a central spillway. The surrounding landscape is rugged and mountainous under a clear blue sky.

# RECLAMATION

*Managing Water in the West*

**Report to Congress**

**Reimbursement of Security  
Guard and Patrol Costs on  
Bureau of Reclamation  
Facilities**

**March 2006**

# Executive Summary

## **FY 2006 Appropriations for Security**

This report to the Congress is prepared in response to Conference Report 109-275, which accompanied the FY 2006 Energy and Water Development Act Appropriation Bill (H.R. 2419), and contained the following language:

*“Building and site security.--The conference agreement includes \$40,000,000 for building and site security activities, as proposed by the House, instead of \$50,000,000 as proposed by the Senate. The amount provided recognizes that the Bureau of Reclamation is expected to receive approximately \$10,000,000 in reimbursements for additional security guards and patrols, which are considered project O&M costs. The conferees agree, however, that all project beneficiaries that benefit from an enhanced security posture at the Bureau's facilities should pay a share of the security costs. Accordingly, the Bureau is directed to provide to the House and Senate Committees on Appropriations, not later than 60 days after the enactment of this Act, a delineation of planned reimbursable security costs by project pro-rated by all project purposes.”*

## **Reimbursement of O&M Costs**

By law, Reclamation's project operation and maintenance (O&M) costs are allocated to all authorized project purposes. Functions that benefit specific users, such as irrigation water supply, hydropower generation, and municipal and industrial (M&I) water supplies are reimbursable project functions. Functions such as flood control, recreation and fish and wildlife enhancement that benefit the general public are non-reimbursable functions. Annual project O&M costs for reimbursable functions are reimbursed by the project beneficiaries.

On some Reclamation projects, beneficiaries are required by statute or contractual provisions to reimburse annual project O&M costs up-front, and on those projects the rates are set in advance to include those reimbursable costs. These up-front revenues are collected and provided to Reclamation for operation and maintenance expenses.

Appropriated funds are necessary to carry out Reclamation's O&M program in situations where there are no statutes or contractual provisions requiring collection of up-front revenues from project beneficiaries. The reimbursable beneficiaries are billed and those collections are returned directly to the U.S. Treasury. Therefore, these reimbursements cannot be used or expended by Reclamation.

## **FY 2006 Security Program**

In FY 2006, Reclamation's planned security program totaled \$50.0 million. This total included \$29.1 million for facility fortification and anti-terrorism management and \$20.9 million for guards and patrols. Facility fortification and anti-terrorism management are non-reimbursable activities.

In FY 2006, an estimated \$10 million of the planned expenditures for security guards and patrols will be reimbursable. For those Reclamation projects with enhanced security, this \$10 million in reimbursable project O&M costs represents a 4.5% increase in total reimbursable project O&M expense. Since the Conference Report stated that reimbursable costs should be shared by all beneficiaries subject to O&M reimbursement requirements, the estimated \$10 million reimbursement for guard and patrol costs will be allocated on a pro-rata basis across all projects where reimbursements are made. Reclamation has allocated the \$10 million in FY 2006 reimbursement between up-front revenues and appropriated O&M funds in proportion to the amounts of those reimbursements that would have been received under the planned full reimbursement of FY 2006 security guard and patrol costs.

Thus, in FY 2006, Reclamation will collect \$6.1 million in up-front revenues, and \$3.9 million of appropriated project O&M funds will be billed for repayment, for a total \$10 million reimbursement of guard and patrol costs. Reclamation's total security program funding in FY 2006 will then consist of \$40 million in appropriated funds plus \$6.1 million in up-front revenues, for a total of \$46.1 million. This is less than the planned \$50.0 million total security program for FY 2006, and will result in a reduction of \$3.9 million in FY 2006 facility fortification and anti-terrorism activities.

## **Delineation of Reimbursed Security Costs in FY 2006**

This report also provides the requested delineation of planned reimbursable security costs by project pro-rated by all project purposes.

## **Working with Customers and the Congress**

Reclamation will continue to utilize established processes for sharing data and guidance with project beneficiaries, providing them with meaningful opportunities to comment on planned project O&M expenditures, and preparing them for any changes in costs related to security guards and patrols. Reclamation will inform the Congress of all planned security program activities through the annual appropriations process and through special briefings.

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## Introduction

The purpose of this report is to respond to a request contained in Conference Report 109-275 which accompanied the FY 2006 Energy and Water Development Act Appropriation Bill (H.R. 2419). The Conference Report included the following language requesting that Reclamation report on reimbursable security costs:

*“Building and site security.--The conference agreement includes \$40,000,000 for building and site security activities, as proposed by the House, instead of \$50,000,000 as proposed by the Senate. The amount provided recognizes that the Bureau of Reclamation is expected to receive approximately \$10,000,000 in reimbursements for additional security guards and patrols, which are considered project O&M costs. The conferees agree, however, that all project beneficiaries that benefit from an enhanced security posture at the Bureau's facilities should pay a share of the security costs. Accordingly, the Bureau is directed to provide to the House and Senate Committees on Appropriations, not later than 60 days after the enactment of this Act, a delineation of planned reimbursable security costs by project pro-rated by all project purposes.”*

This report provides the requested delineation, along with background information on Reclamation's project operation and maintenance (O&M) cost allocation procedures and the funding of Reclamation's security program.

## **Background**

### **Operations**

Reclamation operates single and multiple-purpose water resource projects in the 17 Western states. Many of these projects serve the major purposes of irrigation, municipal and industrial (M&I) water supply, hydroelectric power generation, flood control, recreation, and fish and wildlife protection.

### **O&M Requirements**

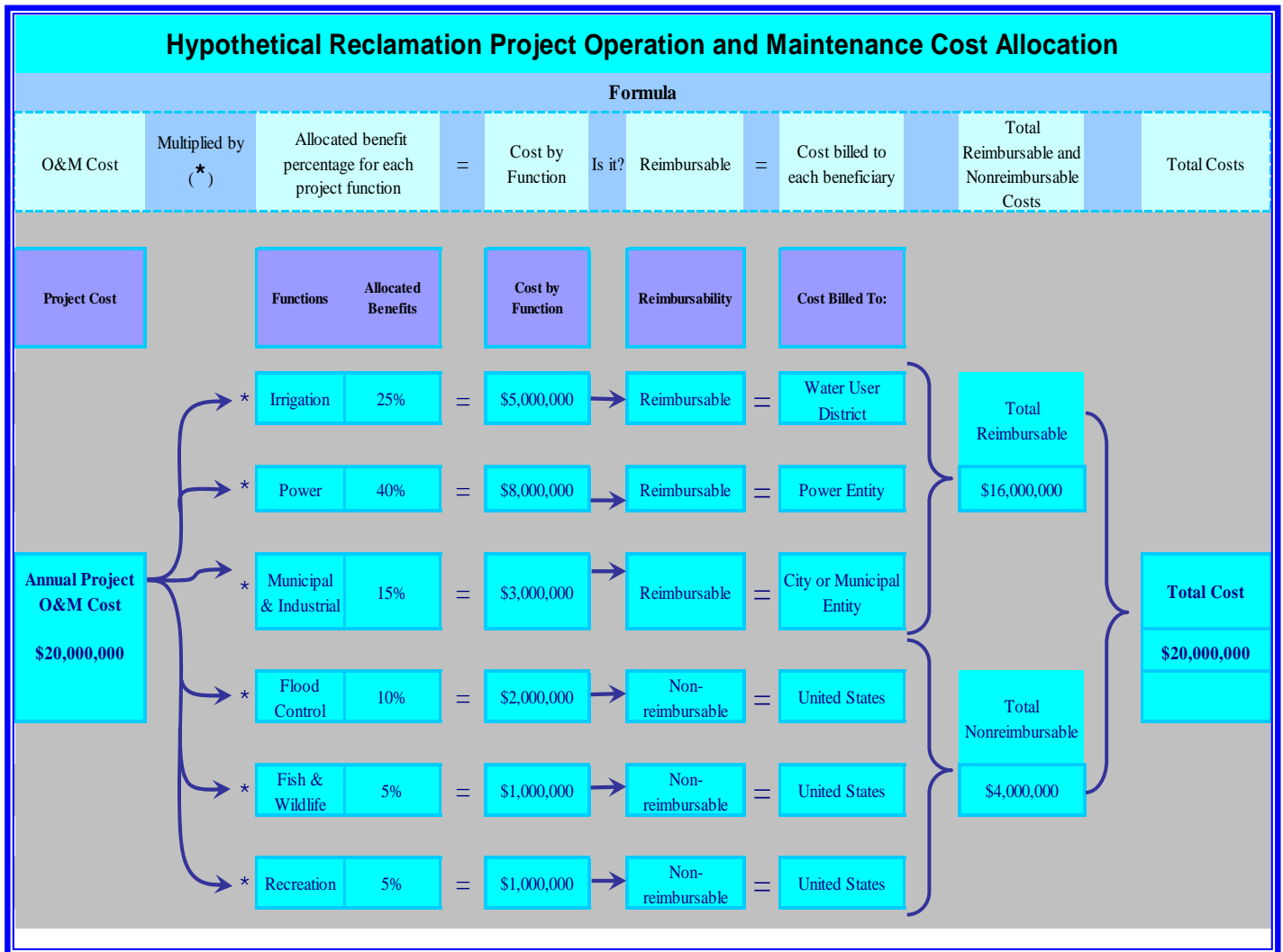
The O&M of Reclamation's numerous water and power projects is a major undertaking focused on assuring long-term facility and resource reliability. In accordance with Federal Reclamation law, in particular the Reclamation Project Act of 1939, annual project O&M and replacement costs are allocated to a project's various purposes.

### **Reimbursable and Non-reimbursable Project Purposes**

Reclamation project O&M costs allocated to the project purposes of irrigation, M&I water supply, and hydroelectric power generation are reimbursable. Reimbursable costs are recovered from the project beneficiaries.

Project O&M costs allocated to the functions of flood control, fish and wildlife, water control/conservation, recreation, and land resource management, all of which are considered beneficial to the general public, are nonreimbursable. Nonreimbursable costs are not recovered and are instead borne by the Federal government.

The following chart shows how an annual project O&M cost of \$20 million for a hypothetical project would be distributed among, and reimbursed by, the various project functions:



**Transferred and Reserved Works**

The O&M of many Reclamation facilities has been transferred over to project beneficiaries through contractual arrangements. However, Reclamation still retains project title. Facilities operated and maintained by project beneficiaries are referred to as “transferred works,” and those that continue to be operated and maintained by Reclamation are called “reserved works.” In general, all project O&M costs on a transferred works facility are borne by project beneficiaries. The funding source for reserved facility project O&M costs may be from up-front revenues paid by the project beneficiaries or furnished through appropriations, or a combination of both.

## **Project O&M Funding Sources**

The funding for Reclamation's project O&M program comes from three sources:

1. Appropriated Reimbursable Funds – These funds are appropriated by the Congress, used by Reclamation to execute the project O&M program, and billed to the appropriate water and power users. These collections from the water and power users are returned to the U.S. Treasury. Further appropriations are required before these funds can be used by Reclamation.
2. Appropriated Non-reimbursable Funds – These funds are appropriated by the Congress and allocated to non-reimbursable functions through Reclamation's project O&M cost allocation process. They are expended for O&M purposes by Reclamation just as are appropriated reimbursable funds.
3. Reimbursable (Up-front) Revenues – As required by legislation specific to certain projects, these funds are paid in advance each year by the power users of those projects. Also, any Federal project O&M costs for transferred works are collected in advance from the project beneficiaries. Up-front revenues are expended by Reclamation to execute the project O&M program in the same manner as appropriated funds.

Reclamation also performs general O&M activities that are not project-specific with appropriated funds, and those funds are not subject to reimbursement.

## **Variations Among Projects**

It is important to note that while the above discussion of Reclamation's project O&M cost allocation and reimbursement procedures has general application, there are many variations among projects. These variations are primarily due to differences in project authorizing legislation and the fact that Reclamation's numerous projects were developed and constructed under widely differing circumstances and time periods over the last century.



## Funding of Reclamation's Security Program

### Security Funding in General

The following table shows the funding sources for Reclamation's facility fortification, anti-terrorism management, and security guard and patrol activities.

### Funding of Reclamation's Facility Security

Type of Activity	FY 2006 Funding Source	FY 2007 and Future Funding Source
Facility fortification (capital expenditures for implementation of recommended security-related upgrades, e.g., structural hardening, gates, barriers, construction of guard stations, cameras, intrusion detection systems)	Direct appropriations (non-reimbursable)	No change
Anti-terrorism management (expenditures for law enforcement agreements with local entities, risk assessments, studies and development, intelligence analysis, background investigations, and other security program management activities)	Direct appropriations (non-reimbursable)	No change
Guard and patrol salaries, training, patrols by local and tribal law enforcement entities, and O&M and replacement of guard/response force equipment and facility fortification upgrades	Project O&M costs (\$10 million reimbursable)	Project O&M costs (subject to reimbursement in accordance with project O&M cost allocation)

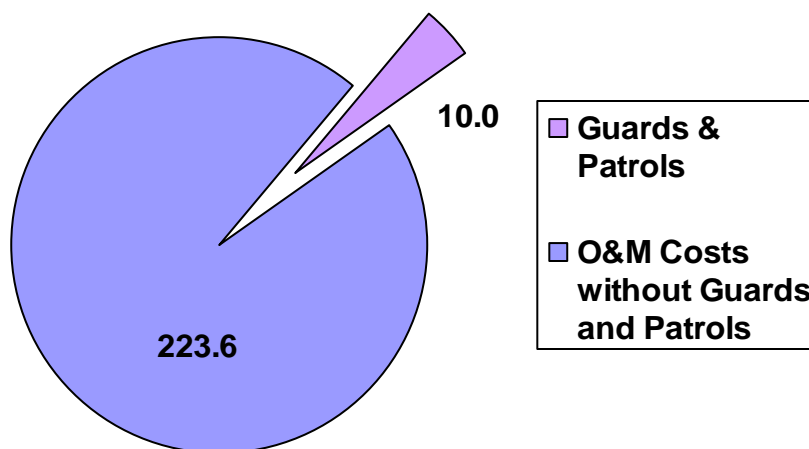
As the table shows, the costs of facility fortification and anti-terrorism management are not annual project O&M costs and continue to be non-reimbursable. Guard and patrol costs are considered project O&M costs subject to reimbursement. However, only an estimated \$10 million of those costs will be reimbursed in FY 2006.

## Security Guards and Patrols as Part of Reclamation's Project O&M Program

### Reimbursement Increase Over Regular Project O&M Associated with the Security Guard and Patrol Program

For Reclamation projects with enhanced security posture, total planned FY 2006 reimbursable project O&M expenditures will be approximately \$233.6 million. Of that amount, \$10.0 million will be applied to security guards and patrols, as illustrated in the following chart:

**Reimbursable Cost Comparison**  
(in Millions)



The \$10 million reimbursement for guards and patrols represents an increase of about 4.5% over the total reimbursable project O&M without guard and patrol costs.

## **FY 2006 Reimbursable Security Costs**

### **Estimated FY 2006 Reimbursement**

Reclamation's intent was to make guard and patrol costs fully subject to reimbursement in FY 2006. However, the Conference Report language states that Reclamation will collect only an estimated \$10 million in reimbursement for guard and patrol costs, out of a total Reclamation-wide cost of \$20.9 million for these activities in FY 2006. Thus, reimbursement for guard and patrol costs will be \$10 million in FY 2006.

Reclamation's planned guard and patrol expenditures are subject to adjustment based on changing security threat levels and other variables. In FY 2006, because of the \$10 million limit, any upward adjustments in guard and patrol expenditures would be made from appropriated funds.

### **Impact of the FY 2006 Reimbursement on Fortification and Anti-Terrorism Expenditures**

Collecting only \$10 million in reimbursement for guard and patrol costs will ultimately result in a reduction in the amount Reclamation can apply to facility fortification and anti-terrorism activities in FY 2006. Reclamation will not compromise guard and patrol activities even though maintaining guard and patrol expenditures at planned levels will necessitate delays in certain facility fortification measures.

The following discussion explains in detail how collecting only \$10 million in reimbursement will affect FY 2006 facility fortification expenditures. (Note that for purposes of this discussion, the term "planned" refers to the program Reclamation would have implemented in the absence of the reimbursement limitation, and the term "enacted" refers to actual FY 2006 program.)

For FY 2006, Reclamation had planned for \$50 million in total security program funding, to be separated into expenditures of \$29.1 million for facility fortification and \$20.9 million for guards and patrols. Under that plan, Reclamation would have received \$10.0 million in up-front revenues and \$6.3 million in reimbursed appropriated O&M costs for a total reimbursement of \$16.3 million.\* That plan also would have included \$4.6 million in appropriated non-reimbursable funding.

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\* Our planned reimbursement was pro-rated based on approximately 10 months of reimbursement in FY 2006 due to the Continuing Resolution. Therefore, the \$16.3 million reimbursable cost represents approximately 10 months rather than a full year of reimbursable guard and patrol costs.

Following is a summary of the planned FY 2006 expenditures described above:

<b>Planned FY 2006 Security Program (\$ millions)</b>			
<b>Facility Fortification and Anti-terrorism</b> (Appropriated Non-reimbursable)			<b>\$29.1</b>
<b>Security Guards and Patrols</b>			
Appropriated Reimbursable	\$6.3		
Reimbursable Up-front Revenues	\$10.0		
<b>Total Reimbursable</b>	<b>\$16.3</b>	<b>\$16.3</b>	
Appropriated Non-reimbursable		\$4.6	
<b>Total Security guards and patrols</b>		<b>\$20.9</b>	<b>\$20.9</b>
<b>Total Security Program</b>			<b>\$50.0</b>

The Conference Report's language stated that the total reimbursement collections for guards and patrols in FY 2006 were estimated at \$10 million, and that guard and patrol costs should be shared by all project beneficiaries. Accordingly, Reclamation has reduced the reimbursable amounts by a consistent proportion among all projects, and has maintained the same ratio between appropriated and up-front revenues reimbursements as would have occurred under our original plan. This methodology results in a \$3.9 million reduction in up-front revenues (from \$10.0 million to \$6.1 million).

The following illustrates the FY 2006 Security Program as described above and enacted by the Congress:

<b>Enacted FY 2006 Security Program (\$ millions)</b>			
<b>Facility Fortification and Anti-terrorism</b> (Appropriated Non-reimbursable)			<b>\$25.2</b>
<b>Security Guards and Patrols</b>			
Appropriated Reimbursable	\$3.9		
Reimbursable Up-front Revenues	\$6.1		
<b>Total Reimbursable</b>	<b>\$10.0</b>	<b>\$10.0</b>	
Appropriated Non-reimbursable		\$10.9	
<b>Total Security guards and patrols</b>		<b>\$20.9</b>	<b>\$20.9</b>
<b>Total Security Program</b>			<b>\$46.1</b>

As the table shows, the increased use of appropriated funding for guards and patrols had to be offset by a reduction in the appropriated funding for fortification and anti-terrorism, resulting in \$25.2 million being expended on fortification and anti-terrorism rather than the \$29.1 million originally planned. This \$3.9 million

reduction will delay the implementation of facility fortification at Reclamation's major mission-critical facilities.

The \$3.9 million reduction is also reflected in the total Reclamation Security Program funding level, which has been reduced from the \$50.0 million originally planned to \$46.1 million.

## **Methodologies for Expenditures and Allocations**

### **Allocating Estimated Reimbursement**

The estimated \$10 million in reimbursement will be allocated between up-front revenues and appropriated project O&M funds in the same proportions as would have occurred under the planned full reimbursement of FY 2006 security guard and patrol costs. This means that \$6.1 million of the \$10 million will be collected in up-front revenues from users, and \$3.9 million of the \$10 million will be billed and returned to the U.S. Treasury. Reclamation's total security program funding in FY 2006 will thus consist of \$46.1 million, with \$40 million in appropriated funds and \$6.1 million in up-front revenues.

### **Involvement of Affected Parties**

Reclamation will continue to utilize established processes for sharing data and guidance with project beneficiaries, providing them with meaningful opportunities to comment on planned project O&M expenditures, and preparing them for any increases in costs related to security guards and patrols. In addition, Reclamation has established processes and procedures to complete background investigations necessary for project beneficiaries to review sensitive and protected information. The timing and procedures for customer consultation and assessment of project O&M charges vary from project to project and are in many cases dictated by statute. However, Reclamation meets with entities several times each year.

### **Ensuring Security Funds are Spent on Security Measures**

Reclamation will inform the Congress of all planned security program activities through the annual appropriations process and through special briefings. Reclamation continues to assess actual O&M costs. Reclamation's assessment process includes charges based on estimated expenditures at the beginning of each year, and end-of-year adjustments based on actual expenditures. Such adjustments are generally applied to the following year's assessments. Internal processes are in place to closely track and report on security expenditures.

## Delineation of Planned Reimbursable Security Costs

The following table addresses the conference committee's request for a delineation of FY 2006 planned reimbursable security costs by project pro-rated by all project purposes.

Region/Project	Planned Reimbursable Guard and Patrol Costs (\$10 Million Total)				Reimbursable Project O&M Cost w/o Guard & Patrol Costs	Guard and Patrol Reimbursable Cost % Increase
	Power	Irrigation	M & I	Total	Total	
<b>Pacific Northwest Region</b>						
Columbia Basin	2,340,274	78,776	0	2,419,050	51,397,190	4.71%
<b>PN Total</b>	<b>2,340,274</b>	<b>78,776</b>	<b>0</b>	<b>2,419,050</b>	<b>51,397,190</b>	<b>4.71%</b>
<b>Mid Pacific Region</b>						
Central Valley	1,181,957	1,380,439	213,692	2,776,087	72,416,886	3.83%
<b>MP Total</b>	<b>1,181,957</b>	<b>1,380,439</b>	<b>213,692</b>	<b>2,776,087</b>	<b>72,416,886</b>	<b>3.83%</b>
<b>Lower Colorado Region</b>						
Boulder Canyon	2,189,593	0	0	2,189,593	39,144,000	5.59%
Parker-Davis	570,162	0	0	570,162	8,208,000	6.95%
<b>LC Total</b>	<b>2,759,755</b>	<b>0</b>	<b>0</b>	<b>2,759,755</b>	<b>47,352,000</b>	<b>5.83%</b>
<b>Upper Colorado Region</b>						
Colorado River Storage	942,007	0	0	942,007	21,293,618	4.42%
<b>UC Total</b>	<b>942,007</b>	<b>0</b>	<b>0</b>	<b>942,007</b>	<b>21,293,618</b>	<b>4.42%</b>
<b>Great Plains Region</b>						
Colorado/Big Thompson	286,405	286,405	0	572,809	9,908,112	5.78%
Fryingpan/Arkansas	21,917	95,198	60,779	177,894	3,992,077	4.46%
Kendrick	9,508	2,668	0	12,176	2,904,604	0.42%
Milk River	0	17,021	0	17,021	661,763	2.57%
Mirage Flats	0	2,647	0	2,647	86,270	3.07%
North Platte Project	0	529	0	529	1,396,534	0.04%
PSMBP	0	1,588	0	1,588	74,426	2.13%
Almena	0	86	71	157	11,189	1.41%
Angostura	0	8	0	8	6,953	0.11%
Armel	878	0	0	878	75,550	1.16%
Belle Fourche	0	1,059	0	1,059	505,757	0.21%
Bostwick	0	53	0	53	7,557	0.70%
Canyon Ferry	44,665	4,611	138	49,414	2,277,415	2.17%
Cedar Bluff	0	2,250	71	2,322	174,345	1.33%
Frenchman-Cambridge	0	1,105	0	1,105	79,413	1.39%
Glen Elder	0	0	16	16	2,818	0.58%
Heart Butte	0	52	0	52	78,065	0.07%
Kirwin	0	16	0	16	3,151	0.50%
Kortes	10,059	0	0	10,059	1,438,624	0.70%
Lower Marias	0	484	373	857	51,031	1.68%
North Loup	0	2,197	0	2,197	150,941	1.46%
Rapid Valley Unit	0	242	545	787	185,994	0.42%
Webster	0	69	0	69	4,479	1.54%
Yellowtail	245,535	0	2,859	248,394	3,260,147	7.62%
Shoshone	760	233	0	993	1,462,040	0.07%
<b>GP Total</b>	<b>619,727</b>	<b>418,521</b>	<b>64,853</b>	<b>1,103,101</b>	<b>28,799,255</b>	<b>3.83%</b>
<b>Grand Total</b>	<b>7,843,720</b>	<b>1,877,736</b>	<b>278,545</b>	<b>10,000,000</b>	<b>223,610,418</b>	<b>4.47%</b>

## Conclusion

For Reclamation projects having enhanced security posture, total FY 2006 security guard and patrol costs will be \$20.9 million. The Conference Report stated that an estimated \$10.0 million of that amount would be reimbursed by project beneficiaries.

The \$25.2 million for facility fortification and anti-terrorism expenditures in FY 2006 is \$3.9 million less than planned. This will delay the implementation of facility fortification at Reclamation's major mission-critical facilities.

Reclamation will continue to utilize established processes for sharing data and guidance with project beneficiaries, providing them with meaningful opportunities to comment on planned project O&M expenditures, and preparing them for any increases in costs related to security guards and patrols. Reclamation will also continue to keep the Congress informed of planned security program activities.

Reclamation's practice continues to be to assess actual O&M costs. Internal processes are in place to closely track and report on security expenditures.