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United States Department of the Interior

BUREAU OF RECLAMATION
Washington, D.C. 20240

**Statement of Estevan López
Commissioner
U.S. Bureau of Reclamation
Before the
Senate Appropriations Committee
Subcommittee on Energy and Water Development
On the President's Fiscal Year 2017 Budget
March 2, 2016**

Thank you Chairman Alexander, Ranking Member Feinstein, and members of this Subcommittee for the opportunity to discuss with you the President's Fiscal Year 2017 Budget for the Bureau of Reclamation. I appreciate the time and consideration this Subcommittee gives to reviewing and understanding Reclamation's budget, projects, and programs and I look forward to working with the Committee in the future as Reclamation continues to address water issues in the West. Reclamation is committed to prioritizing and implementing its overall program in a manner that serves the best interest of the American public.

The Budget sustains our efforts to deliver water and generate hydropower, consistent with applicable Federal and State law, in an environmentally responsible and cost-efficient manner. It also supports the Administration's and Department of the Interior's (Department) priorities to ensure healthy watersheds and sustainable, secure water supplies; build a landscape-level understanding of our resources; celebrate and enhance America's great outdoors; power our future; strengthen tribal nations; and engage the next generation.

The extreme and prolonged drought facing the western States affects major U.S. river basins throughout the West. Exceptional drought in many western States, specifically California, Nevada, Washington, and Oregon, affects households across the country because of the adverse impact on agricultural production. Drought is estimated to cost the Nation billions of dollars and impact thousands of jobs. In California alone, the estimated cost of the 2015 drought on agriculture—crop production, livestock, and dairies—is \$2.7 billion with a total loss of 21,000 seasonal and part-time jobs. The effects of the current drought on California's Sacramento and San Joaquin River Basins, its water, its agricultural economy, and its communities are particularly acute. The Colorado River Basin—crucial for seven States and several Tribes, in addition to two countries—is also enduring historic drought. Nearly 40 million people rely on the Colorado River and its tributaries for some, if not all, of their municipal needs. The Basin is experiencing the worst drought in recorded history; the period from 2000 through 2015 was the driest 16-year period in more than 100 years of record keeping. In 2015, Lake Mead, behind the Hoover Dam on the Colorado River, has declined to its lowest elevation since the 1930's. Snowpack, which functions as reservoir storage for many western basins, is diminishing.

Water year 2016 is shaping up to be influenced by the periodic "El Nino" anomaly associated with warmer ocean temperatures in portions of the Pacific, a phenomenon that generally leads to a wetter than normal year in areas of the western U.S., including California. However, one wet year alone will not alleviate the impacts of the multi-year drought. This water year exists against the backdrop of long-term sustained climatic change; both short-term and long-term droughts are expected to intensify. Although Reclamation continues to emphasize strategic priorities and operational activities to understand, and effectively adapt to, the risks and impacts of a changing environment on western water management, groundwater must be replenished before runoff can fill rivers and reservoirs, and the hydrologic system as a whole will need time to recover. As one of the Nation's primary suppliers and protectors of water, Reclamation needs to continue to plan and prepare for the next drought and its successors, despite cautious optimism in 2016.

This Budget addresses Reclamation's priorities by allocating funds based on objective and performance-based criteria to most effectively implement its management responsibilities for water and power infrastructure in the West. Reclamation's goals and priorities—including water supply reliability and power generation, climate variability adaptation, water conservation, aging infrastructure, sound science to support critical decision-making, and ecosystem restoration—were balanced in the formulation of the FY 2017 budget. Reclamation continues to look at ways to more efficiently plan for the future challenges confronting water resources management, and to improve the way it does business.

In order to meet Reclamation's mission goals, we are building a landscape-level understanding of our resources and the protection and restoration of the aquatic and riparian environments influenced by our operations. This budget is focused on meeting National priorities for Indian water rights settlements, ecosystem restoration, and healthy watersheds and sustainable, secure water supplies. Further details of these efforts will now be discussed.

Water and Related Resources

The FY 2017 Budget for Water and Related Resources, Reclamation's principal operating account, is \$813.4 million, a reduction of \$305.6 million from 2016 enacted. This reflects the budgetary shift of \$106.2 million from this account to establish a separate Indian Water Rights Settlement Account, and \$36.0 million to establish a separate discretionary account within the San Joaquin River Restoration Fund.

The Budget includes a total of \$383.5 million at the project and program level for water, energy, land, fish and wildlife resource management, and development activities. This provides for planning, construction, water sustainability activities, management of Reclamation lands, including recreation areas, and actions to address the impacts of Reclamation projects on fish and wildlife.

The Budget also provides a total of \$429.9 million at the project level for water and power facility operations, maintenance, and rehabilitation activities. Reclamation emphasizes safe, efficient, economic, and reliable operation of facilities, ensuring systems and safety measures are in place to protect the facilities and the public. Providing adequate funding for these activities continues to be one of our highest priorities.

Highlights of the FY 2017 Budget for Water and Related Resources

I would like to share with the Committee several highlights of Reclamation projects and programs within the Administration's Budget. The Budget continues to promote and support efficient water management, increased renewable energy production, the construction of new infrastructure and sound maintenance of existing facilities, restoration of aquatic environments, and the continued use of applied science and new technologies to help safeguard sustainable water deliveries and energy production. As a result, Reclamation continues to play an important role in providing a strong foundation for economic activity across the American West.

WaterSMART Program – One method Reclamation employs to stretch water supplies in the West and prepare for these ongoing challenges is the WaterSMART (Sustain and Manage America's Resources for Tomorrow) Program. The programs included in WaterSMART are collaborative in nature and work to effectively achieve sustainable water management. WaterSMART Grants, Title XVI Water Reclamation and Reuse, and the Water Conservation Field Services Program, along with other Reclamation activities, support the Department's Priority Goal for Water Conservation. The Basin Studies component of WaterSMART supports the Department's priority goal Ensuring Healthy Watersheds and Sustainable, Secure Supplies.

In the FY 2017 Budget, the Administration proposes to fund WaterSMART at \$61.5 million. The WaterSMART components include: WaterSMART Grants funded at \$23.4 million; the Basin Study Program funded at \$5.2 million; the Title XVI Water Reclamation and Reuse Program funded at \$21.5 million; Water Conservation Field Services Program, funded at \$4.2 million; the Cooperative Watershed Management Program, funded at \$1.8 million; the Drought Response program, funded at \$4.0 million; and the Resilient Infrastructure program, funded at \$1.5 million.

Rural Water Projects – Congress specifically authorized Reclamation to undertake the design and construction of six projects intended to deliver potable water supplies to specific rural communities and Tribes located primarily in Montana, New Mexico, North Dakota, and South Dakota. The FY 2017 Reclamation budget includes \$38.1 million for rural water projects; \$18.6 million of that total is for operation and maintenance of completed tribal systems, while the remaining \$19.5 million is for continued construction for authorized projects.

Dam Safety Program - A total of \$86.1 million is provided for Reclamation's Safety of Dams Program, which includes \$64.5 million to correct identified safety issues. Funding also includes \$20.3 million for safety evaluations of existing dams and \$1.3 million to oversee the Interior Department's Safety of Dams Program.

Site Security - A total of \$26.2 million is provided for Site Security to ensure the safety and security of the public, Reclamation's employees, and key facilities. This funding includes \$4.1 million for physical security upgrades at high risk critical assets and \$22.1 million to continue all aspects of Bureau-wide security efforts, including law enforcement, risk and threat analysis, personnel security, information security, risk assessments and security-related studies, and guards and patrols.

Powering Our Future –The Budget includes \$1.3 million to support Reclamation's Sustainable Energy Strategy and actions identified through the Sustainable Hydropower MOU with our partners at the Department of Energy (DOE) and U.S. Army Corps of Engineers. This funding will provide for increased hydropower development at existing Reclamation facilities, and will allow Reclamation to work with Tribes to assist them in developing renewable energy sources. These

important projects will assist in the production of cleaner, more efficient energy and will support the Renewable Energy Resource Development Priority Goal.

Strengthening Tribal Nations – The FY 2017 Reclamation budget supports the Strengthening Tribal Nations initiative through a number of activities and projects. For example, the budget includes \$10.4 million for Reclamation’s Native American Affairs Program in support of Reclamation activities with Tribes, including technical assistance, Indian Water Rights Settlement negotiations, implementation of enacted settlements, and outreach to Tribes; and \$15.7 million to continue the operation and maintenance associated with the delivery of up to 85,000 acre-feet of water to the Ak-Chin Indian Community in Arizona. Ongoing authorized rural water projects also benefit both tribal and non-tribal communities. Projects in the FY 2017 Budget benefiting Tribes include the rural water component of the Pick-Sloan Missouri Basin Program, Garrison Diversion Unit; Fort Peck Reservation/Dry Prairie; and Rocky Boy’s/North Central Montana; and operation and maintenance funding only for tribal features of the Mni Wiconi Project following completion of construction. Numerous other projects and programs, such as the Columbia/Snake River Salmon Recovery Program, Klamath Project, and the Yakima River Basin Water Enhancement Project also benefit Tribes. In FY 2017, \$106.2 million for planning and construction of three recent Indian Water Rights Settlements is being proposed in a new separate account as described below.

River Restoration – To meet Reclamation’s mission goals of securing America’s energy resources and managing water in a sustainable manner for the 21st century, our programs also focus on the protection and restoration of the aquatic and riparian environments influenced by our operations. Ecosystem restoration involves many activities, including Reclamation’s Endangered Species Act recovery programs, which directly address the environmental aspects of the Reclamation mission. In FY 2017, a total of \$135.5 million in the Budget for Reclamation projects and programs directly supports the goals of the America’s Great Outdoors Program, through local and basin-wide collaboration in watershed partnerships. Several of the programs are described below.

The Budget has \$27.3 million for Endangered Species Act Recovery Implementation programs within the Bureau of Reclamation, including \$19.9 million in the Great Plains Region to implement the Platte River Endangered Species Recovery Implementation program. Within California’s Central Valley Project, \$11.8 million is for the Trinity River Restoration Program, with an additional \$1.5 million from the Central Valley Project Restoration Fund.

Many other projects and programs also contribute to ecosystem restoration including the Lower Colorado River Multi-species Conservation Program, Middle Rio Grande Endangered Species Act Collaborative Program, the Columbia/Snake River Salmon Recovery Program, and the Yakima River Basin Water Enhancement Project.

Research and Development – Reclamation continues to promote research and development to advance the science and technology that supports best management of the country’s natural resources and heritage. In FY 2017 the research and development (R&D) budget totals \$28.6 million, with \$22.8 million for Science and Technology and \$5.8 million for the Desalination and Water Purification Research Program. Scientific discovery, technological breakthroughs, and innovation are the primary engines for expanding the frontiers of human knowledge, which are vital for responding to the challenges and opportunities of the 21st century. Scientific and engineering innovation promotes sustainable economic growth and job creation, moves us toward a clean energy future, and helps us manage competing demands on environmental resources.

Desalination and water purification research strives to produce new clean water technologies, reduce costs, and decrease environmental impacts while converting unusable waters into viable water supplies. Reclamation's budget for these efforts also supports the Administration's science and technology priorities, including sponsorship of technology prize competitions, to spur innovative breakthroughs and research related to climate adaptation and clean energy.

In addition to the highlights just discussed, the FY 2017 Water and Related Resources budget provides \$110.8 million to operate, manage, and improve California's Central Valley Project; this amount reflects the shift of \$36.0 million for a separate discretionary account within the San Joaquin River Restoration Fund, as discussed below. The next three accounts are also related to California water and restoration.

San Joaquin River Restoration Fund

Reclamation proposes \$36.0 million of current funds for the San Joaquin River Restoration Fund account in FY 2017. The FY 2017 Budget funds activities consistent with the settlement of *Natural Resources Defense Council v. Rodgers* as authorized by the San Joaquin River Restoration Settlement Act. The Act includes a provision to establish the San Joaquin River Restoration Fund to implement the provisions of the Settlement. The Settlement's two primary goals are to restore and maintain fish populations, and restore and avoid adverse impacts to water supplies. Under the Settlement, the legislation provides for nearly \$2.0 million in annual appropriations from the Central Valley Project Restoration Fund for this purpose.

Central Valley Project Restoration Fund

The FY 2017 Budget includes a total of \$55.6 million for the Central Valley Project Restoration Fund (CVPRF). This amount is determined on the basis of a three-year rolling average not to exceed \$50.0 million per year and indexed to 1992 price levels. These expenditures are offset by collections estimated at \$55.6 million from mitigation and restoration charges authorized by the Central Valley Project Improvement Act.

California Bay-Delta Restoration

The FY 2017 Budget provides \$36.0 million for California Bay-Delta Restoration. The account focuses on the health of the Bay-Delta ecosystem and improving water management and supplies. The Budget will support the coequal goals of environmental restoration and improved water supply reliability, under the following program activities including: \$2.2 million for a Renewed Federal State Partnership, \$5.3 million for Smarter Water Supply and Use, and \$28.5 million for Habitat Restoration. These program activities are based on the Interim Federal Action Plan for the California Bay-Delta issued December 22, 2009.

Indian Water Rights Settlements

In FY 2017, Reclamation will enhance support of tribal nations. The FY 2017 Budget proposes \$106.2 million for Indian Water Rights Settlements (IWRS), in a new account of the same name. Reclamation is proposing establishment of an Indian Water Rights Settlements account to assure continuity in the construction of the authorized projects, and to highlight and enhance transparency in handling these funds. This account is proposed to cover expenses associated with Indian water

rights settlements contained in the Claims Resolution Act of 2010 (Public Law 111-291) and the Navajo-Gallup Water Supply Project within Title X of the Omnibus Public Land Management Act of 2009 (Public Law 111-11).

Of this amount, \$6.4 million is for the Aamodt Settlement (Pueblos of Nambé, Pojoaque, Tesuque and San Ildefonso in New Mexico); \$12.8 million for the Crow Settlement (Crow Tribe in Montana); \$87.0 million for the Navajo-Gallup Settlement (Navajo Nation in New Mexico). These settlements will provide permanent water supplies and offer economic security for the Tribes and pueblos described above. The agreements will build and improve reservation water systems, rehabilitate irrigation projects, construct a regional multi-pueblo water system, and codify water-sharing arrangements between Indian and neighboring communities.

Per the Claims Resolution Act of 2010, in addition to the discretionary funding included in this Budget, additional mandatory funds have already been made available to Reclamation, in order to realize the deadlines mandated in the settlement acts. The White Mountain Apache Tribe activities will continue in FY 2017 using mandatory funds.

Policy and Administration

The FY 2017 Budget for Policy and Administration, the account that finances Reclamation's central and regional management functions is \$59.0 million. The account supports activities necessary for the management and administration of Reclamation that are not chargeable directly to a specific project or program, such as corporate oversight, policy and overall program management, budget preparation, finance and procurement, and management of safety and health, human resources, and information technology.

Permanent Appropriations

The total permanent appropriation of \$106.8 million in FY 2017 primarily includes \$103.6 million for the Colorado River Dam Fund. Revenues from the sale of Boulder Canyon power are placed in this fund and are available without further appropriation to pay for operation and maintenance of the project and other costs.

2016 through 2017 Priority Goals

Priority goals are a key element of the President's agenda for building a high-performing government. The priority goals demonstrate that our programs are a high value to the public and they reflect achievement of key Departmental milestones. These goals focus attention on initiatives for change that have significant performance outcomes, which can be clearly evaluated, and are quantifiable and measurable in a timely manner. Reclamation's participation in the Water Conservation and Supply Enhancement, Renewable Energy Resource Development, Climate Change Adaptation, and Engaging the Next Generation priority goals helps to achieve these objectives.

Water Conservation and Supply Enhancement – The FY 2017 Budget will enable Reclamation to achieve water conservation capability for agricultural, municipal, industrial, and environmental uses in the western United States by 1,040,000 acre-feet/year cumulatively (since 2009) through September 30, 2017. This will be accomplished through the use of the WaterSMART Program to

assist communities in stretching water supplies while improving water management and increasing the efficient use of water. By the end of FY 2015, Reclamation had already exceeded the prior goal of 975,000 acre-feet through partnerships with States, Tribes, irrigation and water districts and other organizations with water or power delivery authority.

Renewable Energy Resource Development – The Budget also supports efforts to increase approved capacity authorized for renewable energy resources affecting Department of the Interior managed lands to at least 16,600 Megawatts (since 2009) by September 30, 2017. Reclamation contributes to the Departmental goal primarily through the Memorandum of Understanding (MOU) on Hydropower with the Departments of Interior, Energy, and the U.S. Army Corps of Engineers (USACE), signed March 24, 2010. The MOU encourages the development of sustainable hydropower at Federal facilities in order to help meet the Nation’s needs for reliable, affordable, and environmentally sustainable hydropower by prioritizing goals and coordinating hydropower research and development efforts through studies and assessments. The Budget includes \$1.3 million for Reclamation to implement an automated data collection and archival system to aid in hydropower benchmarking, performance testing, and strategic decision-making.

Climate Change Adaptation – Consistent with the direction in the President’s 2013 Climate Action Plan, Reclamation is developing and implementing approaches to understand, and effectively adapt to, the risks and impacts of a changing environment on western water management. Some examples include:

- The Basin Study Program takes a coordinated approach to assess risks and impacts; develop landscape-level science; communicate information and science to other entities and agencies; and work closely with stakeholders to develop adaptation strategies to cope with water supply and demand imbalances in a collaborative manner.
- The Drought Response Program will implement a comprehensive new approach to drought planning and will implement actions to help communities manage drought and develop long-term resilience strategies.
- Through the Resilient Infrastructure Program, Reclamation will proactively maintain and improve existing infrastructure for system reliability, safety, and efficiency for water conservation to prepare for extremes and to support healthy and resilient watersheds. Reclamation will continue to develop, implement, and test an enhanced decision-making criteria framework for selecting resilient infrastructure investments and will identify opportunities to integrate operational efficiencies more compatible with climate variability adaptation goals, as part of the Bureau’s ongoing infrastructure investments.
- Reclamation’s Science and Technology Program conducts water resources research to improve capability for managing water resources under multiple stressors, including a changing climate. This research agenda will collaborate with and leverage the capabilities of the Interior Climate Science Centers.

Reclamation’s WaterSMART Grants, Water Conservation Field Services, and Title XVI Programs are enabling the West to better adapt to the impacts of a changing environment by helping to conserve tens of thousands of acre-feet of water each year in urban and rural settings, on both large and small scales.

Engaging the Next Generation – By September 30, 2017, the Department of the Interior will provide 100,000 work and training opportunities over four fiscal years, 2014 through 2017, for individuals ages 15 to 35 to support the Department’s mission. In FY 2017, Reclamation will continue to provide work and training opportunities by leveraging funding through agreements with 21st Century Conservation Service Corps partners. Reclamation will continue to use the Public Land Corps Act authority and the Youth Conservation Corps Act to enter into partnership agreements. These agreements will be used to assist on-the-ground projects and internships involving youth in cooperative efforts in cultural and natural resource conservation related to Reclamation projects. In addition, a partnership agreement with the National Fish and Wildlife Foundation will help provide additional youth conservation employment opportunities.

President’s Build America Investment Initiative –To help advance the goals and priorities of the Department, a new Center for Natural Resources Investment was recently launched by the Department as part of the President’s Build America Investment Initiative. Reclamation fully supports this activity, as the new center will promote increased private investment in water infrastructure and facilitate locally-led water exchange agreements in the western United States to increase resilience of water supplies and drive additional investment in conservation technologies.

Appropriations/Authorization Language Proposals – The Administration is proposing two significant changes in authorizations, for which language is included in the FY 2017 Budget. The first is to extend the California Federal Bay-Delta Authorization Act, as amended, from 2017 through 2018, so the CALFED program can continue its mission—even more important given the current drought. Language is also included to increase the authorized appropriations ceiling of Section 9504(e) of the Secure Water Act of 2009 from \$350 million to \$400 million to provide the appropriations ceiling needed for much of the funding for Reclamation’s WaterSMART program, one of our most effective programs.

Conclusion

Importantly, the FY 2017 Budget demonstrates Reclamation’s commitment to addressing the water and power demands of the West in a fiscally responsible manner. This Budget continues Reclamation’s emphasis on managing, operating, and maintaining its public infrastructure and delivering water and power in an environmentally and economically sound manner, in the interest of the American public. Reclamation is committed to working with its customers, States, Tribes, and other stakeholders to find ways to balance and support the mix of water resource demands in FY 2017 and beyond.

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