

As Prepared for Delivery

Federal Water Policy Approaches

Federal water policy approaches as they pertain to the economic health and future development of rural regions

Farm Foundation's Round Table Meeting

Friday, June 12

Rancho Cordova Marriott, Sacramento, CA

Introduction

Good afternoon, thank you so much for inviting me to participate in the Farm Foundation Roundtable Meeting. I've only been on the job for about four weeks and I've already had the chance to travel to Brazil to speak on international biofuels, to Delaware to build a house and now to California to address water concerns. Secretary Vilsack has coined us the "everyday, everyway department," and I am certainly embracing the new motto.

During the campaign I co-chaired Rural Americans for Obama. We traveled to rural areas and listened to their concerns and needs. President Obama often spoke about the importance of investing in our communities and back in Iowa, in 2007, he said, "It's time for real leadership for rural America to extend that American dream. That's the dream of opportunity that I've spent my life fighting for. And that's what our rural agenda will do." It's almost two years later and the Administration is about five months in, but what's so rewarding is that President Obama and Secretary Vilsack have made rural America a top priority and I am honored to be working beside them.

I'm from South Dakota, grew up as dairy farmer, and served as the South Dakota Rural Development State Director for eight years under President Clinton, so I appreciate the

opportunity to get out of D.C. and meet with people who are committed to farming in their communities.

I look forward to hearing the other speakers, engaging in conversation and learning from your experiences with water policy issues here in California and across the country.

As the Under Secretary for USDA Rural Development, I help administer the agency's Water and Environmental Programs (WEP), which provide loans, grants and loan guarantees for drinking water, sanitary sewer, solid waste and storm drainage facilities in rural areas. Fresh, potable water is often something we may take for granted. Water covers two-thirds of the planet, but that doesn't necessarily transfer to accessible water resources.

According to the U.S. Geological Survey, on average, Americans use 120 gallons per person per day in our homes. Our total daily water use per person for everything in the United States is about 1,430 gallons; most of this water goes to irrigated agriculture and electrical generation. Our farmers typically pay \$10 to \$100 for an acre-foot of irrigation water.

Despite its importance, over one billion people around the globe still lack access to clean water and thousands perish daily from lack of it. A UNESCO report predicts that as many as seven (7) billion people will face shortages of drinking water by 2050. Still, we tend to be complacent. It's relatively cheap, cheapest of my utility bills, and with our large bodies of lakes, rivers and oceans, it's easy to think we have unlimited resources. But as any Californian in the Delta region will tell you, access to water is a serious state issue.

So, like any other valuable resource – we must manage our water. We must conserve it for our children and we must involve state, local and federal officials in strategic planning.

California water issues

Today, as the speakers before me indicated, there are hard decisions to be made about priorities, money and policy. Issues of storage, desalinization and sources of supply all have their importance and their place.

I've learned about CALFED, the joint federal-state program designed to balance the different, often competing demands for California's limited water supply. Approximately two-thirds of all Californians - 23 million - obtain at least some of their water from the Sacramento-San Joaquin Delta. It's the single largest source of California's water.

Additionally, California is home to the largest food and agriculture industry in the nation. Its 77,000 farms produce half of the nation's fruits, vegetable and nuts. To remain competitive, farmers need financial support, but also reliable access to water supply.

Climate change, agriculture, our economy – they're all interconnected. We're seeing more frequent and extended droughts in states like Wyoming, Colorado, Idaho and Montana, less mountain water runoff throughout the Southwest, and increased flooding in California, Oregon and Washington.

Add expected growth, and water scarcity is a huge concern.

USDA initiatives/history

Many agencies within the Department of Agriculture like the Farm Service Agency, Forest Service, Natural Resources and Conservation Service (NRCS) and Rural Development, are intimately involved in water issues. Through its watershed programs NRCS has designed and provided financial assistance for the construction of over 11,000 small dams across the nation to address watershed issues when consistent with national concerns. The Source Water Protection Program, a project by the Farm Service Agency and the nonprofit National Rural Water Association helps prevent source water pollution in 43 states. They are hiring state, full-time Rural Source Water technicians to create operating plans that identify priority areas where local pollution prevention efforts are needed. Plans will outline measures that farmers, ranchers, and other producers can install on their lands to prevent source water pollution - like storing herbicides, pesticides, or other substances in more secure containers to relocating waste lagoons.

Agriculture is a major user of ground and surface water in the United States, accounting for 80 percent of the Nation's water use and over 90 percent in many Western states. While just 16 percent of all harvested cropland is irrigated, this acreage generates nearly half the value of all crops sold. Efficient irrigation systems and water management practices can help maintain farm profitability in an era of limited and more costly water supplies.

The structure of the farm economy and the number of small farms which depend upon off-farm income continues to increase and present new employment challenges to the rural economy.

My role as Under Secretary for Rural Development is to provide support to rural America through grants, direct loans, loan guarantees, financial and technical assistance and research. We work closely with the Farm Service Agency because a strong agricultural industry and a strong

rural America go hand in hand. If you travel to one of our state Rural Development offices, you'll see the Farm Service Agency is often working in the same building on many of the same local issues. In 1950, about 40 percent of rural people lived on a farm and one-third of the rural workforce worked in production agriculture. Today rural America is home to about 50 million people and covers about 75 percent of the total land area of the nation. However, less than 10 percent of rural people currently live on a farm and only 6.5 percent of the rural workforce is directly employed in farm production.

The Food and Energy Conservation Act of 2008, also known as the Farm Bill, and the American Reinvestment and Recovery Act of 2009, have appropriated significant funds to USDA Rural Development to help us support the communities that run our agricultural industry. They're also the two main policy acts that dictate our work with water issues.

Farm Bill

Since its passage in June 2008, the Farm Bill has directed funds to support water facilities and maintenance. Approximately \$58 million will be available for the Agricultural Water Enhancement Program (AWEP) contracts in 2009, which promotes ground and surface water conservation and water quality improvement. Rural Development made \$547 million available for 232 projects to provide clean, safe drinking water in rural America — the majority of funding came from the Farm Bill. In addition, Rural Development implemented a Farm Bill provision that reduced the interest rate on loans for such projects.

ARRA

Since taking office, President Obama's largest and most far-reaching action was signing The American Recovery and Reinvestment Act into law on February 17, 2009. Its main goals are to jumpstart the nation's economy and to create or save jobs.

We are fully engaged and just recently, on May 28, Secretary Tom Vilsack announced that nearly \$143 million in Rural Development water and environmental projects are being funded through ARRA. The projects will help provide safe drinking water, protect the environment and improve wastewater treatment systems for rural towns and communities in 21 states.

ARRA is a good first step, but as you're all aware and many of the speakers before me have indicated, water issues vary drastically by region and state, especially in Southern California, where the strain on the Sacramento-San Joaquin Delta and access to Colorado River water are pressing issues. Southern California, Utah, Nevada and Arizona split the water allocation from the Colorado River, but many water sources are now so low that they can't serve the allocated water's intended use in power plants, agriculture, etc.

President Obama's Campaign Policy

When asked during the 2008 Presidential campaign, then-Senator Obama said solutions to water access issues will require close collaboration between federal, state, and local governments, as well as the people and businesses affected. Water issues are almost always cross state boundaries and they are not limited to the Western U.S. According to Science Debate 2008, thirty-nine (39) states expect some level of water shortage over the next decade, and studies

suggest that a majority of our water resources are at risk. President Obama indicated during the campaign that:

- First, prices and policies must be set that give everyone a clear incentive to use water efficiently and avoid waste.
 - Regulations affecting water use in appliances and incentives to shift from irrigated lawns to “water smart” landscapes are examples.
- Second, information, educational training, and financial assistance should be provided to help farms and businesses shift to more efficient water practices. The most successful programs can be expanded.
- Third, it is critical that we invest in research and development of new technologies that can reduce water use.

This week, as outlined in the Roadmap to Recovery, the Administration will accelerate our Recovery Act efforts so we can accomplish even more, starting with 200 new waste and water systems in rural America.

On June 2, Secretary Vilsack announced 106 projects are being funded at more than \$228 million, by the Recovery Act for roads maintenance. As Vilsack said, the rehabilitation of US Forest Service roads will improve water quality by reducing sediments in nearby streams and help to restore natural resources and habitats for fish in areas impacted by deterioration and erosion of road surfaces."

These immediate efforts are a good first start and I bring with me experiences to Rural Development at the institutional level. At the Farm Credit Administration, where I came from, I dealt with all forms of water delivery systems. I worked to provide sources of credit and related

services for agriculture and rural America. We made loans for agricultural and aquatic cooperatives and provided services and funds to local associations to lend to farmers, ranchers, producers and harvesters of aquatic products and rural sewer and water systems.

Overview of Federal Water Policy

As you may know, typically federal involvement in water policy is currently done on a project-by-project basis. Water allocation is decided on the state level. States own the water, and the federal government has historically funded much of the development, system management and operations, but neither wants to really control and pay for it. The question is how can we all promote sustainable economic development, support environmental conservation and value our natural resources?

In 1986, President Reagan signed the Water Resources Development Act, which incorporates the Principles and Guidelines for Water and Related Land Resources published in 1983. This law made changes in the way potential new water projects are studied, evaluated, shared and funded. It established a framework for a cost-sharing partnership between the federal government and non-federal interests. In 1996, these policies were amended and in 2007, President Bush reauthorized flood control, navigation, and environmental projects and studies by the Army Corps of Engineers.

The Principles and Guidelines provide flexibility to address state, local, national and international concerns relevant to water and related land resources implementation studies. State and local participation is encouraged in all aspects of water resources planning. However, since

water projects which are local, regional or statewide do not necessarily require the federal government; they are free to initiate planning and implementation on their own.

Currently, the most significant activity occurring at the federal level is a rewrite of the Principles and Guidelines to conform to the 2007 Water Resources Development Act. The Administration is examining the existing principles and guidelines and looking at changes, which would require any agency involved in water issues to follow the same basic guidelines. The current principles and guidelines outline the economic and environmental basis for water project development and only impacts federal agencies that are focused on the formulation and evaluation of water and related land resources implementation. These water development agencies are: the Tennessee Valley Authority, Natural Resources and Conservation Service, Bureau of Reclamation, Army Corp of Engineers. USDA through the Natural Resources and Conservation Service is involved in the revision process. The revision, which has not been cleared, would make the Principles and Guidelines apply to all federal agencies and would apply to any organization, which may want to put in a water project. It would be the same process for building a damn, lock or restoration process. However, right now it is still very much a proposal.

Conclusion

Investing in green jobs and finding solutions to climate change are essential components of President Obama's agenda. Access to water, water systems and improving water efficiency are directly related to energy and environmental concerns and should be taken into account in all efforts to reduce greenhouse gas emissions.

Emerging technologies can help create new sources of fresh water -- including desalinization and purification systems -- but the easiest, most achievable and effective way for people to increase water supplies now is through conservation. If states can reduce their water consumption levels, they'll also significantly reduce overall energy consumption.

I will focus on rural water issues and our Rural Utilities Programs will collaborate with our Natural Resources Conservation Service and Farm Service Agency. One of the great things about USDA Rural Development is that our programs give us the ability to use various approaches: loans, grants and loan guarantees for drinking water, sanitary sewer, solid waste and storm drainage facilities in rural areas. We have the freedom to work with public bodies, non-profit organizations and recognized Indian tribes.

There is no one-size-fits-all approach to water issues. However, recognizing that water is a valuable natural resource that is essential to our economic and environmental health is paramount and should drive all action on a state, local and national level. I know Senator Diane Feinstein has made access to reliable water sources for agricultural purposes a priority and the Governor is working to address these issues in the Sacramento-San Joaquin Delta. There are also many non-governmental organizations working to find solutions to California's water policy issues. Only with an understanding of all party's involved can we be successful. Thank you to the Farm Foundation for organizing this roundtable and bringing together agricultural and agribusiness leaders from across the country. This is the type leadership we need and that I hope to bring to USDA and the Administration.

I'm happy to take any of your questions and thanks again for having me.