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United States Department of the Interior

BUREAU OF RECLAMATION
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**Statement of Alan Mikkelsen, Acting Commissioner
U.S. Bureau of Reclamation
Before the
Subcommittee on Energy and Water Development
Committee on Appropriations
U.S. Senate
On The President's Fiscal Year 2018 Budget
Wednesday, June 28, 2017**

Thank you, Chairman Alexander, Ranking Member Feinstein, and members of this Subcommittee for the opportunity to discuss with you the President's Fiscal Year (FY) 2018 Budget for the Bureau of Reclamation. I am Alan Mikkelsen, the Acting Commissioner of the Bureau of Reclamation.

Reclamation's FY 2018 Budget sustains Reclamation's efforts to deliver water and generate hydropower, consistent with applicable State and Federal law, in a cost-efficient and environmentally responsible manner. It also supports the Administration and Department of the Interior (Department) goals of ensuring the efficient generation of energy, provision of secure water supplies, varied use of our resources, celebration of America's recreation opportunities, and fulfilling our commitments to tribal nations.

Reclamation's FY 2018 budget allocates funds to projects and programs based on objective, performance-based criteria to most effectively administer responsibilities for our water and power infrastructure in the West. It has been said that Reclamation is a leader in efforts to improve western water management, confront growing imbalances in water supply and demand, address environmental effects of its projects, engage in efforts to adapt to increased uncertainty, and manage water-supply risk and public safety.

Our budget request continues this year to emphasize the following two principles:

First, Shared Responsibility through collaborative partnerships with non-Federal partners, and

Second, Merit-Based Funding through the awarding of grants and contracts based on published criteria. The selection of awards is guided by high-quality, evidence-based research and performance measures.

Reclamation is requesting a net total of \$1,056,017,000 in discretionary appropriations, which is anticipated to be leveraged by approximately \$850 million in other Federal and non-Federal funds for FY 2018. This reflects a decrease of 13.1% from the FY 2017 annualized continuing resolution total discretionary funding of \$1,262,596,000. Of the total, \$960,017,000 is for the

Water and Related Resources account, which is Reclamation's largest account; \$59,000,000 is for the Policy and Administration account; \$37,000,000 is for the California Bay Delta Restoration account; and \$41,376,000 is for the Central Valley Project Restoration Fund.

Reclamation's mission is to deliver water and power in an economically and environmentally sustainable manner in the interest of the American public. As such, it has designed the infrastructure it manages to account for future uncertainties related to water supplies, competing water needs, and significant variability in weather conditions from year to year. The robustness of the water system is tested through droughts and floods. Historically high precipitation throughout much of the Western United States—in particular in California during late 2016 and early 2017—is providing for a much improved outlook for water supplies as compared to recent drought stricken years. Even during these times there remain portions of the West that are still abnormally dry or in moderate drought. Additionally, long-term impacts from droughts and multi-year droughts, such as those in the Colorado River Basin, are not recovered in a single wet year.

Hydropower production is vulnerable to altered water availability resulting from weather variation. Reclamation must be in a position to manage through drought. Additionally, Reclamation must ensure that its infrastructure can appropriately handle the wet period and floods currently being experienced. The investments described in Reclamation's FY 2018 budget will further these efforts.

Reclamation's dams, water conveyances, and power generating facilities are integral components of the Nation's infrastructure. Effectively managing the benefits provided by these structures is among the many significant challenges that Reclamation faces, over the next five years and beyond, in its ability to achieve progress in the areas of certainty, sustainability and resiliency with respect to water supplies. Increasing population and competing demands are increasingly impacting already strained systems. Reclamation's water and power projects and activities throughout the western United States are not only foundational for essential and safe water supplies for both agricultural and municipal and industrial purposes, but also provide renewable energy in the form of hydropower, and sustain ecosystems that support fish and wildlife, recreation, and rural economies.

Reclamation's budget includes a substantial request for Indian water rights settlements, continuing the high priority of this program to meet trust and treaty obligations. With the passage of the Water Infrastructure Improvements for the Nation Act (Public Law 114-322) (WIIN), the Blackfeet Water Rights Settlement will require significant funding in order to meet the settlement's enforcement date of January 21, 2025. The FY 2018 Budget includes \$10 million for this settlement.

Reclamation is continuing its efforts to strengthen its evidence-based decision-making in various program components. This includes the WaterSMART program, science and technology, precipitation variability adaptation strategies, and the improved planning of future Indian water rights settlements. This effort demonstrates the effectiveness, efficiency, and innovation of in Reclamation programs.

Reclamation's projects and programs are foundational to driving and maintaining economic growth in hundreds of river basins throughout the western States. Reclamation manages water for agricultural, municipal and industrial use and also provides flood control and recreation for

millions of people. Reclamation operates 53 hydroelectric power plants that account for 15 percent of the hydroelectric capacity and generation in the United States. Annually, Reclamation generates 37 billion kilowatt hours of electricity, enough to meet the annual needs of over 3.5 million households, and collects over \$1.0 billion in gross revenues for the Federal government. Reclamation's activities, including recreation benefits, provide an economic contribution of \$48.1 billion, and support approximately 388,000 jobs.

This budget is focused on meeting the Secretary's priorities on sharing and multi-use of our nation's natural resources. This is balanced with fulfilling Indian water rights obligations, creating jobs, ecosystem restoration in the California Bay-Delta and San Joaquin River, and maintaining sustainable, secure water supplies. In order to meet Reclamation's mission goals, its programs must build a better understanding of our resources and the protection and restoration of the aquatic and riparian environments influenced by its operations. Ecosystem restoration involves a large number of activities, including Reclamation's Endangered Species Act recovery programs and river restoration projects, which directly address the environmental aspects of the Reclamation mission.

Account Level Details

The FY 2018 budget for Reclamation totals \$1.097 billion in gross budget authority. The budget is partially offset by discretionary receipts in the Central Valley Project Restoration Fund (\$41.4 million) resulting in net discretionary budget authority of \$1.056 billion.

Water and Related Resources - \$960,017,000

The FY 2018 Water and Related Resources budget provides funding for five major program activities – Water and Energy Management and Development (\$313.7 million), Land Management and Development (\$44.2 million), Fish and Wildlife Management and Development (\$153.0 million), Facility Operations (\$296.0 million), and Facility Maintenance and Rehabilitation (\$153.2 million). The funding proposed in Reclamation's FY 2018 Budget supports key programs important to the Department and in line with Administration objectives. These programs include:

Infrastructure: The proposed budget includes \$51.7 million for various Extraordinary Maintenance projects and activities across Reclamation. This budget is central to mission objectives of operating and maintaining projects to ensure delivery of water and power benefits. Reclamation's Extraordinary Maintenance budget is part of its overall Asset Management Strategy that relies on condition assessments, condition/performance metrics, technological research and deployment, and strategic collaboration to continue to improve the management of its assets and deal with its aging infrastructure challenges. Reclamation seeks to strategically leverage this budget; additional Extraordinary Maintenance items are directly funded by revenues, customers, or other Federal agencies.

Dam Safety: The safety and reliability of Reclamation dams is one of Reclamation's highest priorities. The Dam Safety Program is critical to effectively manage risks to the downstream public, property, projects, and natural resources. The \$88.1 million requested for the Safety of Dams Evaluation and Modification Program provides for risk management activities at Reclamation's high and significant hazard dams where loss of life or significant economic

damage would likely occur if the dam were to fail. The budget also includes preconstruction and construction activities for several ongoing and planned Dam Safety modifications. In addition, funding is included in Reclamation's budget for the Department of the Interior's Dam Safety Program.

Reclamation utilizes the Safety of Dams Act to address dam safety issues related to new hydrologic, seismic or change in state-of-the-art design and construction practices. Approximately 50 percent of Reclamation's dams were built between 1900 and 1950, and approximately 90 percent of the dams were built before currently used state-of-the-art design and construction practices were put in place. Continued safe performance is paramount and requires an emphasis on the risk management activities provided by the program.

Reclamation's efforts to address the West's water challenges are also accomplished through the WaterSMART program – Sustain and Manage America's Resources for Tomorrow. At \$59.1 million, WaterSMART helps to achieve sustainable water management and maintain economic productivity in the western United States. It addresses current and future water shortages, including drought; degraded water quality; increased demands for water and power from growing populations and energy needs; amplified recognition of environmental water requirements; and the potential for decreased water supply availability due to hydrologic variability.

In order to fully support the 17 Western States, ecosystem restoration is a key underpinning of Reclamation's mission. Ecosystem restoration involves a number of Reclamation's activities, including Reclamation's Endangered Species Act recovery programs, which directly address the environmental aspects of the Reclamation mission. Other programs that contribute towards this objective include the Columbia/Snake River Salmon Recovery Program, the Middle Rio Grande Project Collaborative Program and the Multi-Species Conservation Program within the Lower Colorado River Operations Program.

Tribal Nations: Reclamation supports tribal nations through a number of its projects and programs that range from endangered species recovery, to rural water supply, to performing its role, as designated by Congress and the Secretary of the Interior, in implementation of enacted water rights settlements. Reclamation also strives to improve coordination and application of expertise to analyze potential Indian water settlements more effectively and expediently. FY 2018 funding will strengthen Department-wide capabilities in the Secretary's Indian Water Rights Office to achieve an integrated and systematic approach to Indian water rights negotiations to consider the full range of economic, legal, and technical attributes of proposed settlements.

The FY 2018 budget requests discretionary funds to continue the implementation of two of the four Indian Water Rights Settlements enacted in December 2010 (Crow and Aamodt), as well as the Navajo-Gallup Water Supply Project authorized in 2009. In addition, Reclamation proposes including \$10.0 million as the first contribution for the Blackfoot Water Rights Settlement enacted in December 2016. FY 2016 appropriations completed discretionary funding requirements for the Taos settlement and mandatory funds will be used to implement the White Mountain Apache settlement authorized in the Claims Resolution Act. Funding to support tribal nations is also included within a number of projects, including the Mni Wiconi Project for required tribal operation and maintenance (\$13.5 million), the Nez Perce Settlement within Columbia and Snake River Salmon Recovery Project (\$6.2 million), the San Carlos Apache

Tribe Water Settlement Act (\$1.6 million), and the Ak Chin Indian Water Rights Settlement Act (\$16.2 million).

Research and Development: Reclamation has identified several key areas for investment where coordination with other Departmental bureaus will leverage results to more effectively achieve mission outcomes. Reclamation's FY 2018 budget for research and development (R&D) programs include both Science and Technology, and Desalination and Water Purification—both of which focus on Reclamation's mission of water and power deliveries. Scientific and engineering innovation promotes sustainable economic growth and job creation, supports maintaining and improving our water and power infrastructure, spurs continued production of energy resources, sustains reliable water and power delivery to our customers, improves safety, limits the impacts of invasive species and ensures we can meet our environmental compliance responsibilities. These activities support the Administration's priorities for the FY 2018 Budget, including job creation by supporting technology transfer activities that lead to new business opportunities for private industry. The program is also supporting research to address Administration priorities related to maintaining and improving our water and power infrastructure by partnering with the U.S. Army Corps of Engineers to foster research projects to develop technologies that extend the operating life and reduce maintenance costs of Reclamation's structures. The Administration priority related to energy from all sources is supported by research that ensures we are maximizing reliability, reducing maintenance costs, and exploring new energy development opportunities. Research on safety is ensuring our workers can perform their jobs safely and securely with some projects supported through partnership with the Office of Naval Research. The Desalination and Water Purification program priorities include development of improved and innovative methods of desalination, incorporating efficient water-energy nexus solutions into desalination processes, and reducing the costs in order to expand new water supplies in a sustainable manner and thereby relieve stress on drought stricken communities, Western rural communities, Native Americans, and Western river basins. The research and testing funded out of this program supports the Administration's priorities for the FY 2018 Budget, including job creation by supporting innovative new solutions that spur the creation of new businesses by entrepreneurs and advances our competitive edge in the area of water treatment and desalination.

Central Valley Project Restoration Fund (CVPRF) - \$41,376,000

This fund was established by the Central Valley Project Improvement Act, Title XXXIV of P.L. 102-575, October 30, 1992. The budget of \$41.4 million is expected to be offset by discretionary receipts totaling \$41.4 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 reduction is the result of the three-year rolling average provision and the lower collections scheduled in FY 2018. The budget of \$41.4 million for the CVPRF was developed after considering the effects of the San Joaquin River Restoration Settlement Act (P.L. 111-11, March 30, 2009) which redirects certain fees, estimated at \$2.0 million in FY 2018, collected from the Friant Division water users to the San Joaquin Restoration Fund.

California Bay-Delta Restoration Fund - \$37,000,000

The 2004 California Bay-Delta Restoration Act authorized multiple federal agencies to participate in the implementation of the California Federal (CALFED) Bay-Delta Program as outlined in the August 28, 2000, Record of Decision (ROD) for the CALFED Bay-Delta Program Programmatic Environmental Impact Statement and Environmental Impact Report. This legislation directed the implementing agencies to undertake a set of broadly described programmatic actions identified in the ROD to the extent authorized under existing law. In addition, the Act authorized \$389.0 million in Federal appropriations for new and expanded authorities. The Water Infrastructure Improvement for the Nation Act (P.L. 114-322) dated December 16, 2016 reauthorized the CALFED Bay Delta Authorization Act through FY 2019.

The FY 2018 Budget of \$37.0 million implements Reclamation's priority activities pursuant to the Act. This budget supports actions in the Interim Federal Action Plan under the following program activities: \$2.2 million for Renewed Federal State Partnership, \$4.7 million for Smarter Water Supply and Use, and \$30.1 million to address the Degraded Bay Delta Ecosystem.

Policy and Administration - \$59,000,000

The \$59 million budget 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 Modernization Act; and 2) manage and perform functions that are not properly chargeable to specific projects or program activities covered by a separate funding authority.

Working Capital Fund - \$0

This fund is operated for the purpose of managing financial activities such as acquisition and replacement of capital equipment, cost recovery for services provided to others, fleet management, administration of information technology services, and recovery of indirect costs in the Technical Service Center, Mission Support Organization, and regional and area offices. The fund is credited with appropriations and other funds for the purpose of providing or increasing capital. The fund operates on a self-supporting basis through user charges that are deposited in the fund. It is through the Working Capital Fund that Reclamation pays for many Departmental Centralized services.

This completes my statement. I would be happy to answer any questions.