

**Statement of John W. Keys, III
Commissioner
U.S. Bureau of Reclamation
before the
House Appropriations Committee
Subcommittee on Energy and Water Development**

March 4, 2004

Thank you, Mr. Chairman, Mr. Visclosky, and members of the subcommittee, Thank you again for the opportunity to appear before you today to support the President's Fiscal Year 2005 budget request for the Bureau of Reclamation. With me today is Bob Wolf, Director of Program and Budget.

Our FY 2005 request has been designed to support Reclamation's mission of delivering water and generating hydropower, "*consistent with applicable state and Federal law, in an environmentally responsible and cost efficient manner.*"

Funding is proposed for key projects 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 promote water conservation and sound water resource management, and help prevent conflict and crises over water in the west.

The FY 2005 request for Reclamation totals \$956.3 million is offset by discretionary receipts in the Central Valley Project Restoration Fund of \$46.4 million and proposed hydropower direct financing of \$30.0 million. In addition, Reclamation's program includes permanent authority of \$90.6 million. The total program, after offsets to current authority and the inclusion of permanent authority is \$970.5 million.

Water and Related Resources

The FY 2005 request for the Water and Related Resources account is \$828.5 million. The request provides funding for five major program activities: Water and Energy Management and Development (\$376.4 million); Land Management and Development (\$39.4 million); Fish and Wildlife Management and Development (\$82.7 million); Facility Operations (\$188.6 million); and Facility Maintenance and Rehabilitation (\$178.0 million). The request is partially offset by an undistributed reduction of \$36.6 million, commonly referred to as underfinancing, in anticipation of delays in construction schedules and other planned activities.

The request continues to emphasize the operation and maintenance of Reclamation facilities in a safe, efficient, economic, and reliable manner, while meeting our requirements to sustain the health and integrity of ecosystems that are connected to those

operations. It will also assist the states, tribes, and local entities in solving contemporary water resource issues in advance of crises over water.

Highlights of the FY 2005 Request for Water and Related Resources Include:

Water 2025 (\$20 million). The Water 2025 Initiative allows Reclamation to continue playing an important role in working with state and local communities to develop solutions that will help meet the increased demands for limited water resources in the West, and avoid water conflicts in areas particularly susceptible to an imbalance between supply and demand. The request will benefit fast growing western communities that are struggling with increased water demands, inadequate water supplies, and compliance with the Endangered Species Act and other ecosystem water needs. The monies for the precursor effort, the Western Water Initiative, will be awarded in the form of competitive grants; this 2004 effort will assist in developing grant criteria and tracking program impacts; the experience from this effort will then be used to refine the Water 2025 effort for 2005. The projects in FY 2004 will facilitate and promote new or existing intrastate water banks and provide cost sharing monies to assist various stakeholders in implementing measures that will lead to improved water management and help avoid future water supply conflicts.

Klamath Project in Oregon and California (\$25.0 million). The FY 2005 funding request will provide on-the-ground initiatives to improve water supplies to meet agricultural, tribal, wildlife refuge, and environmental needs in the Klamath Basin and to improve fish passage and habitat. This is part of a \$67.2 million Department of Interior request spread across several bureaus, focused on making immediate on-the-ground impacts, while the Department, in consultation with the Klamath River Basin Federal Working Group, led by Secretary Norton, develops a long-term resolution to conflict in the Basin that will provide water to farmers and tribes while protecting and enhancing the health of fish populations, and meeting other water needs, such as those of the adjacent National Wildlife Refuge.

Middle Rio Grande (\$18.0 million). The FY 2005 request continues funding in support of the Endangered Species Collaborative Program. In addition, the request continues funding for acquiring supplemental water, channel maintenance, and pursuing government-to-government consultations with Pueblos and Tribes. Finally, the funding will continue efforts that support the protection and contribute to the recovery of the Rio Grande silvery minnow and southwestern willow flycatcher.

Animas-La Plata in Colorado and New Mexico (\$52.0 million). The FY 2005 request includes \$52.0 million for the continued construction of Ridges Basin Dam and Durango Pumping Plant and preconstruction activities for Navajo Nation Municipal Pipeline, Ridges Basin Inlet Conduit, utility relocations, and project support activities.

Columbia/Snake River Salmon Recovery in Idaho, Oregon, Montana, and Washington (\$17.5 million). This program addresses the implementation of Reasonable and Prudent

Alternatives (RPAs) included in two Biological Opinions issued in December 2000. The FY 2005 funding will address significantly increased regional coordination, off-site mitigation activities in selected sub-basins to offset hydrosystem impacts, and continue research, monitoring and evaluation efforts.

Site Security (\$43.2 million). Since September 11, 2001, Reclamation has maintained heightened security at its facilities to protect the public, its employees, and infrastructures.

The funding in FY 2005 is necessary to cover the costs of site security activities including:

- surveillance and law enforcement;
- anti-terrorism activities including physical, information, and personnel security, and threat management; and
- physical emergency security upgrades, with a primary focus on our National Critical Infrastructure facilities.

Beginning in FY 2005, annual costs associated with activities for guarding our facilities will be treated as project O&M costs subject to reimbursability based upon project cost allocations.

Rural Water (\$67.5 million). The FY 2005 funding for rural water projects emphasizes a commitment to completing ongoing municipal, rural, and industrial systems. Funding is included for Mni Wiconi, Mid-Dakota, Garrison, Lewis and Clark and Perkins County projects. Funding required for Mid-Dakota is sufficient to complete the project. The Administration is convening an interagency group to review the rural water programs of all Federal agencies, with any recommendations coming out of this to be included in the President's FY 2006 Budget. The Administration will submit legislation soon to formally establish a rural water program within Reclamation.

Hydropower Direct Financing (\$30.0 million). The FY 2005 budget proposes to finance the costs of operation and maintenance of certain Reclamation hydropower facilities directly from receipts collected by the Western Area Power Administration from the sale of electricity. Western Area Power Administration would transfer an agreed upon amount to the Bureau of Reclamation for deposit in its Water and Related Resources account. The transferred funds would be treated as an offsetting collection. A direct funding arrangement is already in place for the Bonneville Power Administration.

Safety of Dams (\$64.0 million). The safety and reliability of Reclamation dams is one of Reclamation's highest priorities. Approximately 50 percent of Reclamation's dams were built between 1900 and 1950, and 90 percent of those dams were built before the advent of current state-of-the-art foundation treatment, and before filter techniques were incorporated in embankment dams to control seepage. Safe performance of Reclamation's dams continues to be of great concern and requires a greater emphasis on the risk management activities provided by the program. The FY 2005 request of \$64.0 million for the Safety of Dams Program is being made to reduce risks to public safety at

Reclamation dams, particularly those identified as having deficiencies. The slight reduction from the FY 2004 level is a result of the completion of certain ongoing Safety of Dams actions, and does not reflect a reduced emphasis on the importance of this program.

Policy and Administration

The request for Policy and Administration is \$58.2 million. These funds are used to develop and implement Reclamation-wide policy, rules and regulations (including actions under the Government Performance and Results Act) and to perform functions which, by statute, cannot be charged to specific project or program activities covered by separate funding authority. These funds support general administrative and management functions.

Central Valley Project Restoration Fund

The FY 2005 Reclamation budget includes a request for the CVP Restoration Fund of \$54.7 million, and is expected to be offset by discretionary receipts totaling \$46.4 million collected from project beneficiaries under provisions of Section 3407(d) of the Act. 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. This fund was established by the Central Valley Project Improvement Act, Title XXXIV of P.L. 102-575, October 30, 1992. The funding request is calculated based on a three-year rolling average of collections. The increase is driven by formulas spelled out in the 1992 Act.

Reclamation is seeking appropriations for the full amount of funds of the estimated collections for FY 2005.

California Bay-Delta Restoration

The FY 2005 Reclamation budget includes a request of \$15.0 million for California Bay-Delta restoration. The funds will be used consistent with a commitment to find long-term solutions in improving water quality; habitat and ecological functions; and water supply reliability; while reducing the risk of catastrophic breaching of Delta levees. Further, the FY 2005 budget contains funds for Bay-Delta activities that can be undertaken within existing statutory authorities for implementation of Stage 1 activities. Those activities are included in the preferred program alternative recommended by CALFED and approved by the Secretary of the Interior. The majority of these funds will specifically address the environmental water account, storage studies, and program administration.

Performance Assessment Rating Tool (PART)

Reclamation, in close cooperation with the Department and the Office of Management and Budget, completed one new PART analyses in conjunction with the FY 2005 budget request, and revised a 2004 PART. Our Science and Technology Program, with its emphasis on research with direct applicability to the operation of Reclamation facilities, received a favorable score of 87%. The PART review assisted the program by highlighting areas where more precise data gathering is needed, which will allow for increasingly accurate measures of performance.

Also, the Administration revised the PART analysis on our Hydropower Program, which had been one of three programs reviewed in the FY 2004 budget request. As a result, improved performance measures were implemented and the program received a score of 92%, indicative of a well-run effort.

President's Management Agenda

E-Government: Reclamation is actively participating in Recreation One-Stop, which provides citizens information about recreational activities on public lands; Geospatial One-Stop, which makes it easier, faster, and less expensive for all levels of government and the public to access geospatial information; and Volunteer.gov which provides information on volunteer activities. Reclamation program managers continue to work with stakeholders to leverage technology to accomplish our mission work.

Financial Management Improvement: Reclamation submitted its FY 2003 Financial Statement on an accelerated schedule and received a clean audit opinion. We continue to make progress to ensure that our financial systems are compliant with the Joint Financial Management Improvement Program core requirements. To ensure that accurate and timely financial information is provided, our financial management program uses the Federal Financial System, the Program and Budget System, and its corporate database system to report summary and transactions data. Reclamation is enhancing its financial policies and procedures and is participating in the Department's development of a new financial management system.

Competitive Sourcing: Reclamation has completed competitive sourcing studies of 348.6 FTE and directly converted to contract 136.1 FTE, for a reportable savings of approximately \$1.1 million. Our goals for 2002, 2003, and 2004 have been completed and a strategy has been developed for completing competitive sourcing studies in 2005-2008.

Human Capital: Reclamation effectively deploys the appropriate workforce mix to accomplish mission requirements. The use of existing human resources flexibilities, tools, and technology is in a strategic, efficient, and effective manner, designed to address the serious challenges we face in terms of an aging workforce and increased competition for the engineering skills that Reclamation relies on to carry out our core activities. Our

workforce plan addresses E-Government and Competitive Sourcing and a plan is in place for recruitment, retention, and development of current and future leaders.

Performance and Budget Integration: Reclamation continues to integrate its budget, planning and performance processes by relating budget dollars to goals and performance.

In October 2003, Activity Based Costing was fully implemented within Reclamation. The implementation of ABC will link our work to the Department activities, track the costs associated with those activities, and align cost and activities to strategic goals to further our integration of performance and budget. The availability of this information will provide Reclamation with additional tools for management and decisionmaking.

Demonstrated Commitment and Accomplishments

In FY 2003, Reclamation delivered 10 trillion gallons of water to over 31 million people in the 17 western states for municipal, rural, and industrial uses. Reclamation facilities stored over 245 million acre-feet of water, serving one of every five western farmers to irrigate about 10 million acres of land. Those irrigated lands produced 60 percent of the nation's vegetables and 25 percent of its fruits and nuts. As the largest water resources management agency in the West, Reclamation continues to administer and/or operate 348 reservoirs, 56,000 miles of water conveyance systems, and 58 hydroelectric facilities, which generate 42 billion kilowatt-hours annually.

Reclamation also continues to manage approximately 8.6 million acres of Federal land, plus another 600,000 acres of land under easements. In addition, our facilities provide substantial flood control, recreation, and fish and wildlife benefits. Reclamation and its employees take very seriously their mission of managing, developing, and protecting water and related resources in an environmentally and economically sound manner in the interest of the American public.

The historic Colorado River Water Pact was signed on October 16, 2003, by the Secretary, the governor of California and officials from San Diego County Water Authority, Imperial Irrigation District, Metropolitan Water District of Southern California and Coachella Valley Water District, embarking on a new era of cooperation on the river by fulfilling a promise the state of California made more than 70 years ago. Under Secretary Norton's leadership, California has agreed to take specific, incremental steps that will reduce its over-reliance on the Colorado River water in the next 14 years, allowing the state to live within its authorized annual share of 4.4 million acre-feet. The agreement allows the six other Colorado River Basin States to protect their authorized shares to meet future needs.

The FY 2005 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. In cooperation and consultation with the state, tribal, and local governments,

along with other stakeholders and the public at large, Reclamation offers workable solutions regarding water and power resource issues that are consistent with the demands for power and water. With the need to pursue cost effective and environmentally sound approaches, Reclamation's strategy is to continue to use the Secretary's four "C's:" "Conservation through Cooperation, Communication, and Consultation". These principles provide Reclamation an opportunity, in consultation with our stakeholders, to use decision support tools, including risk analyses, in order to develop the most efficient and cost-effective solutions to the complex challenges that we face.

Moreover, Reclamation's request reflects the need to address an aging infrastructure and the rising costs and management challenges associated with scarce water resources. As our infrastructure ages, we must direct increasing resources toward technological upgrades, new science and technologies; and preventative maintenance to ensure reliability; which will increase output, and improve safety.

In FY 2003, critical Safety of Dams modifications of significant cost and scope were initiated at Deadwood Dam, ID; and Deer Creek Dam, UT.

The site security activities in FY 2003 included integrated security system analysis to determine emergency security upgrades and long-term measures for four National Critical facilities and 14 of Reclamation's highest priority facilities. Facility fortifications totaling \$5.5 million are now in place. In addition, we completed threat and physical security risk analyses and developed security plans.

FY 2005 Planned Activities

In FY 2005, Reclamation plans to continue making the required deliveries of water under Reclamation contracts; optimize hydropower generation, consistent with other project purposes, agreements, and the President's energy policy; and incorporate environmental, recreational, land management, fish and wildlife management and enhancement, water quality control, cultural resources management, and other concerns into the water supply and power generation actions of Reclamation. Finally, Reclamation plans to identify water supply needs for consumptive and non-consumptive purposes in Reclamation states in the next 25 years that are likely to be unmet with existing resources.

Reclamation also plans to continue ranking within the upper 75th percentile of low cost hydropower producers; by comparing power production costs per megawatt capacity. Reclamation plans to achieve a forced outage rate of 50 percent better than the industry average which is currently 3 percent. While Reclamation anticipates completing the baseline condition assessments for 80 percent of the recreation facilities it manages, it plans to continue to maintain the overall facility condition rating assessed at the FY 2003 baseline level.

Conclusion

Mr. Chairman, Please allow me to express my sincere appreciation for the continued support that this Committee has provided Reclamation. I would like to thank several members of the Appropriations staff that have provided invaluable support to Reclamation during this past year. Bob Schmidt, Dennis Kerns, Dixon Butler and Peder Maarbjerg of Congressman Visclosky's personal staff provided valuable help while Mr. Butler got on board. We have enjoyed working with Bob Schmidt over the years and wish him well. We welcome the opportunity to work with Kevin Cook and welcome him in his new position. This completes my statement. I would be happy to answer any questions you may have at this time.