

RURAL WATER PROJECTS

HEARING BEFORE THE COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

TO

RECEIVE TESTIMONY ON S. 3385, A BILL TO AUTHORIZE THE SECRETARY OF THE INTERIOR TO USE DESIGNATED FUNDING TO PAY FOR CONSTRUCTION OF AUTHORIZED RURAL WATER PROJECTS

JULY 31, 2012



Printed for the use of the
Committee on Energy and Natural Resources

U.S. GOVERNMENT PRINTING OFFICE

76-519 PDF

WASHINGTON : 2012

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON ENERGY AND NATURAL RESOURCES

JEFF BINGAMAN, New Mexico, *Chairman*

RON WYDEN, Oregon	LISA MURKOWSKI, Alaska
TIM JOHNSON, South Dakota	JOHN BARRASSO, Wyoming
MARY L. LANDRIEU, Louisiana	JAMES E. RISCH, Idaho
MARIA CANTWELL, Washington	MIKE LEE, Utah
BERNARD SANDERS, Vermont	RAND PAUL, Kentucky
DEBBIE STABENOW, Michigan	DANIEL COATS, Indiana
MARK UDALL, Colorado	ROB PORTMAN, Ohio
JEANNE SHAHEEN, New Hampshire	JOHN HOEVEN, North Dakota
AL FRANKEN, Minnesota	DEAN HELLER, Nevada
JOE MANCHIN, III, West Virginia	BOB CORKER, Tennessee
CHRISTOPHER A. COONS, Delaware	

ROBERT M. SIMON, *Staff Director*

SAM E. FOWLER, *Chief Counsel*

MCKIE CAMPBELL, *Republican Staff Director*

KAREN K. BILLUPS, *Republican Chief Counsel*

CONTENTS

STATEMENTS

	Page
Baucus, Hon. Max, U.S. Senator From Montana	3
Bingaman, Hon. Jeff, U.S. Senator From New Mexico	1
Bracken, Nathan, Legal Counsel, Western States Water Council, Murray, UT	32
Brumfield, Gayla, Chairwoman, Eastern New Mexico Rural Water Authority, Albuquerque, NM	24
Connor, Michael L., Commissioner, Bureau of Reclamation, Department of the Interior	6
Larson, Troy, Executive Director, Lewis and Clark Regional Water System, Tea, SD	21
Murkowski, Hon. Lisa, U.S. Senator From Alaska	2
Sunchild, Bruce, Chairman, the Chippewa Cree Tribe of the Rocky Boy's Reservation, Box Elder, MT	27

APPENDIXES

APPENDIX I

Responses to additional questions	43
---	----

APPENDIX II

Additional material submitted for the record	57
--	----

RURAL WATER PROJECTS

TUESDAY, JULY 31, 2012

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10 a.m. in room SD-366, Dirksen Senate Office Building, Hon. Jeff Bingaman, chairman, presiding.

OPENING STATEMENT OF HON. JEFF BINGAMAN, U.S. SENATOR FROM NEW MEXICO

The CHAIRMAN. OK, why do we not get started? Senator Murkowski will be here shortly but asked us to proceed.

This morning, the committee will hear testimony on S. 3385, the Authorized Rural Water Projects Completion Act. This was introduced by Senator Baucus, who is here to be our first witness. This important legislation addresses the serious backlog in the construction of already authorized Bureau of Reclamation projects that are intended to provide domestic water supplies for rural and tribal communities.

All of these projects have previously been studied and approved by the Congress. However, the funding for constructing the projects has lagged, causing a delay in providing for the delivery of potable water to rural and tribal communities.

The ongoing drought in many parts of the West underscores the importance of rural water supply projects, such as the ones that would be covered by this bill.

The Reclamation Fund was established in 1902 by Congress. It is to be used as a funding source to construct water projects in the West. It is funded through a variety of receipts, including Federal minerals leasing receipts. However, the use of moneys from the Reclamation Fund has been subject to appropriation, and, therefore, large balances have remained in the Fund and continue to increase.

This chart here, which I think most of you cannot see because it is faced in the wrong direction, it makes the point. It shows that the balance in the Reclamation Fund in fiscal year 2011 was \$9.6 billion. It is estimated to continue to rise. While these funds were intended to be used for water project construction, they have not always been appropriated when needed.

S. 3385 would direct that every year \$80 million that would otherwise be deposited in the Reclamation Fund be made available without further appropriation for the construction of the authorized rural water projects.

According to Bureau of Reclamation analysis, an increase in funding for the construction of rural water projects to \$80 million per year would reduce the total Federal appropriations needed to complete the projects by more than \$1 billion. That is when projects costs and inflation are taken into account. So while the bill provides for spending, it actually results in savings to the Treasury over time.

The bill also includes language that states that amounts may not be transferred for rural water projects pursuant to the legislation if to do so would raise the deficit. This is essentially a placeholder that indicates our intent to find an offset for the spending in the bill.

The legislation provides that the Secretary may not expend any amounts until programmatic goals are developed that would enable completion of rural water projects as quickly as possible, that reflect the goals and priorities identified in the laws authorizing the rural water projects, and reflect the goals of the Reclamation Rural Water Supply Act of 2006.

The bill does not direct that a particular project receive funding. Rather, it provides that the Secretary develop funding prioritization criteria to serve as a formula for distributing funds consistent with considerations set forth in the bill.

The bill is important to our citizens in rural and tribal communities in the West. Adequate water supplies are fundamental to our way of life, and far too many Americans still live without adequate, safe drinking water.

I want to thank Senator Baucus for introducing the legislation, and thank the witnesses for being here today.

Before I introduce the witnesses, let me call on Senator Murkowski for any comments she would have.

**STATEMENT OF HON. LISA MURKOWSKI, U.S. SENATOR
FROM ALASKA**

Senator MURKOWSKI. Thank you, Mr. Chairman. I appreciate the opportunity to focus on water here this morning.

We have a lot of water up North. But when it comes to providing for what I think most would consider to be pretty basic needs in my home State, we are seriously, seriously lacking in far too many areas. We have got about 280 isolated villages around the State. The average population of the villages is somewhere around 300 people, not a lot and not accessible by road.

Most of these villages are accessible only by air or by boat, subsistence lifestyle, very little economy. So when we are looking to install water systems, it is extraordinarily expensive.

I have been working for about 8 years now to get a community hooked into water, just basic water, a flush toilet. I was in Buckland, Alaska back in 2000—I think it was 2005—and had a full community meeting with just about every resident in the village. As I was getting ready to leave, an elderly woman comes up to me, she grabs me by the arm, and she says, “Lisa, all I want before I die is a flush toilet.”

We kind of chuckle at it, but it is pretty basic. If you don’t have flush toilets, it is tough to do other things. It is tough to have clean water. It is tough to wash your clothing. It is tough to be able to

just focus on basic health care needs. In too many of our communities, those basic needs are yet to be met.

We have made some progress in Alaska. Back in 1994, only 37 percent of our rural households had adequate sanitation. Today, the good news is we are up to about 77 percent of our Alaskan homes that have running water and flush toilets. But still, that is only 77 percent. So what do the rest of the people do?

In far too many of our communities, they haul their waste in a bucket down to the lagoon, or they have a honey wagon that comes around and basically pumps the stuff out. But it is an area that is ripe for disease, and it is simply not acceptable. Twenty-one communities have never had piped water or sewer. Many of them have just simply not been connected. So I think we recognize that we have made progress but there is so much more that needs to happen.

As we address the bill before us today, I want to note that circumstances have changed since this committee passed several of the bills that were envisioned to be funded in this bill. Many of the projects that this bill would direct money to have not received much funding since they were originally authorized, mainly because they are not within the traditional mission or priorities of the BOR, the Bureau of Reclamation. In addition, with the budget and the deficit constraints, all of these projects face some grim statistics.

But I am pleased that we are looking today at additional tools that we may have to help fund these rural projects. I also look forward to hearing from our witnesses in looking at some new and perhaps some innovative ways to approach funding them. But I think we recognize our budget resources are under more strain than ever, and the spending that this bill would mandate has to come from somewhere.

I look forward to hearing from Commissioner Connor on how the Bureau of Reclamation intends to implement their water programs and the steps that it is taking to address the other larger, unmet water needs in this country.

With that, Mr. Chairman, I thank you.

The CHAIRMAN. Thank you.

Before we go to our two panels of witnesses, Senator Baucus is here. He is the sponsor on this legislation. Why do we not ask him to make any statement he would like to make? I know he has another important meeting that he has to get to. So thank you for being here, and thanks again for sponsoring the bill.

STATEMENT OF HON. MAX BAUCUS, U.S. SENATOR FROM MONTANA

Senator BAUCUS. Thank you very much, Mr. Chairman. Thank you for holding this hearing today on our bill, the Authorized Rural Water Projects Completion Act, and thank you for your outstanding leadership to help find solutions for rural Americans who still lack good, clean water.

As Ben Franklin said long ago, "When the well is dry, we learn the worth of water." I might say as an aside, in parts of Alaska I am sure and New Mexico, and South Dakota, and Minnesota, and certainly my State of Montana where it does not rain near as much

as it does back on the East Coast here, it is especially an issue. In some of our States, because it does not rain, there are fewer people per square mile, which makes it very difficult to get water—good, clean drinking water out to people.

It really doesn't rain west of the 100th meridian and that is dictated—such the culture that we have in West United States because precipitation has just been so low compared with east of the 100th meridian, where it rains just a lot more.

The main point being that city people even in our part of the country, in western States, most of them, when they move into a house and turn the tap on, they just take for granted that there is water there. Just take it for granted. Turn the tap on, and there is drinking water.

But that is not true for other parts of our States, as we have well known, particularly the more rural parts. In the more rural parts, there is often no municipal drinking water system. There just isn't. You get your water from wells. Sometimes the wells work, sometimes they don't. Sometimes you have to go down pretty deep. Sometimes the water is brackish. It is contaminated, it is unreliable, and there is not enough of it, good, clean water. For years, many of us have tried to find the resources so that people in our States—in the rural parts of our States can be served.

The big issue clearly is lack of resources, lack of funding. Appropriations tend to be pretty slim around here. Mr. Chairman, and I, and others have come up with this idea of mandatory spending for some of these projects. We have listed the projects that are most needed. It is true that we have to then come up with the offsets to finance this mandatory spending.

But we set it out at \$80 million a year for these projects. It is a good start. We will keep working on it. We will keep improving on it, but I do believe very strongly this is extremely important.

We in the Finance Committee will work very hard, do our level best, to help find the offsets so there is—that there is \$800 million over 10 years to finance this. We are just going to have to do it. I cannot tell you what the source of that revenue will be. I don't know at this point, but I do know that this approach makes a lot of sense because the old ways of doing things just hasn't worked very well. There just has not been enough appropriations to complete some of these projects. In the current rate we are going, it is going to take a long, long time, maybe a generation, before some of these projects are finally completed.

There are several in Montana. One that is especially important is the Fort Peck Dry Prairie Project, and we have two or three in Montana. A little later, we will hear from Chairman John Sunchild. John Sunchild is the chairman of the Rocky Boy's Reservation in Montana.

We all know, some Reservations are rich. They have got lots of resources. Some don't. It just varies. In some parts of the country, it is casino revenue, and in our part of the country, there are not near enough people to have casinos. So we cannot have any casinos. In some parts of our State, reservations are rich in coal and gas. Other parts there is not much of anything and the Rocky Boy's Nation, John Sunchild is chairman, is one of the reservations—they just do not have resources. They are small, and they just have a

hard, hard time of getting drinking water. It is just very, very difficult. So they have developed, and some money has been spent on the Fort Peck Dry Prairie project.

Many communities in Montana, too, are further stressed because of the oil boom. The Bakken formation has put a lot more pressure on communities who otherwise had a hard enough time as it was to provide water. This makes it even worse.

But I just thank you very much for your help here. Of course, Dry-Redwater is extremely important. I think you will be moved by the testimony of my good friend, Bruce Sunchild, when he testifies a little bit later, and he speaks movingly about the unsanitary groundwater wells that his people continue to use.

I have a hunch that when he speaks, it will remind you, Senator Murkowski, of some of the problems you addressed in Alaska. They are not dissimilar. In fact, looking at all the members of this committee, I strongly suspect that each have communities that face these very same problems.

But thank you very much, Mr. Chairman, for taking up this bill, and it is very, very important for a lot of people who otherwise, you know, really are not in the most powerful position to find ways to address their basic needs. In this case, it is drinking water.

Thank you.

[The prepared statement of Senator Baucus follows:]

PREPARED STATEMENT OF HON. MAX BAUCUS, U.S. SENATOR FROM MONTANA

Thank you for holding this important hearing today on our bill, the Authorized Rural Water Projects Completion Act. And thank you for your outstanding leadership to find solutions for rural Americans who still lack good clean water.

As Ben Franklin said long ago, "When the well is dry, we learn the worth of water."

Most Americans are lucky. They connect to city water systems that don't run dry. But in rural Montana, we know the worth of water. The wells are dry. The wells are old. And they are salty, contaminated, and expensive.

Today in eastern Montana, an oil boom is challenging small towns that barely meet their own water needs. Rural water projects like Fort Peck-Dry Prairie provide a basic service. They are a good investment.

That project is now providing clean water to oilfield workers who have moved to the small town of Bainville. At the same time, the project is meeting our tribal trust responsibility.

My bill will ensure that the Bureau of Reclamation program that provides potable water to rural Americans is a wise investment. At the current rate of appropriations, it will be twice as expensive as it should be to pay for projects like Rocky's Boy-North Central and Dry Redwater.

We can do better.

We don't have extra money floating around this place. We need to spend it on essentials. And clean drinking water is an essential.

I am so pleased to introduce my good friend Chairman Bruce Sunchild to testify today.

Chairman Sunchild has been a leader of the Chippewa Cree tribe for decades. His homeland in north central Montana is a beautiful stretch of the Great Plains. He speaks movingly about the unsanitary groundwater wells that his people continue to use.

I urge you to listen closely to his wisdom. Thank you again.

The CHAIRMAN. Thank you, again, for your leadership on this legislation, and thank you for being here today to advocate for it.

Senator BAUCUS. Senator, Bruce Sunchild is sitting behind me. He is back here, and you are going to hear from him later.

The CHAIRMAN. OK. All right. We will look forward to that.

Let me call first on our first panel, which is the Honorable Michael Connor, who is well-known to all of us here on this committee. He used to work with us and is now the Commissioner of the Bureau of Reclamation, and is the leading brain behind this effort, and we are glad to have him here to give us the Administration's perspective on it.

So, Mike, why do you not go ahead?

OPENING STATEMENT OF THE MICHAEL L. CONNOR, COMMISSIONER, BUREAU OF RECLAMATION, DEPARTMENT OF THE INTERIOR

Mr. CONNOR. Thank you, Mr. Chairman. Mr. Chairman, Ranking Member Murkowski, and members of the committee, I am Mike Connor, Commissioner of the Bureau of Reclamation. I am pleased to provide the views of the Department of the Interior on S. 3385, the Authorized Rural Water Projects Completion Act. I have submitted my written statement for the record.

Like its sponsors, the Department supports the goals of S. 3385 to encourage vibrant rural economies and safe, reliable drinking water for rural residents. Our objective has been to further those goals, while taking into account competing budget priorities through the annual budgeting process.

The Obama Administration has supported Reclamation's Rural Water Program over the last 4 years to a significant extent, allocating \$231 million in the fiscal year 2010 through fiscal year 2013 budgets for authorized rural water projects. In addition, we allocated \$232 million for new construction activities through the Recovery Act. Notwithstanding the projects' importance, current budget constraints have limited the ability to make Federal investments that match on-the-ground capabilities.

The goal of S. 3385 is to provide a constant level of dedicated funding for construction of authorized rural water projects. The Department supports the goals of advancing the economic security of Americans living in rural areas, and constructing these projects will not only help provide the economic benefits of clean, reliable drinking water systems that most Americans take for granted, but will also create jobs through ongoing construction activity.

Since the 1980s, Congress has authorized Reclamation to undertake the design and construction of specific projects intended to deliver potable water to rural communities located primarily in the 17 western States. These projects exist in communities that are experiencing urgent needs for water due to poor quality of existing supply or the lack of a secure, reliable supply for the long-term.

As you know, Mr. Chairman, in eastern New Mexico, the existing communities currently rely on the diminishing Ogallala Aquifer, and the current drinking water systems are projected to face significant shortages within the next 25 to 40 years, if not sooner. Reclamation's Rural Water Program provides a resource to rural communities under those circumstances, and Congress has authorized Federal assistance to meet those needs.

The Rural Water Supply Act of 2006 authorized the Reclamation to establish a program to work with the rural communities to assess water supply needs and conduct appraisal and feasibility studies without individual acts of Congress.

Pursuant to the Act, Reclamation created a rural water program to enable coordinated examination of the various options to address communities' water supply needs through a cost-effective, priority-based process.

The 2006 Act also required the Secretary of the Interior, in consultation with other relevant agencies, to develop a comprehensive assessment of the status of existing authorized rural water projects. In response, Reclamation recently issued a draft assessment report, which is available for public comment through September 10th of this year.

As described in the assessment report, most congressional authorizations for the rural water supply projects required that the cost ceilings be indexed to adjust for inflation. The result of these indexing requirements is that the overall cost of authorized rural water projects has risen and continues to rise during the time needed for construction. The total estimated funding that would be required to complete these projects is now at \$2.6 billion, substantially higher than the original authorization amounts, which are approximately \$2 billion.

Reclamation recognized the need to make meaningful progress in constructing authorized rural water projects and has budgeted \$52 million in fiscal year 2013 toward that effort, a substantial increase from the fiscal year 2012 budget. At the current budgeted level, however, it will still take decades to complete the construction of these projects.

S. 3385 establishes a dedicated Reclamation Rural Water Construction Fund in the U.S. Treasury comprised of funds that would otherwise be deposited into the Reclamation Fund. Eighty million dollars per year will be deposited into the Fund and allowed as an expenditure from the Fund through 2034. This funding would help reduce the total cost associated with construction of authorized rural water projects and enable earlier completion of these projects.

S. 3385 provides that the bill's cost would be offset so as to not increase the deficit. The Department supports such language, but even if an equivalent and acceptable offset is identified, use of those funds must be weighed against other priorities across the Federal Government, including deficit reduction. For this reason, the Department continues to support achieving the goals of this legislation through the allocation of discretionary budget resources.

As a final matter, I would note that State, local, and tribal governments are taking a greater leadership role in water resources investments, including financing projects the Federal Government would have done in the past. We expect that this trend will continue. Even with the additional resources that would be made available through S. 3385, the non-Federal entities will likely need to increase their share of funding to build these projects in the timeframes that they have envisioned.

Mr. Chairman, I understand the importance of these rural water projects to New Mexico, as well as the other western States, and appreciate your leadership and support for Reclamation's Rural Water Program. We stand ready to work with you to achieve the goals of S. 3385.

This concludes my statement, and I am happy to answer questions.

[The prepared statement of Mr. Connor follows:]

PREPARED STATEMENT OF MICHAEL L. CONNOR, COMMISSIONER, BUREAU OF
RECLAMATION, DEPARTMENT OF THE INTERIOR

Chairman Bingaman, Ranking Member Murkowski and Members of the Committee, I am Mike Connor, Commissioner of the Bureau of Reclamation (Reclamation). I am pleased to be here to provide the views of the Department of the Interior (Department) on S. 3385, the "Authorized Rural Water Projects Completion Act". Like the sponsors of this legislation, the Department supports the goals of encouraging vibrant rural economies and ensuring safe, reliable sources of drinking water for rural residents. Rural water projects help build strong, secure rural communities and are important to our non-federal sponsors, which is why the President's FY 2013 Budget includes \$52 million for new construction activity plus another \$18 million for operating and maintaining existing projects.

As a threshold matter, the Obama Administration has supported Reclamation's rural water program over the last four years, allocating \$231 million of funding, in the FY 2010-2013 budgets, to construct, operate, and maintain authorized rural water projects in addition to \$232 million provided for these projects in the Recovery Act. Still, the rural water program must compete with a number of other priorities within the Budget, including aging infrastructure, Indian water rights settlements, environmental compliance and restoration actions, and other priorities intended to address future water and energy related challenges. Notwithstanding the importance of rural water projects, current budget constraints have limited the ability to make Federal investments that match on-the-ground capabilities.

Despite such constraints Reclamation has made progress in promoting certainty, sustainability, and resiliency for those who use and rely on water resources in the West and in supporting the basic drinking water needs of rural communities, as directed by the Congress. S. 3385 provides a constant level of mandatory funding to support the construction of authorized rural water projects to deliver water to smaller, isolated communities. However, the Department believes Federal investments in such projects must recognize the current fiscal constraints and the need to make tough choices in prioritizing those investments. The Administration supports the goals embodied by S. 3385 of advancing the economic security of Americans living in rural areas, and constructing these important infrastructure projects will not only help provide the economic benefits of a clean, reliable, drinking water system that most Americans take for granted, but will also assist in creating jobs in the short-term through ongoing construction, but the Administration supports discretionary funding for these projects.

Since the 1980s, Congress has authorized Reclamation to undertake the design and construction of specific projects intended to deliver potable water supplies to rural communities located in North Dakota, South Dakota, Montana, New Mexico, Minnesota and Iowa. These projects exist in communities that are experiencing urgent needs for water due to poor quality of the existing supply or the lack of a secure, reliable supply. For example, in rural Montana, some communities have, from time-to-time, been subject to "boil water" orders due to the unsafe conditions of the existing drinking water supplies. In Eastern New Mexico, the existing communities currently rely on the diminishing Ogallala Aquifer and the current drinking water systems are projected to be depleted within 40 years. Reclamation's Rural Water Program provides a resource to rural communities under those circumstances and the Congress has authorized federal assistance to meet those needs.

The Rural Water Supply Act of 2006 (P.L. 109-451) authorized Reclamation to establish a program to work with rural communities, including tribes, in the 17 Western States to assess rural water supply needs and conduct appraisal and feasibility studies without individual acts of Congress. Pursuant to the Rural Water Supply Act, Reclamation created a rural water program to enable coordinated examination of the various options to address rural communities' water supply needs through a cost effective, priority-based process.

In addition to authorizing appraisal investigations and feasibility studies, Section 104 of the Rural Water Supply Act required that the Secretary of the Interior, in consultation with the Secretary of Agriculture, the Administrator of the Environmental Protection Agency, the Director of the Indian Health Service, the Secretary of Housing and Urban Development and the Secretary of the Army, to develop a comprehensive assessment of the status of the existing, authorized rural water projects. Section 104 also directs Reclamation to describe its plans for completing the design and construction of the authorized rural water projects.

In response to Section 104, Reclamation issued a draft assessment report titled “Assessment of Reclamation’s Rural Water Activities and Other Federal Programs that Provide Support on Potable Water Supplies to Rural Water Communities in the Western United States” which is posted on Reclamation’s website (www.usbr.gov/ruralwater/docs/Rural-Water-Assessment-Report-and-Funding-Criteria.pdf). Comments on the draft report may be submitted through September 10, 2012. In addition to providing a report of the status of the existing authorized rural water projects, the assessment report describes how Reclamation’s Rural Water Supply Program will be carried out and coordinated with other Federal programs which support the development and management of water supplies in rural communities in the western states and to maximize efficiency of the various programs by leveraging Federal and non-Federal funding to meet the shared goals of the programs.

As described in the assessment report, with the exception of Title III of P.L. 107-331 that authorized the Jicarilla rural water supply system, each of the Acts of Congress authorizing Reclamation’s involvement in the rural water supply projects required that the cost ceilings included in the original authorizing legislation be indexed to adjust for inflation which is estimated to be 4% annually. The result of these indexing requirements is that the overall cost of the authorized rural water projects has risen and continues to rise during the time needed for construction, such that the total estimated funding that would be required to complete these projects is now \$2.6 billion, which is substantially higher than the original authorization amounts, which totaled \$2.0 billion.

Reclamation has recognized the need to make meaningful progress in constructing authorized rural water projects and has budgeted \$52 million in FY2013 toward that effort. At the current funding level, and without additional non-Federal funding, progress would be made towards project completion, but some of the currently authorized projects would be completed much later, perhaps not until well after 2063 despite close to \$4.0 billion being invested by that time. It is estimated that as of 2063, an outstanding balance of approximately \$1.1 billion would remain to complete construction of currently authorized projects.

Across the country, state, local, and Tribal governments are taking a greater leadership role in water resources investments, including financing projects the Federal government would have in the past. Constrained Federal budgets do not preclude the ability of non-Federal parties to move forward with important investments in water resources infrastructure and the Department stands ready to support that effort. Even with the additional resources made available through S. 3385, we would expect that non-Federal entities will likely need to increase their share of funding to build these projects in the timeframes they have envisioned.

S. 3385 establishes a dedicated Reclamation Rural Water Construction Fund in the United States Treasury comprised of funds that would otherwise be deposited into the Reclamation Fund established by the first section of the Act of June 17, 1902 (32 Stat. 388, chapter 1093). This funding source would enable earlier completion of projects. Section 3(b)(3) of S. 3385 provides that the bill’s cost would be offset so as to not increase the deficit. The Department supports such language. However, even if an equivalent and acceptable offset is identified, use of those funds must be weighed against other priorities across the Federal government, including deficit reduction.

Section 3 of S. 3385 provides that for each fiscal year from 2013 through 2029, \$80,000,000 per year will be deposited into the Fund in addition to interest earned on invested money that is available in the Fund but not utilized for the current withdrawal. Section 3(c) of S. 3385 limits expenditures from fiscal year 2013 through 2034 from the Fund to not more than \$80,000,000 in addition to interest accrued in that same fiscal year, with an allowance for the use of funds carried over from prior years.

S. 3385 also provides that if Reclamation has completed feasibility reports pursuant to Title I of the Rural Water Supply Act by September 30, 2012, recommending construction of additional rural water projects, and those projects are subsequently authorized by Congress, they may be eligible to receive funding through the Reclamation Rural Water Construction Fund. S. 3385 directs the Secretary of the Interior to develop programmatic goals enabling the expeditious completion of construction of the existing rural water projects and to establish prioritization criteria for the distribution of funds. Reclamation’s draft assessment report would meet these requirements when complete. Reclamation’s first goal is to advance the construction of rural water projects that meet the most urgent water supply needs in the shortest amount of time, given our current budget constraints. The second goal is to give priority to rural water projects that address Indian and tribal water supply needs.

Within the context of the above goals, Reclamation recognizes that current and projected funding levels may not be sufficient to expeditiously complete the federal funding portion of every project and that it must prioritize the allocation of available funding. The draft assessment report outlines prioritization criteria to guide Reclamation's decision making to maximize the agency's ability to meet its programmatic goals, to maximize water deliveries to rural communities in as short a period as possible, and to reflect the diverse needs and circumstances facing each individual project. The six criteria identified by Reclamation for rural water construction prioritization are:

- Is there an urgent and compelling need for potable water supplies?
- How close is the Project to being completed and what is the commitment of the project sponsors to making that happen?
- What is the financial need of the communities and what is the relative economic effect of the Project?
- Does the Project fulfill Reclamation's authorized niche for taking a regional and watershed approach to rural water projects?
- Does the project minimize water and energy consumption and encourage the development of renewable energy resources such as wind, solar, hydropower, etc., to meet local needs?
- Does the project serve the needs of tribal communities and tribal members?

The analysis outlined in the draft assessment report underscores that in times of constrained federal budgets, non-federal funding in excess of the minimum contributions originally contemplated will be required to expedite project completion and reduce the effects of indexing over the construction period.

This concludes my written statement. I am pleased to answer questions at the appropriate time.

The CHAIRMAN. Thank you very much and thanks for your leadership and help with the development of the legislation.

One obvious question is, is there sufficient funding in the Reclamation Fund to meet the needs of Department of Reclamation, even if we dedicate \$80 million per year to addressing this construction backlog? In your view, is there still adequate funding in there for the other needs that the fund was established for?

Mr. CONNOR. If the legislation were to be enacted and taking an additional \$80 million from the Reclamation Fund for direct financing of these rural water investments, it is my view, having looked at the numbers, that there would still be substantial resources in the Reclamation Fund to fund our other priority programs.

I say that based on, just on general, we are averaging about \$2 billion per year of revenues into the Reclamation Fund right now and through the annual appropriations process. The Reclamation Fund is used to fund a large percentage of Reclamation's programs through the appropriations process on an annual basis and averages somewhere in the neighborhood of \$900 million to \$1 billion per year. So there is a surplus on a year-to-year basis, even taking into account the \$80 million per year.

The CHAIRMAN. All right. As you know, a lot of my interest in this whole subject results from the problems that we have in eastern New Mexico with the depletion of the Ogallala Aquifer and the threat that that poses for the water supply for many of the communities in eastern New Mexico. We have, of course, the Eastern New Mexico Rural Water Supply Project, which we have authorized.

Can you give us any information about the time horizon for construction of that project if this legislation does not get enacted? If something like this automatic funding is not provided for, do you have an idea as to how long it might take to accomplish the construction of the project?

Mr. CONNOR. I can look at that a little closer, but sitting here before you today, I do not have a good estimate of the time horizon that we would have. You know, we have had—even at the \$52 million level for new construction activity, which is what we have got in our existing 2013 budget, we are looking at significant timeframes in the completion of these rural water projects. I think the estimate that we put in our draft rural water assessment report was at that level, about \$52 million per year. We would still by 2063 not have completed all of the existing authorized projects and there would be still something on the order of a \$1.1 billion backlog at that point in time.

The CHAIRMAN. That's 2063, you—

Mr. CONNOR. 2063, that's correct.

The CHAIRMAN. I think I will probably have left the committee by then.

[Laughter.]

Mr. CONNOR. I would just say that we are continuing to look at ways to increase the investments for these rural water projects. Certainly the Recovery Act helped greatly to reduce the backlog. We did substantially increase the resources in 2013 versus 2012, and we are having an active dialog about how we can continue to do that in the future through the appropriations process.

The CHAIRMAN. Since at the current time these communities in eastern New Mexico are dependent primarily on the—on groundwater that they get from the Ogallala Aquifer, has the Bureau of Reclamation, to your knowledge, or any of the other Federal agencies done a calculation as to how long that underground aquifer, the Ogallala Aquifer, will remain a viable source of water for communities in eastern New Mexico?

Mr. CONNOR. Not that certainly the Bureau of Reclamation has done. We have not done in-depth analysis of the Ogallala Aquifer and its ongoing viability for a supply that has certain levels of reliability on an annual basis. You know, I think our best information is that provided by the various entities that we work with, that it is a declining aquifer. Those problems have certainly been exacerbated over the last decade in certain areas of the country.

I know there have been a number of studies that have been done by USGS and other entities. I am not aware of how comprehensive they are or how detailed the modeling is for the long-term.

Mr. CHAIRMAN. All right. Senator Murkowski.

Senator MURKOWSKI. Mr. Connor, we know that there is many—well, I should not say many—but there are multiple Federal agencies that have funding availability for rural areas to construct and improve water and wastewater facilities.

Can you describe what else is out there other than what you administer, and also the level of collaboration or how the different agencies are working together to address the need that clearly exists?

Mr. CONNOR. I think through the legislation that was enacted in 2006, the Rural Water Supply Act, which directed the Secretary to collaborate with 6 other agencies in defining the programs and to figure out ways to collaborate and—to the extent—of not merging those programs, but at least having them work better together so that we are not overlapping authorities and programs, that is tak-

ing place increasingly. We have outlined that in our draft report that we just issued. There is something like ten programs out there that we identified through the 6 agencies. I have to say, whether it is rural water projects or some of the Indian Water Rights Settlements that we are doing, which are similar in nature, such as the Navajo-Gallup pipeline project, we have had enhanced collaboration of such.

In Navajo-Gallup, we have got funding that was provided through the USDA's Rural Water Utilities program to do distribution lines in association with the Navajo-Gallup pipeline project. The Indian Health Service, which has another major program for rural communities, is also participating in that effort and constructing some of the distribution lines. So we are trying to marry up our authorities and Reclamation's role, which is generally the large water delivery systems, with these other programs like Rural Utilities or Indian Health Service that do distribution lines.

So there is some synergy there. There are other programs that just are related to wastewater treatment, which is outside the purview of what we are doing in our Rural Water Program.

Senator MURKOWSKI. Let me ask you about prioritization because, as we recognize with the budget issues that we are facing, it is all a matter of priorities now.

How are you going to ensure that the money that will be spent on these projects that are authorized within this proposed legislation are actually the most feasible and the most cost-effective?

Mr. CONNOR. There's two level of priorities. Let me put it that way. We prioritize our overall programs with Reclamation, and that results in a certain amount of money that we can apply toward the Rural Water Program in our annual budgeting process.

Then I think the question that you asked was then, taking those resources, how do you ensure that we make the best investments possible? We have through the 2012 appropriations process in the funding that Congress provided for rural water programs and then our 2013 budget, we have revised our criteria for those—prioritizing our investments in rural water projects.

Senator MURKOWSKI. Are those then reviewed by OMB?

Mr. CONNOR. They did participate in that effort. We work with them, and—

Senator MURKOWSKI. In the priority setting then. So they worked with you ahead of time?

Mr. CONNOR. Yes, absolutely. We work with them as we apply those criteria in the budget process. We work with them as we release the draft Rural Water Program. We have got six, basically, prioritization criteria right now, and we are taking comments on those 6 criteria and figuring out how we may revise them before issuing a final report and then finalizing them.

Senator MURKOWSKI. Are those 6 criteria the same criteria then that OMB uses? My question is whether or not you are in sync with—

Mr. CONNOR. We are in sync, yes.

Senator MURKOWSKI. OK. Let me ask then about what would happen if this bill were to be enacted. You have \$80 million per year that will be disbursed to the fund. Do you think then that the Appropriations Committee is going to view this funding as an addi-

tional amount to the allocation that traditionally comes to Bureau of Reclamation?

My concern is that as an appropriator sitting on the committee, I am going to look at this and say, well, Bureau of Reclamation already is receiving \$80 million a year. We do not need to worry about making sure that that budget allocation that we typically have seen is there.

How have you factored this into the equation, because, as you know, we are all looking for dollars under every rock out there.

Mr. CONNOR. Right.

Senator MURKOWSKI. How do you make sure that these priorities that have been set with this legislation are addressed, while at the same time addressing the pent-up needs within the Bureau of Reclamation?

Mr. CONNOR. That is a very good question, Senator Murkowski, and it is something that we would have to go through in our annual budgeting process. I think what we have tried to do in our draft report is basically start with laying out the facts and the figures so that we can assess those in our budget priorities, as well so as folks in Congress can assess those facts.

So, for instance, the bill would make available \$80 million per year in mandatory funding. Right now, our investments are about \$52 million for construction activities, as we pointed out in the 2013, and that still is going to leave a substantial backlog. We also identified that to optimize funding on the ground and to complete the projects in the timeframes contemplated, some of those projects are through I think the 2029 timeframe—we would need something on the order of \$162 million per year, certainly over the next decade when we are doing a lot of construction activities.

So you can see there, the \$80 million would certainly allow for increased on-the-ground activity, more than the budget resources currently available. But it is not the optimum level of funding.

So there is a mix or some judgments that have to be made. That is where our prioritization criteria comes in. What we are trying to do is take whatever resources we have, ensure we can make the most valuable investments so that we don't have stranded assets, so that we can try and complete sections of these projects so that they serve communities and meet the most compelling needs that are out there.

Senator MURKOWSKI. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Johnson.

Senator JOHNSON. Welcome, Commissioner Connor. You testified that the current funding level of \$50 million for construction, some of the authorized projects will extend well beyond 2063, with a substantial outstanding balance remaining. This is obviously not an acceptable timeline. How would starting with \$80 million annually from Reclamation funding impact projects time lines and overall costs?

Mr. CONNOR. I think going back to that range I just mentioned at the optimum \$160-plus million funding levels, I think our projections are that we could complete the authorized projects, marrying up with the non-Federal cost shares that are out there, by the 2029 time period.

You mentioned the \$52 million and then the 2063 time horizon. I think our projections are at the \$80 million per year range, if that is what it was through enactment of this legislation, we are looking at about a 2039 timeframe for completion of the authorized projects, assuming that the non-Federal cost shares are all in place.

Senator JOHNSON. I appreciate that the investments of that the Administration made in rural water through the Recovery Act and certainly the Lewis and Clark's Water Treatment Plant likely would not be coming online this week without it.

Unfortunately, the regular budgeting process seems to be continuously under invest in these projects. For example, the Administration fiscal year 1912 budget would have provided just \$20 million for construction across all projects, though Congress added back significant funds.

During an appropriations hearing in April of last year, I asked about the disproportionate hit. You conceded that it was an area within BOR's budget that perhaps took the largest cut. In the absence of this dedicated funding, what can we expect from budgets in the coming years?

Mr. CONNOR. Senator, I don't have to tell you that budgets are very tight, as we all know. We did look at the 2012 budget level. We did cut back the construction dollars significantly. Part of it was the tight budgets. Part of it was the investments that continued to be available as we were completing activity based on the Recovery Act investments, the substantial resources that were applied toward rural projects as part of that effort.

So notwithstanding that, we did increase the 2013 budget. That is certainly our goal and preference is to try and maximize our investments through the discretionary budget process. But there are a number of competing programs that we have at Reclamation. Certainly it starts with our operating and maintaining our projects and the infrastructure, and then the legal obligations that we have, whether it be Indian water rights settlements, compliance with the environmental laws, court-ordered activity that we have to undertake and those are the highest priority levels, those two categories, within our budget. They do take up substantial resources.

Senator JOHNSON. For communities like Madison, South Dakota, that are at the end of the line to be hooked up to rural water, can you provide any assurance that these projects will ever be completed?

Mr. CONNOR. The assurance that I can make is that we are trying to make the best use possible of the resources we have through their prioritization criteria. Certainly, as you know, for some projects, when we get close to completion, that is another element of our priority criteria. We have certainly done that with the Mni Wiconi project as we have gotten close. Through our 2013 budget, we expect to then complete the current Federal investments authorized for that project. So we are systematically going through and completing the construction of these projects, albeit slowly. But that is part of our priority criteria.

Senator JOHNSON. I yield back.

The CHAIRMAN. Senator Barrasso.

Senator BARRASSO. Thank you very much, Mr. Chairman.

I just want to open my questions with—and thank you for coming—by just telling you that I do not support this bill. I don't think this is the way to fund western water projects. This bill puts some water projects ahead of the line of other projects that I think where there are greater needs. I think the process that funds these projects lacks transparency and that the bill leaves key terms undefined and Secretarial authority vague. I think the bill says it is deficit-neutral, but it really does not explain where the offsets come from. The bottom line is that some States win under this bill; others simply lose. The public needs some clarity as to what this bill really does.

So with that said, Mr. Connor, I look at the term in the bill “rural water project” and what that is supposed to mean. I am just kind of interested in what your thoughts are, what that actually means, that definition?

Mr. CONNOR. We would identify 12 rural water projects that have been authorized over time. Of that, we have completed 4 to date, and that leaves 8 projects, two more which we expect to complete soon. So there is a set number of projects that we have identified in our rural water report that we would apply to that term. That is how we would interpret it. There are other projects that are essentially rural water projects that we also need to think about, such as the Arkansas Valley Conduit, et cetera. So we do have in our mind what we would include under that term.

Senator BARRASSO. OK. You know, there is a 2006 Rural Water Supply Act, and that is kind of different than rural water supply project, rural water project, and just kind of looking at the definition differences to see how that would be covered.

You know, the Administration says it supports the goals embodied in this legislation, S. 3385, of advancing the economic security of Americans living in rural area. Yet nowhere in the testimony do you actually state that the Bureau of Reclamation or the Administration supports the bill. So I am just curious if the Bureau and the Administration support this bill as written?

Mr. CONNOR. The Administration, as identified in the testimony, supports the goals of the legislation. We do have concerns with the mandatory funding aspect of it.

Senator BARRASSO. It looks like many of the projects targeting for funding in the bill have been around for decades. It is my understanding that the Bureau of Reclamation has opposed some of these projects in the past. Is that correct?

Mr. CONNOR. Yes. Testimony has opposed the enactment of some of this legislation.

Senator BARRASSO. The next is that I frankly do not see the value in creating a new trust fund such as the one contemplated in this bill. Money goes in, but rarely does the money come out. Congress uses the funds as slush funds to cover deficit spending. What is held in trust is not cash. Instead, the so-called trust funds hold debt, debt that is never paid back. We see it time and again, and I think we see it in this bill. You say in your testimony that the bill creates a constant level of mandatory funding, and I don't read it that way.

The Secretary of the Treasury may only make the transfer if the transfer will not increase the deficit. Given that the current level

of deficit spending the Federal Government is at, you can imagine scenarios in which the transfer will not occur.

I think it is also important to point out that, even if a transfer to the new fund occurs, the bill creates no obligation for the Secretary to spend the money. There is no obligation—on page 3, with regard to expenditures from the Rural Water Fund, it says, “The Secretary may expend from the fund not more than the sum of \$80 million.” In section 2 of page 4, it states again that, “The Secretary may use the amounts.”

Do you agree this language gives the Secretary the ability not to spend the money on the authorized rural water projects in the bill?

Mr. CONNOR. That may be the interpretation of the bill. Given the strong need on the ground and the investments and the capabilities that exist, I expect that the money would be expended.

Senator BARRASSO. But it says, “may,” not “shall,” so just in terms of the legislation.

Mr. CONNOR. Understood.

Senator BARRASSO. Thank you. With regard to page 3 under the section entitled, “Limitation,” it states that, “No amounts may be deposited in or made available from the fund.” Under those paragraphs, if the transfer or availability of the amounts would increase the deficit. I mean, this language is somewhat confusing. There is no process or method for determining whether or not a transfer would increase the deficit.

I see in your testimony, the Administration supports this provision. In your written testimony, you also state that an equivalent and an acceptable offset must be identified. So I am wondering how you are going to implement this provision. Are you going to raise fees on other government operations, cut costs to pay for the transfers. How this—will allow power rates to be increased for hydro dam users in the west. So I am just kind of looking at that. What are the different ways the Secretary can use to make these transfers deficit-neutral, and should there not really be a formal process to ensure that the bill will be deficit-neutral?

Mr. CONNOR. In the testimony and our contemplation is that the bill would be deficit-neutral when it is enacted by Congress.

Senator BARRASSO. We will see how that turns out.

Are you familiar with the GAO report in February 2006, entitled: Indian Irrigation Projects. Numerous Issues? The whole title is Indian Irrigation Projects. Numerous Issues Need to be Addressed to Improve Project Management and Financial Sustainability.

Mr. CONNOR. It has been a long time, but, yes, I am familiar with the report.

Senator BARRASSO. OK. We actually had hearings related to this in Wyoming in the Wind River Reservation.

I just want to point out that the GAO study says that there were nearly 16 irrigation projects initiated in the late 1800s—because, I mean, you are talking about 2063m down in the future—that there were 16 irrigation projects initiated in the late 1800s and the early 1900s by the Department of Interior that were never completed, are not sustaining themselves, and all but one of these projects are now managed by the Bureau of Indian Affairs. The report says—and I apologize Mr. Chairman for running over. But I will just, if it is all right, just finish this one question.

Because of insufficient funding, project maintenance has been consistently postponed, resulting in an extensive and costly list of deferred maintenance. These are in Indian Reservations. You state that the projects funded through this bill must compete with other priorities of the Bureau of Reclamation budget, including aging infrastructure.

The question is, why are we funding these new projects in this bill when authorized Bureau of Reclamation projects for Indian irrigation projects that are from a hundred years ago are still not completed and have severe deferred maintenance backlog?

So I am just curious if you could talk about that and should fixing these projects not be a top priority of the Bureau of Reclamation and the Department of Interior as opposed to moving forward with something new?

Mr. CONNOR. Actually for the vast majority of those projects that are currently within the jurisdiction of the Bureau of Indian Affairs, we are not authorized to go and do rehabilitation activity. We have been specifically authorized for rehabilitation activity on Indian irrigation systems, for instance, with respect to the Crow Tribe's irrigation system as a result of the Crow Water rights settlement.

There are specific instances where we are responsible for rehabilitation. We do prioritize those activities in our budget.

Senator BARRASSO. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Franken.

Senator FRANKEN. Thank you, Mr. Chairman. Thank you, Commissioner.

Senator, Secretary Salazar testified here that he felt—and Senator Johnson mentioned the Lewis and Clark Project. He testified that that was a priority.

Minnesota communities have paid 100 percent of their share years ahead of when they were told water was going to be there. But the project is being delayed. Minnesota communities are paying additional costs because they have no water.

Lincoln Pipestone spent \$6 million to secure an interim water supply. Rock County spent \$1.75 million on system upgrades. Luverne spent \$650,000 on a water reclamation system and a new well. Do you understand that the distrust that this builds in these communities about the Federal Government?

Mr. CONNOR. I do understand that there is frustration at the lack of funding levels that would optimize the construction of the Lewis and Clark Project, yes, sir.

Senator FRANKEN. I mean, these communities are losing economic development projects. They are losing—you know, we lost an ethanol plant in, the expansion of a pork processing plant in Worthington. Yet, these communities have now paid more really than their share. Do we know when Lewis and Clark will get completed? Do you have a date?

Mr. CONNOR. I do not have a date off the top of my head.

Senator FRANKEN. OK. These are not new projects. In other words, I support this legislation, and I would just say to the ranking—or not the ranking member, but Senator Barrasso, that these aren't new projects. To say they are new project is just wrong. Is that correct? Lewis and Clark is not a new project, is it?

Mr. CONNOR. It has been authorized for a significant amount of time.

Senator FRANKEN. Yes, since 2000, right?

Mr. CONNOR. Since 2000, yes, sir.

Senator FRANKEN. Yes and Minnesota has not gotten a drop of water from it, and these communities have paid 100 percent of their share. Now, what we are getting—so and the—you know, because of inflation, the amount that is being appropriated actually does not keep up with inflation. So the Federal share—let's see. The inflation was more than the \$5.5 million that the project was appropriated last year.

So, under this level of funding, it is not going to get done by 2063. It will just never get done. Now I am hoping the Chair—I know the Chair is leaving. Maybe he will take—get a second wind. He will stay out of the Senate for a few years and maybe he will be chairing this in 2063.

But, I mean, what this does is just actually increase the cost of the projects, does it not?

Mr. CONNOR. Certainly as we have pointed out, the indexing that occurs in the annual inflation figures are very significant in this program and to stay ahead of that aspect, it is somewhere in the \$40 million range of construction activities to get ahead of the annual inflation.

Senator FRANKEN. OK. So we got ourselves a problem here, do we not? We really do.

Mr. CONNOR. Overall funding for these programs faces some significant challenges.

Senator FRANKEN. OK. But I think what we should consider here is the commitment that was made to these local communities in Minnesota and in Iowa, which are not getting the water that they have paid for. These are local communities who cannot run a deficit. These are local communities that are seeing economic development not happen, that would have otherwise happened.

If there is any—you know, we talk about return on investment in anything, in corporate, in private industry. The return on investment of this project would be tremendous in the sense that we would be building infrastructure. We would be creating jobs for the people that are—at a time when we do not have enough people working, when we have high unemployment, when, actually, the treasuries now are getting less—you know, have to pay out less than 1 percent interest, which is less than inflation.

You know, essentially, you are being paid to borrow money. Let us do this work now. Let us do this work now so we can have the ethanol plant, so we can have the pork plant expanded, so we can have the dairies expanded, like the one in Hull. This is pennywise and pound foolish as far as I am concerned, and it is also creating a sense of distrust of the Federal Government.

When the State of Minnesota and the communities in Minnesota have paid 100 percent of their share of this, and now, they are being told that this might not be done until 2063. I just think that we—you need to support more than the goals of this. If we need to figure out some changes in the language of this, I am all fine with that. But we need to fund these projects.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Wyden.

Senator WYDEN. Thank you, Mr. Chairman, and I think we have seen how strong the passions are today about water. As Mr. Connor knows, in our part of the country in the west, water is our lifeblood. We need it for people, for drinking water. Our farmers need it at a crucial time for agriculture. It is an environmental priority in terms of fish. I just wanted to have a brief colloquy with you, Mr. Chairman, and I think our staffs have talked about this.

In our State, in our part of the world, it is absolutely essential that we get a long-term solution to the Klamath. This has gone on and on for years, and I think Mr. Connor is familiar with this as well. I think these are good projects, and we have heard some very good arguments. Certainly, Senator Franken's point about the fact so much has been done already, in terms of financing is compelling to me.

I would just like your assurance, Mr. Chairman, that before these bills advance, you would commit to working with me so that we can get a long-term solution to the Klamath, and the Klamath does not fall further behind in terms of getting resources for an urgent need for my State.

The CHAIRMAN. No, I am glad to work with you to see what can be done to resolve that issue and I think there have been several issues that have been brought up here that, obviously, we need to focus on, this being a major one. I certainly commit to work with you before we try to move forward with the legislation.

Senator WYDEN. Thank you, Mr. Chairman. That is very helpful.

Mr. Connor, your question, to start with, also deals with the Klamath. You have spent a lot of time on projects in Oregon. Can we have your assurance, much like I have asked Chairman Bingaman, that before this goes forward, you will commit also to a long-term solution on the Klamath?

I and Congressman Walden, the Congressman from the area, Senator Merkley, a number of us from our State are talking to people on the ground, in the basin, actually getting out and talking to all of those concerned about the issue. We want to come up with a long-term solution. Will you commit to me today that before these projects go forward, you will work with us on a long-term solution on the Klamath Basin?

Mr. CONNOR. Senator Wyden, I am delighted to make that commitment to you, to move forward and to help resolve these ongoing systemic conflicts that exist in the Klamath Basin because of the competing nature for the resources that are available. So we are systematically through our responsibilities through the Secretarial determination process. We are investing resources to support the goals of the KBRA itself, those broad goals. So, working with you to see how we can continue in the effort and move forward is a priority for Reclamation's priority for the department.

Senator WYDEN. I want to characterize this, and I do for a very specific reason, as working for a long-term solution because when you are out listening, you know, to people, getting their input, and getting their ideas, that is what they want. That is how they characterize it. They want a long-term solution. You have committed to me to work for something I characterize that way, and I appreciate it.

Last question for you is, will you also work with us to help reduce the cost of a long-term solution? I think there is a very strong sense that that is going to be a prerequisite to an effective approach here, an approach that works, that can get bipartisan support. Will you commit to work with us to help reduce the cost of a long-term solution in the Klamath?

Mr. CONNOR. Yes, I will, Senator.

Senator WYDEN. OK. Mr. Chairman, thank you, and I appreciate your willingness to work with me, as well.

The CHAIRMAN. All right. Thank you very much. We will let you go, Commissioner Connor. Thank you, again, for your involvement in this and your help, and in your testimony today.

We will go on to the second panel.

Mr. CONNOR. Thank you, Mr. Chairman.

Senator MURKOWSKI. I think Senator Barrasso may want—

The CHAIRMAN. Oh, did you have another question, Senator Barrasso?

Senator BARRASSO. I did, Mr. Chairman—

The CHAIRMAN. Oh, I am sorry. I thought we were through with questions. Go ahead.

Senator BARRASSO. Just briefly, because you allowed me to extend beyond in the last. It is just a couple of quick questions.

I agree with the comments by Senator Franken about what has been built up and so much work still needs to be done. I mean, I am just looking at—and it wasn't Bur Rec, but it was the Department of Interior that started these projects on the Indian Reservations in the 1800s, 1900s. You know, Blackfoot Irrigation Project, Colorado River Irrigation Project, Crow Irrigation Project, Fort Belknap Irrigation Project, Pine River Irrigation, San Carlos Indian Works Irrigation Project, San Carlos Joint Works Irrigation Project, go on and on, the Wind River Irrigation Project.

We have things with pent-up demand for well over a hundred years, and I just—you know, I have problems with saying, well, we will do all these new things when we still have not done that, and it may have been shunted off to the Bureau of Indian Affairs now. But clearly, there are still areas that involve water and the Department of Interior with original commitments made by the Department that are not being met.

One other thing. In your testimony, you state that a criteria for funding will be does the project minimize water and energy consumption and encourage the development of renewable energy resources, such as wind, solar, hydropower, to meet local needs. You specifically leave off oil, gas, coal development in the west. But isn't it true that all the funding for the Reclamation Fund comes from oil, gas, and coal development?

Mr. CONNOR. The large majority of it, but not exclusively. But you are correct that that is the vast majority of revenues into the Reclamation fund.

Senator BARRASSO. It is also true then that the overwhelming amount of the money transferred to the Reclamation Fund over the years—actually more than 50 percent—comes from the mineral activity in just one State, and that State would be Wyoming?

So under this bill before the committee, not a single project intended to be funded in this bill is located in the State that has the greatest impact on the fund. Do you find that ironic?

No further questions, Mr. Chairman. Thank you.

Mr. CONNOR. Thank you, Senator Barrasso.

Senator FRANKEN. May I just weigh in here?

The CHAIRMAN. Senator Franken, go right ahead.

Senator FRANKEN. This is not a new project. I just want to repeat to the Senator from Wyoming. This is not a new project, and this is a project that has bipartisan support. Senator Thune, Senator Grassley, Congressman King from Iowa, Congresswoman Noem have all weighed in on this. This is a project that is not a new project, and to characterize it as a new project is just dead wrong, right? Am I right?

Mr. CONNOR. No, as I mentioned, it has been a long, authorized project.

Senator FRANKEN. OK. I just wanted to make that clear. This is not a new project. This is—and this is a project in which the local communities in Minnesota have paid 100 percent well in advance, and have not gotten one drop of water.

The CHAIRMAN. All right. We appreciate your testimony, and we will move on to the second panel. Thank you very much.

Let me introduce the second panel as they are coming forward.

The Honorable Bruce Sunchild, who is the chairman of the Chippewa Cree Tribe of the Rocky Boy's Reservation in Box Elder, Montana. Appreciate you being here.

Ms. Gayla Brumfield, who is chairwoman of the Eastern New Mexico Rural Water Authority. Thank you for being here.

Mr. Troy Larson, executive director of Lewis and Clark Regional Water System in South Dakota—from Tea, South Dakota.

Mr. Nathan Bracken, who is legal counsel with the Western States Water Council in Murray, Utah. Thank you for being here.

Why do we not—usually we just go from the left to the right. If that is OK with everybody, we will just start with Mr. Larson, and then Ms. Brumfield, and then Mr. Sunchild, and then Mr. Bracken.

Mr. Larson, go right ahead. If each of you will take 5 or 6 minutes and tell us the main things we need to understand about your testimony. We will include your full written testimony in the record.

Go right ahead.

**STATEMENT OF TROY LARSON, EXECUTIVE DIRECTOR, LEWIS
AND CLARK REGIONAL WATER SYSTEM, TEA, SD**

Mr. LARSON. Mr. Chairman, Ranking Member, and members of the committee, my name is Troy Larson, executive director of the Lewis and Clark Regional Water System. On behalf of our board of directors, I voice strong support for the Authorized Rural Water Projects Completion Act.

Lewis and Clark is a regional approach to address common problems of water quality and quantity in a more effective and cost-efficient way than each of the 20-member cities and rural water systems could do alone. The project will provide a desperately needed source of drinking water to an estimated 300,000 people in southeast South Dakota and northwest Iowa, and southwest Minnesota.

Authorized and signed into law in 2000, the project is currently 65 percent complete. Just yesterday, we marked a huge milestone when we began delivering water from our treatment plant to 11 of our 20 members.

Lewis and Clark is now an operational system, which is the good news. However, the bad news is the schedule to connect the remaining 9 members is entirely dependent upon a Federal funding stream that does not even cover inflation, let alone make any meaningful construction progress.

Based on Federal funding levels, the last 2 years, the project would never be completed. Even if Lewis and Clark receives \$10 million a year, our engineers estimate the project would not be completed until 2050. The 3 States and 20 local members have prepaid over \$153 million, representing 99.7 percent of the non-Federal cost share. Many members prepaid millions a decade before expecting to receive water, showcasing the strong local support and importance of Lewis and Clark to the region.

By contrast, the remaining Federal cost share last year was \$194.3 million, but has risen to \$200.6 million this year, an increase of \$6.3 million, because Federal funding is not keeping up with inflation. To put the remaining Federal cost share of \$200.6 million into perspective, when the project was authorized in 2000, the Federal cost share was \$270.1 million. The Federal Government to date has appropriated just over \$202 million, but because of the slow pace of funding, the balance has only been reduced by just under 70 million.

This is a double whammy for taxpayers. Not only does the project become more expensive, but it takes longer to realize the economic benefits. Lewis and Clark would create thousands of jobs on the front end through construction and manufacturing and more importantly, many more long-term jobs on the back end through expanded economic development. As has been noted by our tri-State congressional delegation, Lewis and Clark will pay for itself many times over.

We have a number of economic impact examples. A large pork processing plant in Worthington, Minnesota cannot expand because of the lack of water. Ethanol plants have been turned away in northwest Iowa and southwest Minnesota. Proposed dairies have been turned away in southwest Minnesota.

The most striking example is in Hull, Iowa. Because of an emergency connection where Lewis and Clark is temporarily buying water from one member and reselling it to Hull, a large cheese factory opened in 2008. The plant employs 135 people and processes 300,000 gallons of milk a day from area dairies. Company officials have flatly stated that without this emergency connection and the promise of future water, the plant have—would not have located in Hull.

This cheese factory has been Lewis and Clark's poster child for the economic development that can take place when there is enough water. Now the cheese factor is a poster child for how economic development can be curtailed because of the lack of water. The factor wants to double production and higher another 50 workers but cannot, because it needs more water than is available. The

emergency connection we have in place is maxed out. We need to get the pipeline to Hull and the other 8 members.

When times are tough you go back to the basics. What is more basic than drinking water? It is the cornerstone of life and economic development. The 3 States and 20 local members have gone above and beyond by prepaying their share of the project. To be frank, the members are angry and outraged that the Federal Government is not honoring its commitment. They feel the Federal Government is leaving them high and dry at a time when they need water the most.

The tri-State region is in the midst of the crushing nationwide drought. We have members who under—who are under a total water ban for any non-essential use. During a drought, people often ask the question, how can we solve our water needs? Here is a situation where we already have the solution, just not the funding to carry it out.

Lewis and Clark greatly appreciates the strong bipartisan support it has enjoyed through the years, including from committee members Senator Johnson and Senator Franken. We respectfully urge Congress to pass this bill so Lewis and Clark and the other 6 projects languishing on the Bureau of Reclamation's plate can be completed in a timely manner, bringing much needed water to our Nation's heartland. We strongly urge the Federal Government to honor its commitment and not leave Lewis and Clark's members high and dry.

Thank you.

[The prepared statement of Mr. Larson follows:]

PREPARED STATEMENT OF TROY LARSON, EXECUTIVE DIRECTOR, LEWIS AND CLARK
REGIONAL WATER SYSTEM, TEA, SD

Mr. Chairman, Ranking Member and Members of the Committee:

My name is Troy Larson, Executive Director of the Lewis & Clark Regional Water System. On behalf of our Board of Directors, I voice strong support for the Authorized Rural Water Projects Completion Act. Lewis & Clark is a unique regional approach to address common problems of water quality and quantity in a more effective and cost-efficient way than each of its 20 member cities and rural water systems could do alone. The project will provide a desperately needed source of quality, reliable drinking water to an estimated 300,000 people in southeast South Dakota, northwest Iowa and southwest Minnesota.

Authorized and signed into law in 2000, the project is currently 65 percent complete. Just yesterday we marked huge milestone when we began producing treated water from our treatment plant, which is being delivered to 11 of our 20 members. Lewis & Clark is now an operational system, which is the good news. However, the bad news is the schedule to connect the remaining nine members is entirely dependent upon a federal funding stream that does not even cover inflation, let alone make any meaningful construction progress. Based on federal funding levels the last two years, the project will never be completed. Even if Lewis & Clark receives \$10 million a year, our engineers estimate the project would not be completed until 2050.

The three states and 20 local members have pre-paid over \$153 million, representing 99.7 percent of the non-federal cost share. Many members pre-paid millions a decade before expecting to receive water, showcasing the strong local support and importance of Lewis & Clark to the region. By contrast the remaining federal cost share last year was \$194.3 million, but has risen to \$200.6 million this year—an increase of \$6.3 million because federal funding is not keeping up with price increases caused by inflation.

To put the remaining federal cost share of \$200.6 million into perspective, when the project was authorized in 2000 the federal cost share was \$270.1 million. The federal government to date has appropriated just over \$202 million but because of the slow pace of funding the balance has only been reduced by just under \$70 million.

This delay is a double-whammy for taxpayers. Not only does the project become more expensive, but it takes longer to realize the economic benefits. Lewis & Clark would create thousands of jobs on the front end through construction and manufacturing, and more importantly many more long-term jobs on the back end through expanded economic development. As has been noted by our tri-state congressional delegation, Lewis & Clark will pay for itself many times over.

We have a number of economic impact examples. A large pork processing plant in Worthington, Minnesota cannot expand because of the lack of water. Ethanol plants have been turned away in northwest Iowa and southwest Minnesota. Proposed dairies have been turned away in southwest Minnesota.

The most striking example is in Hull, Iowa. Because of an emergency connection where Lewis & Clark is temporarily buying water from one member and re-selling it to Hull, a large cheese factory opened in 2008. The plant employs 135 people and processes 300,000 gallons of milk a day from area dairies, which has an enormous impact to the area. Company officials have flatly stated that without this emergency connection and the promise of future water, the plant would not have located in Hull. This cheese factory has been Lewis & Clark's poster child for the kind of economic development that can take place when there is enough water. Now the cheese factory is a poster child for how economic development can be curtailed because of the lack of water. The factory wants to double production and hire another 50 workers but cannot because it needs more water than is available. The emergency connection we have in place is maxed out. We need to get the pipeline to Hull and the other eight members!

When times get tough you go back to the basics. What is more basic than drinking water? It's the cornerstone of life and economic development. The three states and 20 local members have gone above and beyond by pre-paying their share of the project. To be perfectly frank, the members are angry and outraged that the federal government is not honoring its commitment. They feel the federal government is leaving them high and dry at a time when they need water the most.

The tri-state region is in the midst of the crushing drought. We have members who are under a total water ban for any non-essential use. During a drought people often ask the question, "How can we solve our water needs?" Here is a situation where we already have the solution, just not the funding to carry it out.

Lewis & Clark greatly appreciates the strong bi-partisan support it has enjoyed through the years. We respectfully urge Congress to pass this bill so Lewis & Clark and the other six projects that are languishing on the Bureau of Reclamation's plate can be completed in a timely manner, bringing much needed water to our nation's heartland. We strongly urge the federal government to honor its commitment and not leave Lewis & Clark's members high and dry. Thank you.

The CHAIRMAN. Thank you very much.
Ms. Brumfield, go right ahead.

STATEMENT OF GAYLA BRUMFIELD, CHAIRWOMAN, EASTERN NEW MEXICO RURAL WATER AUTHORITY, ALBUQUERQUE, NM

Ms. BRUMFIELD. My name is Gayla Brumfield. I am a former mayor of the city of Clovis, New Mexico, and I currently serve as the Chair for the Eastern New Mexico Water Utility Authority. I am here to present testimony in strong support of Senate bill 3385, the Authorized Rural Water Projects Completion Act, which would resolve some of the most critical, potable water situations in the Western United States and specifically impacting the 7 Eastern New Mexico water utility member agencies.

Mr. Chair, we applaud and deeply appreciate your recognition of the importance of rural water projects and the need for the Federal Government to provide an adequate level of funding dedicated each year to complete these projects in a timely manner.

The Federal Government's participation and funding capabilities are essential to making Eastern New Mexico Rural Water System a reality for our area residents. We are caught in a race against the failing Ogallala Aquifer and the time it will take for the Fed-

eral Government to meet its commitment to complete this important project.

If Federal funding continues along the trends and Senate bill 3385 fails to become law, then our potable water supply will continue to decline at a rate that is outpacing our only viable alternative to meet our communities' needs. In fact, we figured that it would be about 200 years on the same pace before we would actually have our situation taken care of. We believe this legislation will help us avoid costly delays in completing construction phases, limit long-term taxpayer obligations, and ensure a more predictable and cost-efficient ways of building the Eastern New Mexico Rural Water System, so we can realize a sustainable supply of water.

This legislation is vital for eastern New Mexico to establish sustainable supply of water and ensure our socio-economic future. A sustainable supply of water is critical to the future of our region which supports, among other things, the 27th Special Operations at Cannon Air Force Base, which is a huge security for our country; a number of industries, including the dairy industry and the largest cheddar cheese plant in the world, large-scale food production and processing, colleges and universities.

Providing a sustainable water supply for eastern New Mexico is our most significant challenge. Our communities rely solely on water reserves located in the Ogallala. Our member communities are investing millions of dollars basically chasing water, chasing water rights, wells, and transmission lines, just to keep up with the demand. Even with continuous investment in production facilities, pumping capacity is declining in double-digit percentages every year.

The rate of decline of the aquifer is variable and it is hard to predict exactly how many more years we have. But we absolutely know that if we do not begin receiving substantial increases in Federal funding over the next several years, the outlook for our communities is dire. In fact, south of Clovis, right now, some of the wells have gone dry and they are hauling water in.

Significant progress has been made since the Eastern New Mexico Rural Water System has received authorization. However, the majority of funding, more than \$25 million to date, is just from the State. All of our communities have stepped up to the plate and have taken care of it and identified their funding sources.

Last year, the project broke ground on phase one, building the intake structure at the Ute Reservoir. We are currently seeking Federal funding for our next phase, which is an interim groundwater pipeline, which could provide relief for a few additional years.

We are at a critical point in the development of the project and appear before you today to please expeditiously pass Senate bill 3385. We cannot emphasize strongly enough just how important this project is for our members and for our way of life, for our military, and for the citizens and businesses of Eastern New Mexico. While our situation is dire, we are well aware that 6 other critical regional rural water systems are languishing and this effort will assure a future for the West.

As mayor, I realized how important it was to take care of our communities. I love Clovis, I love Eastern New Mexico, and our

people do, too. It is a way of life that we cherish. But, without water, we will not be able to do that.

My grandchildren—two of my grandchildren live in Clovis, Kate and Nicolas, and this is for them. It is really not about me over the next few years, but it is for our children and it is for our grandchildren.

So, Mr. Chair, I thank you for championing this effort, and please know that the Eastern New Mexico Water Utility stands in strong support of 3385 and will gladly assist you in moving this important legislation through Congress.

I would also like to just take a minute, Senator Bingaman, to thank you for what you have done for our area, for New Mexico and for Clovis. We dearly will miss you. You have been a champion for us with Cannon Air Force Base and with this project. So I want to personally thank you for what you have done, and you will be very much missed.

[The prepared statement of Ms. Brumfield follows:]

PREPARED STATEMENT OF GAYLA BRUMFIELD, CHAIRWOMAN, EASTERN NEW MEXICO
RURAL WATER AUTHORITY, ALBUQUERQUE, NM

Chairman Bingaman, Ranking Member Murkowski and Members of the Committee, my name is Gayla Brumfield. I am a former Mayor of the City of Clovis, New Mexico and I currently serve as the Chairwoman of the Eastern New Mexico Water Utility Authority (Authority). I am here to present testimony in strong support of S. 3385, the Authorized Rural Water Projects Completion Act, which would resolve some of the most critical potable water supply issues in the Western United States and those specifically impacting the seven Eastern New Mexico Water Utility member agencies.

Mr. Chairman, we applaud and deeply appreciate your recognition of the importance of rural water projects and the need for the federal government to provide an adequate level of funding dedicated each year to complete these projects in a timely manner. The federal government's participation and funding capabilities are essential to making the Eastern New Mexico Rural Water System a reality for our area residents. We are caught in a race against the failing Ogallala aquifer and the time it will take for the federal government to meet its commitment to complete this important project.

If federal funding continues along current trends and S. 3385 fails to become law then Eastern New Mexico's potable water supply will continue to decline at a rate that is outpacing our only viable alternative to meet our communities' needs. We believe this legislation will help us avoid costly delays in completing construction phases, limit long-term tax payer obligations, and assure a more predictable and cost efficient means of building the Eastern New Mexico Rural Water System to realize a sustainable supply of water.

This legislation is vital for Eastern New Mexico to establish a sustainable supply of water and assure our socio-economic future. A sustainable supply of water is critical to the future of our region which supports, among other things, the 27th Special Operations Wing at Cannon Air Force Base, a number of industries including dairy, large-scale food production and processing, and colleges and universities.

Providing a sustainable water supply for Eastern New Mexico is our most significant challenge. Our communities rely solely on water reserves located in the Ogallala aquifer. Our member communities are investing millions of dollars each year in buying water rights, wells and transmission lines just to keep up with a demand that is essentially flat. Even with continuous investment in production facilities pumping capacity is declining in double digit percentages every year.

The rate of decline of the aquifer is variable and it is hard to predict exactly how many more years we have. But, we absolutely know that if we do not begin receiving substantial increases in federal funding over the next several years, the outlook for our communities is dire.

Significant progress has been made since the Eastern New Mexico Rural Water System received Congressional Authorization in 2009. However, the majority of funding, more than \$25 million to date, has come from the state of New Mexico and our member communities. Last year the project broke ground on Phase I, building

the intake structure at Ute Reservoir. We are currently seeking federal funding for our next phase of construction, the building of an interim groundwater pipeline, which could provide relief for a few additional years while the rest of project is built.

We are at a critical point in the development of the project and appear before you today to urge Congress to expeditiously pass S. 3385. We cannot emphasize strongly enough just how important this project is for our member entities, for our military, and for the citizens and businesses of Eastern New Mexico.

While our situation is dire, we are well aware that six other critical regional rural water systems are languishing and this effort will assure a future for the west.

Mr. Chairman, thank you for championing this effort and please know that the Eastern New Mexico Water Utility Authority stands in strong support of S. 3385 and will gladly assist you in moving this important legislation through Congress.

The CHAIRMAN. That is very kind. Thank you for your great service to the city of Clovis as mayor. You did a great job, and are doing a great job as head of the Water Authority now.

Chairman Sunchild, go right ahead, please.

STATEMENT OF BRUCE SUNCHILD, CHAIRMAN, THE CHIPPEWA CREE TRIBE OF THE ROCKY BOY'S RESERVATION, BOX ELDER, MT

Mr. SUNCHILD. Mr. Chairman, members of the committee, my name is Bruce Sunchild. I chair the Chippewa Cree Rocky Boy Reservation and I also co-chair the Coordinating Committee for North Central Water.

I have submitted a more detailed statement for the record and will summarize my remarks. I want to extend my gratitude to Chairman Bingaman and the members of this committee for convening this hearing on such a timely basis, for allowing me to testify. I want to extend appreciation of thousands of Indians and non-Indian residents of north central Montana to Senators Baucus and Tester for—and others as—other sponsors of S. 3385.

If I could leave this member—the members of this committee with one impression, it would be for you to understand how difficult life is when you have no assurances when you turn the water on in your house that water will in fact come out of the tap, or be potable and safe to drink.

We have one particular community in my Reservation that was impacted by flood waters when 27 out of 30 homes testified positive for E. coli bacteria and for fecal coliform bacteria. In recent years, we have hundreds of cases of H. pylori, bacteria which causes stomach ulcers, extreme gastritis, and even stomach cancer.

We have spent years in negotiating with the State of Montana, the United States, with our non-Indian neighbors to quantify our water rights to deal with water quality. President Clinton signed into—signed Public Law 106 to 163, our water rights, Settlement and Act, in 1999. Among other provisions, the act included a reservation of 10,000 acre feet of water in Lake Elwell, a Bureau of Reclamation Reservoir that is 50 miles west of our Reservation.

The 1999 Act did not, however, provide a delivery system to withdraw, treat, convey the 10,000 acre feet of water to us. It was understood that the delivery of that water to my reservation would also—while also serving our neighbors and our—and a number of off-reservation communities would be authorized by subsequent pieces of legislation.

The Federal Government was true to its word and President Bush signed the Rocky Boy's North Central Montana Regional

Water System Act 2002. This act established a congressionally authorized water project to distribute drinking water from Lake Elwell to meet tribal, municipal, rural, industrial needs for the Rocky Boy's Reservation, and 7 other communities—counties in Central Montana.

Mr. Chairman, to date, 13 years after the United States signed a historic water rights agreement with my Tribe, and 10 years after the enactment of the Federal law to deliver water to us, less than 20 percent of the Federal appropriations required to construct this project has been received.

When my people continue to suffer with waterborne illnesses, it is hard for them to believe that the U.S. kept its word when we settled our water rights in 1999 and we were told that drinking water was on the horizon.

Many of neighboring communities in North Central Montana also have water problems and some have been placed on boil water orders by Department of Environmental Quality for having—that water does not meet standards—minimum standards.

Since the its authorization in 2002, the funding ceiling for the Rocky Boy's North Central Water System Project was increased to \$229 million to over \$350 million due to the application of annual indexing factors by Bureau of Reclamation. The receipt insufficient levels appropriations and the impact inflation on having a significant impact on our water project completion. If Federal appropriations do not exceed, at least offset the impact of annual indexing, the completion of the Rocky Boy's North Central will be extended indefinitely.

I direct your attention to the chart on the easel that is to my left here, which also supports—appended to my written statement. Not only does this delay hurt my people in the health and welfare of both reservation and off-reservation residents over a large swath of Montana, but increased costs associated with delays are adding unnecessarily to the Federal deficit.

As you can see the attached chart, if we are not receiving the funding of \$35 million a year, we could complete this project at a total cost of \$418.6 million by year 2021. Were we to receive the Federal funding levels of \$15 million a year, total cost—total project cost would be \$647 million and we would not finish until 2046. The latter would cost the United States an additional \$228 million—billion.

Sadly, only twice in the last 9 years have we received funding that exceed over \$10 million. We appreciate what has been done here and we appreciate your efforts to get an annual funding for The Chippewa Cree Tribe in our north central Montana. But we have been at this for a number of years. I go all the way back to Mike Connor in negotiating the water rights of The Chippewa Cree Tribe and I appreciate your attention. We definitely support this legislation. I thank you very much.

[The prepared statement of Mr. Sunchild follows:]

PREPARED STATEMENT OF BRUCE SUNCHILD, CHAIRMAN, THE CHIPPEWA CREE TRIBE
OF THE ROCKY BOY'S RESERVATION, BOX ELDER, MT

Mr. Chairman and members of the Senate Committee on Energy and Natural Resources, my name is Bruce Sunchild, Sr., and I serve as Chairman of the Chippewa

Cree Tribe of the Rocky Boy's Reservation and Co-Chairman of the Rocky Boy's/North Central Montana Regional Water System (NCMRWS) Coordinating Committee. I have also served as Co-Chair of the Joint Federal-Tribal Water Funding Task Force, which has been an ad-hoc group coordinated by the Western States Water Council, the Native American Rights Fund and the Secretary of the Interior. Our emphasis dealt with the funding of Indian water rights settlements.

On behalf of the Chippewa Cree Tribe and Rocky Boy's/NCMRWS Coordinating Committee, I extend our gratitude to Chairman Jeff Bingaman and the members of the Senate Energy and Natural Resources Committee for the timely convening of this hearing and the invitation to testify on Senate Bill 3385, the Authorized Rural Water Projects Completion Act. This legislation authorizes the Secretary of the Interior to use designated funding to help pay for construction of authorized rural water projects, and for other purposes.

Our thanks also goes out to our Senator Max Baucus who introduced the bill and to our Senator Jon Tester who co-sponsored the bill along with several other distinguished Senators including Jeff Bingaman and Tom Udall of New Mexico, Al Franken and Amy Klobuchar of Minnesota, Kent Conrad of North Dakota, Tom Harkin of Iowa and Tim Johnson of South Dakota. It should also be acknowledged that former Senator Pete Domenici of New Mexico was keenly interested in finding a funding source for Indian water projects and spent a large amount of time advancing concepts to do so.

The passage of S. 3385 will provide the long-awaited secure funding mechanism for the completion of construction for authorized rural water projects, like the Rocky Boy's/NCMRWS Project. The Act is consistent with the requirements of the Rural Water Supply Act of 2006 that authorized the Secretary of Interior to establish and carry out the Rural Water Supply Program with funding prioritization criteria to serve as a formula for distributing funds consistent with the authorizing language in each rural water project bill.

Mr. Chairman and Committee members, I would like to briefly explain my tribe's journey to ensure the continuity of clean water for our reservation. Water is sacred to our people and is the lifeblood for our permanent homeland, the Rocky Boy's Reservation located in north central Montana. This is also true for the surrounding communities since water is the scarce common resource that connects us together. Without water, my tribe cannot survive on the permanent homeland held in trust by the United States on behalf of the tribe. This is certainly one of the reasons we chose to negotiate a settlement of the Tribe's water rights claims against the United States.

Our priority in the settlement negotiations was to have a source for clean drinking water since our groundwater is very limited in capacity and contaminated with naturally occurring arsenic from the underground Missouri River Ancestral channel. In fact, our groundwater resources are so limited that all outside water use (car washing, lawn watering) is prohibited, and indoor water use is never assured.

In December of 1999, after many years of negotiations with our non-Indian neighbors, the State of Montana and representatives of Interior and Justice Departments, President Clinton signed the "Chippewa Cree Tribe of the Rocky Boy's Reservation Indian Reserved Water Rights Settlement and Water Supply Enhancement Act of 1999" into law as P.L.106-163. Among its provisions, that Act provided 10,000 acre feet of water to the Tribe from the Tiber Reservoir (also known as Lake Elwell), located 50 miles west of the reservation¹. PL 106-163 did not include a water delivery system to withdraw, treat, and convey the 10,000 acre feet of tribal water right stored at Tiber Reservoir to the Rocky Boy's Reservation. It was understood that the authorization for the delivery of that water to my Reservation, while also serving our neighbors in off-Reservation communities, would be accomplished in a subsequent piece of legislation.

In the next Congress, on December 12, 2002, President Bush signed S. 2017, the Rocky Boy's/North Central Montana Regional Water System (NCMRWS) Act of 2002 (Title IX of PL 107-331, 116 Stat. 2859) into law. We were told that this would be the final step in the federal approval process and the beginning of a project to improve the quality of life for the Tribe and residents of north central Montana. This Act established a congressionally authorized water project to distribute clean drink-

¹ SEC. 201. TIBER RESERVOIR.

(a) Allocation of Water to the Tribe.—

(1) In general.—The Secretary shall permanently allocate to the Tribe, without cost to the Tribe, 10,000 acre-feet per year of stored water from the water right of the Bureau of Reclamation in Lake Elwell, Lower Marias Unit, Upper Missouri Division, Pick-Sloan Missouri Basin Program, Montana, measured at the outlet works of the dam or at the diversion point from the reservoir.

ing water from Tiber Reservoir to meet tribal, municipal, rural and industrial needs for the Rocky Boy's Reservation and seven (7) counties in north central Montana. It was an essential component of the implementation of our water rights settlement, as again, it was the delivery mechanism for 10,000 acre feet of water in Lake Elwell.

Mr. Chairman, to date—13 years after the United States signed a historic water rights agreement with my Tribe and 10 years after the enactment of a Federal law to deliver that water to us—less than 20% of the Federal appropriations required to construct this project (approximately \$60 million) has been received.

Since its authorization in 2002, the funding ceiling for the Rocky Boy's/NCMRWS Project has increased from \$229 million to over \$350 million due to the application of annual indexing factors by the Bureau of Reclamation. The receipt of insufficient levels of Federal appropriations and the impact of inflation are having a significant negative impact on realizing Project completion. If Federal appropriations do not exceed, or at least offset, the impact of annual indexing, the completion date for the Rocky Boy's/NCMRWS Project will be extended indefinitely as shown in the attached graph depicting the effects of inflation versus the annual Federal funding levels. (Exhibit 1—Effects of Inflation vs. Annual Federal Funding Levels, dated March 2012).^{*} Not only does this delay hurt my people and the health and welfare of both Reservation and off-Reservation residents over a very large swath of Montana, but the increased costs associated with these delays are adding unnecessarily to the Federal deficit. As you can see in the attached chart, if we were to receive funding at the level of \$35 million a year we could complete this project at a total cost of \$418.6 million by the year 2021. Were we to receive funding at a level of \$15 million a year, total project costs would be almost \$647 million and we would not finish until the year 2046. The latter would cost the United States an additional \$228 million and that does not even take into account the impact of health care costs on my people, which as discussed below is considerable. Mr. Chairman I am loathe to report that we have not been receiving annual funding at even \$10 million. As you can see from the chart, funding at that level does not allow us to keep pace with the inflationary factors used by the Bureau of Reclamation and therefore the project would take an infinite period.

Despite the limited funding received to date, we are extremely proud of the progress that has been made to address severe water shortages and surface water regulatory violations. The funding we received through ARRA was especially helpful. Average annual Federal appropriations of \$30 to \$38 million are needed to maintain anything resembling a reasonable implementation and construction timeline.

The passage of the bill pending before you today, S. 3385, will provide a consistent funding stream and certainly will help us get to completion. S. 3385 creates the Reclamation Rural Water Construction Fund. It directs the Secretary of Treasury to deposit \$80 million per fiscal years 2013 through 2029, funds that would otherwise be deposited in the Reclamation Fund, to be made available without further appropriation for the construction of authorized rural water projects. As Chairman Bingaman has noted, Reclamation's analysis shows that an increase in funding for the construction of rural water projects to \$80M per year would reduce the total Federal appropriations needed to complete the projects by more than \$1B, due to project costs and inflation. This is a prudent use of the Reclamation Fund that your colleagues created back in 1902 to construct water projects in the West. Despite having senior water rights to much of the water used by Reclamation Fund dollars, Indian tribes have not benefitted by the establishment of that fund. Allowing us to access this fund is long overdue to put it nicely. It should also be noted that the Fund has increased from \$3.8 billion in 2004 to over \$9 billion in 2009. Even more noteworthy is the fact that it has carried a surplus of at least \$960 million a year every year since 2005. Clearly there are sufficient surplus funds in this account to pay for this bill.

I applaud the Act's funding prioritization criteria that include authorized projects that address the needs of Indian tribes and its members along with other community needs or interests. This is consistent with the goals of our regional water project by serving the Rocky Boy's Reservation and numerous off-reservation systems including municipalities, county water districts, Hutterite colonies and others.

Our reservation has endured and overcome many hardships over the years. However, the devastation of two recent consecutive years of disastrous flooding required two declarations of disasters by President Obama in 2010 and 2011. Due to the catastrophic impact of multiple 100-year flood events we have endured significant damage across much of our Reservation, the worst being to our already archaic water

^{*} Exhibit has been retained in committee files.

system. Our unsanitary drinking water conditions have resulted in numerous problems.

1. Groundwater wells not being able to handle the tremendous surface water flows that resulted in infiltration of contaminating fecal coliform and *Escherichia Coli* (E. Coli) bacteria into our drinking water;

2. Parker Canyon was one of the reservation communities impacted by the floods and 27 out of 30 homes tested positive for E. Coli and fecal coliform bacteria. Our Tribal Environmental Health Department had to provide bottled water to all the communities such as Parker Canyon that experienced similar groundwater well contamination;

3. Regular water quality testing of the groundwater wells on the reservation has shown that 66 homes in 2011 still tested positive for E. Coli and fecal coliform bacteria. We have gotten consistent fecal coliform and E. Coli hits on monthly Bac-T testing;

4. The extensive flooding of the Reservation watersheds are a direct cause of many Reservation residents' septic drain fields being overwhelmed with flood water and the resulting over saturation causes fecal particulate transfers to the ground water drinking source. What this means is we have fecal coliform bacteria from the flooding of the septic drain fields resulting in an extreme public health emergency similar to what you find in third world countries. Construction funding is desperately needed to connect those reservation communities impacted by contaminated ground water wells to the on-reservation portion of the regional water project; and

A direct result of the flooding and fecal coliform bacterial contamination of groundwater wells from septic tank effluent resulted in hundreds of cases of *Helicobacter pylori* (H. pylori). H. pylori is a bacterium that causes stomach inflammation and ulcers in the stomach and duodenum. This bacterium is the most common cause of ulcers and severe gastric discomfort and is acquired from contaminated food and water or through person-to-person contact. It is common in crowded populations with poor sanitation, such as third world countries that lack the water treatment facilities that we take for granted here in the U.S.

Complications associated with H. pylori infection include:

- a. Ulcers: H. pylori can damage the protective lining of your stomach and small intestine. This can allow stomach acid to create an open sore (ulcer).
- b. Inflammation of the stomach lining: H. pylori infection can irritate your stomach, causing inflammation (gastritis).
- c. Stomach cancer: H. pylori infection is a strong risk factor for certain types of stomach cancer.

Mr. Chairman and Committee members, as you can see, the completion of the construction of the Rocky Boy's/NCMRWS must happen within the next decade or two in order to honor our water rights settlement by bringing clean drinking water to our reservation and more importantly to prevent the proliferation of H. pylori to our tribal members who suffer from its effects, similar to living in third world country without the means for clean treated water.

It must also be noted that we cannot make progress against the high levels of unemployment that exist on our Reservation until we have this most basic aspect of infrastructure in place. No business is going to locate on an Indian Reservation if they cannot be assured of good drinking water.

In closing, we fully support S. 3385 and respectfully request that provisions be included in the legislation that consider the impacts of project cost indexing applied by the Bureau of Reclamation and the corresponding completion timeline for all of the presently authorized Tribal and rural water projects. Such provisions include:

- 1) increased funding levels on an annual basis to keep pace with project cost indexing;
- 2) supplemental fiscal year contributions pending an improved state of the economy in the future; and
- 3) the possibility of extending the duration of S.3385 in the event that the completion of currently authorized rural water projects is not achieved by year 2034.

Mr. Chairman and Committee members, I thank you again for allowing me to testify on this critically important legislation that will help us to complete the construction of our authorized regional water project on a more timely basis thereby increasing our standard of living on the Rocky Boy's Reservation and surrounding communities in north central Montana to that of rest of the U.S. The ability to drink clean water is not too much to ask for.

Thank you.

The CHAIRMAN. Thank you very much for your testimony.

Our final witness is Mr. Nathan Bracken, who is legal counsel for the Western States Water Council.

Go right ahead.

**STATEMENT OF NATHAN BRACKEN, LEGAL COUNSEL,
WESTERN STATES WATER COUNCIL, MURRAY, UT**

Mr. BRACKEN. Chairman Bingaman, Ranking Member Murkowski, and members of the committee, I am legal counsel for the Western States Water Council, which is a non-partisan advisory body on water policy issues that represents 18 Western Governors and their States. I appreciate the opportunity to discuss our support for 3385 and the importance of rural water projects in the West.

Across the 17 Western States, rural and tribal communities are experiencing water supply shortages due to drought, decrease in groundwater supplies, and inadequate infrastructure. Those water supplies that are available are often of poor quality and many communities are struggling to comply with increasingly stringent Federal water quality and drinking water mandates.

In 2009, the Council worked closely with the Bureau of Reclamation to identify sources of information on potable water supply needs in non-Indian rural areas of the West. Reclamation recently estimated that the identified need for potable water systems ranges from \$5 billion to \$8 billion, not including another \$1.2 billion for specific Indian water supply projects.

As Reclamation Commissioner Mike Connor recently said, his agency also estimates that it will cost about \$2.6 billion to complete currently authorized projects, which is substantially higher than the \$2 billion that Congress originally authorized.

At current funding levels around \$50 million per year for construction, Reclamation estimates that some projects could be delayed beyond 2063, despite the expenditure of almost \$4 billion in Federal funds by that point. An additional \$1.1 billion in Federal expenditures will be needed to complete those projects that are not constructed by 2063.

The \$80 million per year that S. 3385 would provide for authorized projects represents a relatively modest Federal investment when compared to the increased cost that will likely occur if Federal funding remains at current levels.

We recognize that there are Federal budget constraints. Nevertheless, such constraints do not negate the Federal responsibility to complete authorized rural water projects, especially those projects intended to fulfill, in part, a solemn Federal promise and trust responsibility to compensate States and Tribes for lost source—lost resources as a result of the construction of Federal flood control projects.

It is also important to note that the Federal expenditures provided under Senate bill 3385 would generate significant and actual returns on this investment. For example, a 2006 study by HDR, Incorporated on the economic impacts of constructing Lewis and Clark Rural Water System found that the total economic impact to

South Dakota, as well as Iowa and Minnesota, would total \$414.4 million, including the direct and indirect creation of 7,441 jobs.

Other notable benefits of rural water supply projects include improved potential for economic development and improved health and quality of life in affected communities.

The Council also supports S. 3385's use of moneys that would otherwise accrue to the Reclamation Fund, to help finance the construction of authorized rural water projects.

Congress established the fund in 1902 to be the principle means of financing Federal Western water and power projects, and its receipts are derived from water and power sales, project repayments, and receipts from public land sales and leases in the 17 Western States, as well as oil and mineral-related royalties. However, these funds are only available for expenditure, pursuant to annual appropriations.

Over the years, rising energy prices and declining Federal expenditures from the fund for reclamation purposes have resulted in an increasing large unobligated balance, which is estimated to total around \$12 billion by the end of fiscal year 2013. Contrary to Congress' original intent, instead of supporting western water development, much of this money has gone instead to other Federal purposes at a time when funding for reclamation has been constrained.

The Council has long supported using the Reclamation Fund for its intended purpose of financing Western water development, including the types of rural water projects that would receive funding under this bill.

It is also important to note that the bill's use of Reclamation Fund's moneys would not be subject to further appropriation. It would be in addition to other amounts appropriated for the authorized projects and should not result in corresponding offsets to other critical reclamation or Department of the Interior programs.

Last, the programmatic goals and funding priorities that S. 3385 requires the Secretary of the Interior to develop should be created in a transparent manner, in consultation with the affected communities and States, and should consider existing State water plans and priorities. States in the affected communities have on-the-ground knowledge of the facts and circumstances associated with these projects and are, therefore, the most appropriate entities to assist the Secretary in this effort.

I appreciate the opportunity to testify and urge the committee to approve S. 3385.

[The prepared statement of Mr. Bracken follows:]

PREPARED STATEMENT OF NATHAN BRACKEN, LEGAL COUNSEL, WESTERN STATES
WATER COUNCIL, MURRAY, UT

I. INTRODUCTION

Chairman Bingaman, Ranking Member Murkowski, and members of the Committee, my name is Nathan Bracken and I am the Legal Counsel for the Western States Water Council (WSWC). The WSWC is a non-partisan advisory body on water policy issues that represents eighteen western states and their governors. Our members are appointed by their respective governors, and include senior state water managers and administrators. We are also closely affiliated with the Western Governors' Association (WGA). I appreciate the opportunity to discuss our support for the "Authorized Rural Water Projects Completion Act" (S.3385) and the importance of rural water projects in the West.

As discussed below, the WSWC supports S. 3385 as authorizing a timely federal investment of modest amounts that will minimize long-term federal expenditures, create more jobs now, and fulfill long-standing promises and trust responsibilities to rural and Tribal communities, some of which date back decades. My testimony today is based primarily on WSWC Position #343 (attached as Attachment A),* which we sent to Chairman Bingaman and Ranking Member Murkowski in the form of a letter on June 8, 2012, expressing our support for legislative action to establish a dedicated funding source for the completion of federal rural water projects authorized by Congress for construction by the Bureau of Reclamation. Portions of my testimony are also based on WSWC Position #333 (attached as Attachment B), which sets forth the WSWC's long-standing policy in support of using receipts accruing to the Reclamation Fund to finance western water development, including the types of rural water projects that would receive funding under S. 3385.

II. THE NEED FOR RURAL WATER PROJECTS IN THE WEST

Across the West, rural communities are experiencing water supply shortages due to drought, decreasing groundwater supplies, and inadequate infrastructure. Some communities have had to haul water over substantial distances. Moreover, those water supplies that are available to these communities are often of poor quality and may be impaired by naturally occurring and man-made contaminants, including arsenic and carcinogens, which impacts their ability to comply with increasingly stringent federal water quality and drinking water mandates. At the same time, many rural and Tribal communities in the West are suffering from significant levels of unemployment and simply lack the financial capacity to pay for drinking water system improvements.

Since the 1980s, Congress has authorized Reclamation to address this need by designing and constructing projects to deliver potable water supplies to rural communities in the 17 western states. Furthermore, Congress established Reclamation's Rural Water Supply Program when it enacted the Rural Water Supply Act of 2006 (Pub. L. 109-451), authorizing the agency to work with rural communities in the West, including Tribes, to assess potable water supply needs and identify options to address those needs through appraisal investigations and feasibility studies.

In 2009, the WSWC worked closely with Reclamation to identify sources of information on potable water supply needs in non-Indian rural areas of the West. Reclamation recently released a draft assessment report on July 9, 2012 ("Draft Report") that discusses the results of this effort, finding that the identified need for potable water supply systems in rural areas of the 17 western states ranges from \$5 billion to \$8 billion, not including another estimated \$1.2 billion for specific Indian water supply projects.¹

The Draft Report notes that there are currently eight active rural water projects located in Montana, New Mexico, North Dakota, and South Dakota, including the Lewis and Clark Rural Water Supply Project, which is located mostly in South Dakota but encompasses parts of the non-Reclamation states of Iowa and Minnesota.² The report also notes that of eleven rural water projects that Congress authorized Reclamation to undertake between 1980 and 2007 (when the Rural Water Supply Act was enacted), only four have been completed.³

According to Reclamation, the total amount of Federal funding needed to complete these eight authorized projects is now \$2.6 billion, which is substantially higher than the \$2 billion that Congress originally authorized. This increase is due in part to the rising costs of materials and labor as well as inflation. Nevertheless, Reclamation estimates that these authorized projects could be completed by 2029 at a total Federal cost of around \$3 billion, so long as Federal funding reflects the estimates provided in the original final engineering reports for each of the authorized projects—about \$162 million annually. However, at current funding levels of around \$50 million for construction, Reclamation estimates that some projects could be delayed beyond 2063 despite the expenditure of almost \$4 billion in Federal funds by that point. Moreover, an additional \$1.1 billion in Federal expenditures would be needed to complete those projects that are not completed by 2063.⁴

* Attachments A and B have been retained in committee files.

¹ BUREAU OF RECLAMATION, ASSESSMENT OF RECLAMATION'S RURAL WATER ACTIVITIES AND OTHER FEDERAL PROGRAMS THAT PROVIDE SUPPORT ON POTABLE WATER SUPPLIES TO RURAL COMMUNITIES IN THE WESTERN UNITED STATES, 8 (July 9, 2012), available at: <http://www.usbr.gov/ruralwater/docs/Rural-Water-Assessment-Report-and-Funding-Criteria.pdf>.

² Id. 3-4.

³ Id. at 1-3.

⁴ Id. at 5.

III. FEDERAL FUNDING FOR RURAL WATER PROJECTS UNDER S. 3385

S. 3385 would provide \$80 million per year for each of fiscal years 2013 through 2029 to complete the construction of rural water projects that have already received Congressional authorization. Other projects may be eligible for funding if: (1) the Secretary of the Interior completes a feasibility report for the project by September 30, 2012 that recommends its construction; and (2) Congress authorizes the project's construction after S. 3385's enactment.

This funding represents a relatively modest Federal investment, compared to the increased costs that will likely occur if funding remains at current levels. We recognize that there are Federal budget constraints. Nevertheless, such constraints do not negate the Federal responsibility to complete authorized rural water projects, particularly those intended to fulfill in part a solemn Federal promise and trust responsibility to compensate States and Tribes for lost resources as a result of the construction of Federal flood control projects. It is also important to note that the Federal expenditures provided under S. 3385 would generate significant and actual returns on this investment, including but not limited to:

- **National Economic Impacts:** According to a 2008 U.S. Conference of Mayors report, one dollar invested in water supply and sewer infrastructure increases private output, or Gross Domestic Product, in the long-term by \$6.35. Furthermore, for each additional dollar of revenue generated by the water supply and sewer industry, the increase in revenue that occurs in all industries for that year is \$2.62.⁵
- **Economic Impacts and Job Creation in Rural Communities:** Investments in rural water projects have a direct impact on the economies of the communities serviced by those projects. For example, a 2006 study by HDR, Inc. on the economic impacts of constructing the Lewis and Clark Rural Water System, which would receive funding under S. 3385, found that the total economic impact to South Dakota, Iowa, and Minnesota would total \$414.4 million. The report also estimates that the project's construction would directly or indirectly create 7,441 jobs. On a yearly basis, this equals the creation of 533 direct and indirect jobs with average annual salaries ranging from \$25,591 to \$33,462. Approximately 72% of the economic impacts would be realized in South Dakota, with 17% in Iowa and 11% in Minnesota.⁶
- **Improved Potential for Economic Development in Rural Areas:** The economy of every community, especially rural communities, requires sufficient water supplies of suitable quality. Such supplies depend upon adequate water infrastructure. Improving the water infrastructure of the rural and Tribal communities that would be affected by S. 3385 will improve their ability to develop their economies in ways that are not possible with their current water supplies.
- **Improved Quality of Life:** The types of water projects that would receive funding under S. 3385 would meet the same water quality standards as public systems. These projects would therefore provide a higher quality of safe drinking water and associated health benefits than the water supplies upon which these communities currently rely.
- **Reduced Costs:** Rural communities would no longer need to expend limited resources drilling and maintained wells, softening and treating water, or hauling water. In addition, such communities would see decreased electrical pumping costs.
- **Rural Fire Protection:** Rural water systems provide access to water supplies for fire protection.
- **Livestock Use:** Rural water projects provide a more reliable and better supply of water for livestock. They also have the potential to decrease the impacts of livestock grazing on riparian areas by allowing for the delivery of water away from these sensitive areas.
- **Increased Property Values:** In some areas, the resale value of property may increase with a more reliable, safe, clean and adequate water supply.

⁵ THE U.S. CONFERENCE OF MAYORS: MAYORS WATER COUNCIL, LOCAL GOVERNMENT INVESTMENT IN MUNICIPAL WATER AND SEWER INFRASTRUCTURE: ADDING VALUE TO THE NATIONAL ECONOMY, i (August 2008), available at: <http://www.usmayors.org/urbanwater/documents/LocalGovt%20InvInMunicipalWaterandSewerInfrastructure.pdf>.

⁶ HDR, INC., THE ECONOMIC AND FISCAL IMPACTS OF CONSTRUCTING THE LEWIS AND CLARK RURAL WATER SYSTEM: 2004 STUDY AND 2006 UPDATE, 2—3, 63—64 (March 2006), available at: <http://www.lcrws.org/pdf/EconomicImpactStudy/EconomicImpactStudy.pdf>. See also BUREAU OF RECLAMATION, *supra* note 1 at 4 (discussing Federal costs for currently authorized rural water projects).

IV. THE USE OF THE RECLAMATION FUND UNDER S. 3385

Section 3(a) of S. 3385 would provide funding for eligible rural water projects by establishing a Reclamation Rural Water Construction Fund (RRWCF) within the U.S. Treasury that would be financed from revenues that would otherwise be deposited in the Reclamation Fund. These funds would not be subject to further appropriation, would be in addition to other amounts appropriated for the authorized projects, and should not result in corresponding offsets to other critical Reclamation and Department of the Interior programs. The Secretary of the Interior would also invest the portion of these receipts not needed to meet current withdrawals, and the resulting interest and proceeds from the sale or redemption of any obligations would become part of the RRWCF. The RRWCF would terminate in September 2034, at which point its unexpended and unobligated balance would transfer back to the Reclamation Fund.

Congress established the Reclamation Fund when it enacted the Reclamation Act of 1902 (P. L. 57-161) and it was intended to be the principle means of financing Federal western water and power projects in the 17 western states. As stated in Section 1 of the Reclamation Act, it provides monies “. . . reserved, set aside, and appropriated as a special fund in the Treasury.”

The Reclamation Fund’s receipts are derived from water and power sales, project repayments, and receipts from public land sales and leases in the 17 western states, as well as oil and mineral-related royalties. However, the receipts that accrue to the Fund each year are only available for expenditure pursuant to annual appropriations acts. Over the years, rising energy prices and declining Federal expenditures from the Fund for Reclamation purposes have resulted in an increasingly large unobligated balance.

According to the Administration’s FY 2013 budget request, actual and estimated appropriations from the Reclamation Fund are \$953 million for FY 2011, \$877 million for FY 2012, and \$859 million for FY 2013. While these appropriations have decreased, the Fund’s unobligated balance has grown from an actual balance of \$9.6 billion in FY 2011 to an estimated \$12.4 billion by the end of FY 2013. Contrary to Congress’ original intent, instead of supporting western water development, much of this money has gone instead to other Federal purposes.

The WSWC has long supported using the Reclamation Fund for its intended purpose of financing western water development, including the types of rural water projects that would receive funding under S. 3385. As stated in WSWC Position #333, Congress and the Administration should:

[F]ully utilize the funds provided through the Reclamation Act and subsequent acts for their intended purpose in the continuing conservation, development and wise use of western resources to meet western water-related needs—recognizing and continuing to defer to the primacy of western water laws in allocating water among uses—and work with the States to meet the challenges of the future.

Unlike typical Congressional authorizations that often do not specify a funding source and may require more Federal monies in addition to current authorizations, the RRWCF would rely on the established stream of receipts and associated interest that already accrue to the Reclamation Fund. Furthermore, as required by Section 3(b)(3) of S. 3385, no amounts may be deposited or made available to the RRWCF if the transfer or availability of the amounts would increase the Federal deficit.

It is also important to note that the concept of using receipts accruing to the Reclamation Fund to establish a separate account to finance specific water projects is not new. Specifically, Congress established the Reclamation Water Settlements Fund (RWSF) under Title X of the Omnibus Public Lands Management Act of 2009 (Pub .L. 111-11). Like the RRWCF, the RWSF consists of receipts transferred from the Reclamation Fund and provides specified levels of funding starting in FY 2020 for a period of 10 years to help finance specified water infrastructure projects that are part of Congressional-authorized water settlements, especially Indian water rights settlements. The WSWC supports the RWSF for the same reason it supported the establishment of the RRWCF as proposed in S. 3385—the use of these funds furthers the construction of much needed water infrastructure in the West in accordance with the Reclamation Fund’s original intent and purpose.

V. FUNDING PRIORITIZATION UNDER S. 3385

Before expenditures from the RRWCF could be made, Section 3(c)(3) of S. 3385 would require the Secretary of the Interior to develop programmatic goals to ensure that the authorized projects are constructed as expeditiously as possible, and in a manner that reflects the goals and priorities of the projects’ authorizing legislation

and the Rural Water Supply Act of 2006. The bill would also require the Secretary to develop funding prioritization criteria that would consider: (1) the “urgent and compelling need” for potable water supplies in affected communities; (2) the status of the current stages of completion of a given project; (3) the financial needs of affected rural and Tribal communities; (4) the potential economic benefits of the expenditures on job creation and general economic development in affected communities; (5) the ability of a given project to address regional and watershed level water supply needs; (6) a project’s ability to minimize water and energy consumption and encourage the development of renewable energy resources, such as wind, solar, and hydropower; (7) the needs of Indian tribes and Tribal members, as well as other community needs or interests; and (8) such other factors the Secretary deems appropriate.

As the WSWC stated in its June 8 letter, these programmatic goals and funding priorities “. . . should be developed in a transparent manner in consultation with the affected communities and States—and should consider existing state water plans and priorities.” States and the affected communities have on the ground knowledge of the facts and circumstances associated with the authorized projects that would receive funding under S. 3385, and are therefore the most appropriate entities to assist the Secretary in developing these goals and priorities.

VI. CONCLUSION

The expedited construction of authorized rural water projects will save money in the long run as costs continue to rise, and fulfill Federal obligations in a more timely manner, including Federal tribal trust responsibilities. Postponing spending on this obligation through inadequate or insufficient funding levels only increases Federal costs and perpetuates hardships to rural and Tribal communities in the West. S. 3385 would not only fulfill solemn Federal obligations, but also provide needed economic development and job creation.

Importantly, the bill would use receipts that are already accruing to the Reclamation Fund for their intended purpose of financing the construction of western water projects.

I appreciate the opportunity to testify on behalf of the Council, and we urge the Committee to approve S. 3385 and work with the States towards its effective implementation.

The CHAIRMAN. Thank you very much for your testimony.

I am going to introduce into the record of the hearing, testimony from D.L. Sanders, who is chief counsel to the New Mexico State engineer, in strong support of the legislation we are considering today, and also a statement for the record from—signed by Mr. Chris Udall. I am not sure his exact relationship to our Member here and to my colleague, as well. But he is the Executive Director of the Agri-Business Council of Arizona, indicating their strong support for this legislation, as well.

Let me just ask a few questions.

Gayla Brumfield, let me ask you about—can you recall how much State and local money has been contributed toward construction of this project to date, and how that compares to what the Federal Government has done?

Ms. BRUMFIELD. Yes, sir. In fact, the State of New Mexico, with the last loan, or groan, that we received, by the end of the year, will be close to 29 million. Right now, we sit at around 25, 26 million.

The local communities have put forth everything that they have needed to, to date, or have made arrangements to make sure to fund their piece, which Clovis’, by the way, is a total of \$34 million. We have put in a sales tax and some other entities on how we are going to fund that.

So right now, to date, we have started the intake structure, phase one, which is about a \$15 million project, I believe, on the

first phase, and we do have the funds for that, which most of that has come from the State of New Mexico.

The CHAIRMAN. All right. That is useful information. In addition to Clovis' sales tax to pay its portion of it, are the other communities that stand to benefit from this construction, are they also making arrangements to be able to pay their portion?

Ms. BRUMFIELD. Yes, sir, they have. They have been paying their portion to date, and every one of the 7 entities have taken care of what they need to do. They are ready to go, and so we have—in my opinion, the local communities have done their part. The State has stepped up and done their part. Now we are ready for the Federal Government to move forward and do their part.

The CHAIRMAN. Let me just ask any of the 4 of you if you have information about how—in my State, we are in, what is I guess meteorologists have characterized as a prolonged drought, and that is getting worse it seems. Are the projects that we are talking about constructing here and completing construction on, are they going to be able to help communities deal with this prolonged drought in a serious way? Chairman Sunchild, did you have a perspective on that?

Mr. SUNCHILD. Yes. As we speak right now, a lot of my reservation is on a water restriction. If you could see a map, the agency lies up here and then our community is going down into Box Elder, which is 14 miles away. If you water your lawn out here Box Elder, I am out of water up here because that is at the top of the system. I am the chairman. I would not. No, that is a joke.

But anyway, we are also in a big development stage. We just recently completed a detention center. We are now building a clinic because of our flood a couple of years ago destroyed our clinic, so we have to move it down further. So down further, as we construct—continue to construct, we are really water-short in that area. This coming from Tiber Dam, I think we have got 14 miles in as we speak.

I would just like to make a comment here. Even more significant is that since 2005, the Reclamation Fund had a surplus of over \$960 million every year in surplus funds alone. There was more than enough money available to pay for this bill without requiring any further appropriations, and I would support this bill.

The CHAIRMAN. All right.

Mr. SUNCHILD. Thank you.

The CHAIRMAN. Let me just ask one other question here. Maybe, Mr. Bracken, you could answer this. Your statement indicates that the unobligated balance in the Reclamation Fund is projected to increase from \$9.6 billion to \$12.4 billion by the end of 2013. Could you explain why that increase is scheduled to occur?

Mr. BRACKEN. Sure. The fund requires that appropriations be made each year. Appropriations as you have mentioned have averaged a little bit under a billion dollars. At the same time, energy revenues and other sources of revenue to the fund have increased. So, quite frankly, the appropriators aren't appropriating the amount of money that goes into the fund each year and that leaves an unobligated balance that grows.

Importantly, this unobligated balance is growing at a time when funding to reclamation itself for these types of projects is con-

strained. The Council has long supported using the revenues that accrue to the Reclamation Fund to support these types of projects, which is what the fund was originally created to do.

The CHAIRMAN. As I understand it, the unobligated balance in the fund is growing much more rapidly than the \$80 million we are considering in this legislation that would be automatically used to help with construction of these projects each year. Is that right?

Mr. BRACKEN. Yes, Chairman, that is my understanding as well.

The CHAIRMAN. All right.

Senator JOHNSON.

Senator JOHNSON. Thank you, Mr. Chairman.

First, I would like to welcome Troy Larson, Executive Director of the Lewis and Clark Regional Water System. Troy is a constituent of mine from South Dakota, and we have worked for many years together to advance this critical water system.

I note that Red Arndt is also seated in the audience. He is the Chairman of the Board of Lewis and Clark, and he is from Luverne, Minnesota.

Troy, you have testified that we have reached a historic milestone this week with our water treatment plant coming online. Lewis and Clark can now start delivering treated water to 11 of the 20-member communities. Ten of those communities are in South Dakota, and we are grateful for that.

At the same time, these members are going to have to pay quite a bit more until all other members are connected. Could you expand on the impacts to those communities?

Mr. LARSON. Thank you, Senator for your support and that question.

Yes, the 11 members that are receiving water are in much better shape obviously than those 9 members who do not—who are not connected at this point. But those 11 members certainly have plenty of skin in the game to make sure the project is completed.

The reason I say that is, they are paying through their water rates 100 percent of the cost to operate a very large and expensive treatment plant. We do not get any funding for O&M, so any operations and maintenance comes from the water sales. Those members will be paying approximately 50 percent more for their water until all the members are connected. Obviously, as more members are connected, then they share in the cost to operate the treatment plant.

Senator JOHNSON. The slow pace and uncertainty of construction funding has never—negative consequences, one of which is that we build the projects more inefficiently. Could you touch on some of those challenges? Also, how might the Authorized Rural Water Completion Act help alleviate these challenges and avoid unnecessary costs?

Mr. LARSON. Thank you for that question. Yes, it would provide a more predictable source of funding for us, which would be a huge help. We spend so much time and money on what if scenarios, trying to jerry-rig the project, thinking of, well, if we can only do this many miles, how would we make that work? We just spend an enormous amount of time and money on that.

One example is every time we slice a segment of pipe in half, if we wanted to do 12 miles, but we can only do 6 miles, our engi-

neers estimate that adds a quarter million dollars to the cost. That just adds up over time.

So what we find ourselves doing is either having to hold on to the money that Congress has appropriated and risk reprogramming, or spending it to build 3 or 4 miles of pipe when we know that is going to cost more in the long run. Our goal is to bring this project in under budget. Right now, we are right at budget. Every time we have to do something creative, that ends up spending more money in the long run. This bill would provide a much more predictable source of funding and allow us to plan accordingly.

Senator JOHNSON. Mr. Bracken, you discussed the significant returns on investment from the rural water supply projects in the west. If Congress enacts this legislation to provide a minimum consistent funding level to advance these projects, what types of benefits could we expect to see in the local and regional economies this project has served?

Mr. BRACKEN. I think the most significant benefit is that it allows business to take place. Any economy, regardless of where it takes place, specifically in rural areas, requires water of suitable quality and a certain amount. These systems will allow industries and businesses to have a certain amount of—or a greater amount of certainty to know that when they relocate or they build facilities in a certain area, that they will have the water that they need to conduct their operations. I think that is perhaps the biggest impact.

There are a number of other related impacts to that. You also have added fire protection the water supplies provide through these systems. You have benefits relating to property value increases in homes that have a more reliable water supply. Obviously, someone is willing to pay more money for a home where you don't have to haul water to it or haul waste away from it.

So, I would say those are probably the most common benefits.

Senator JOHNSON. My time has expired.

Mr. CHAIRMAN. Senator Franken.

Senator FRANKEN. Thank you, Mr. Chairman. Thank you to all of you.

Mr. Larson, in your testimony you noted that the States and local communities have prepaid 99.7 percent of their commitment. I know Minnesota, it is 100 percent. I heard from a number of the Minnesota communities that it was not easy to make the financial commitment, as Ms. Brumfield testified about the communities in New Mexico.

But on top of that, there are communities in Minnesota that have had to make—and I suppose in Iowa—have had to make—and in South Dakota—have had to make additional investments because they do not yet have the water that they were counting on. Can you elaborate a bit on these communities and what these communities have had to pay over and above the 100 percent commitment that they met to Lewis and Clark?

Mr. LARSON. Absolutely. Thank you for that question, Senator.

This has been really insult to injury. These members have struggled mightily to come up with the money to prepay the project costs, the non-Federal costs, based on the promise of the Federal funding coming through. But the delays have been such that these

members just haven't been able to wait any longer. They have had to make infrastructure improvements or changes that they simply didn't plan for.

The totals so far in Minnesota, Iowa, and South Dakota is \$9.3 million. The vast majority of that, as you noted earlier, actually has been the Minnesota members have—who have borne the biggest brunt out of that. Out of the \$9.3, \$8.3 million of that has been in Minnesota, and so, truly, it is insult to injury that this is money on top of what they have already spent to the project. Still, there is no idea when they are going to get water.

Senator FRANKEN. OK. In the meantime, we are seeing economic development for stalled.

Mr. Bracken, I noted in your testimony, you said that there is an estimated \$414 million in economic development that would come from this project that is not happening?

Mr. BRACKEN. Yes, that was my understanding from a 2006 report by HDR, Incorporated.

Senator FRANKEN. We have this unobligated funds, this unobligated balance in the bureau. So there is money there to do this. Right now, basically our Treasury is paying private investors to borrow our money because the rate of return on the Treasury's is less than inflation.

So instead of paying other people to buy our debt, why do we not get these projects done and create economic development in these communities? I mean, it does not make sense. It is like, let us pay people to borrow our money. Or why do we not we invest in the infrastructure? We are borrowing it anyway. I mean, one way we are—and the other way we are investing it. I mean, either way, it is the same thing.

This way, we meet our obligations to these local communities and to the States, and we invest in their ability to have a dairy in Hull, and expand the dairy in Hull to create 50 more jobs, and to build the ethanol plant in southwestern Minnesota, or a number of them, to expand the pork facility in Worthington, to create jobs all over the place. This is what we are supposed to be doing.

To me, this just makes sense, this piece of legislation and it seems absurd to me that we are letting this money be unobligated, billions of billions of dollars be unobligated, and that this \$80 million is—a year makes absolute makes perfect sense and it makes—in fact, to me, it is absurd not to use it.

Any reaction to my tirade?

Mr. CONNOR. Senator Franken, I believe our respective high school math teachers would be very proud of us that we have figured out this a no-brainer from a financial standpoint.

The taxpayers are losing money on this. It is the example of—I have shared of, if you decide to take a year off paying your credit card thinking you are saving money, it is costing you more in the long run. The fees continue to accumulate.

So, again, I believe our math teachers would be proud of us that we have figured this out, but hopefully this bill will pass and we will get back on track.

Senator FRANKEN. OK. Obviously, my time is up. But, Ms. Brumfield, since you are from New Mexico, I think the Chairman—I see you wanting to say something, I think.

Ms. BRUMFIELD. No, I just could not agree with you more.

Senator FRANKEN. Oh, OK.

Ms. BRUMFIELD. Thank you for your comments today.

Senator FRANKEN. I didn't mean to try to fish for a "I couldn't agree with you more."

Ms. BRUMFIELD. No, I just wanted to thank you for your comments, and that we support, absolutely, what you are saying and agree with that.

Senator FRANKEN. Thank you.

The CHAIRMAN. All right. Any other questions?

If not, let me thank the witnesses. I think it has been a useful hearing, and we hope very much we can get the support to move ahead with the legislation. That will conclude our hearing. Thank you.

Mr. LARSON. Thank you, Mr. Chairman.

Ms. BRUMFIELD. Thank you.

[Whereupon, at 11:38 a.m., the hearing was adjourned.]

APPENDIXES

APPENDIX I

Responses to Additional Questions

RESPONSES OF MICHAEL L. CONNOR TO QUESTIONS FROM SENATOR BINGAMAN

NEED FOR RURAL WATER PROJECTS

Question 1a. There are many agencies involved in rural water matters. Can you please describe the particular niche that the Bureau of Reclamation's program fills?

Answer. Reclamation has, over its more than 100 years in existence, designed and constructed some of the largest and most important water supply projects in the Western United States including Hoover Dam, Grand Coulee Dam, and the Central Valley Project. Because of that expertise, rural communities have often sought Reclamation's expertise and assistance to address their need for potable water supplies. Public Law 109-451 authorized Reclamation to investigate, identify, plan, design and oversee the construction of rural water projects that serve rural areas and small communities or Indian tribes in the Reclamation states and which meet certain criteria outlined in the statute such as promoting and applying a regional or watershed perspective to water resources management and addressing an urgent or compelling need. Reclamation's recently completed draft assessment report titled "Assessment of Reclamation's Rural Water Activities and Other Federal Programs that Provide Support on Potable Water Supplies to Rural Water Communities in the Western United States" (www.usbr.gov/ruralwater/docs/Rural-Water-Assessment-Report-and-Funding-Criteria.pdf) details the separate role played by various Federal agencies involved in rural water matters. Reclamation's program complements these other Federal programs, as well as State programs established to support the construction of discrete water treatment facilities and/or water distribution systems for particular communities.

Question 1b. What is the need for these projects?

Answer. Many rural communities in the United States have an ongoing need for potable water supplies. Non-Federal parties have traditionally been responsible for constructing municipal water supply systems. The six ongoing congressionally authorized Federal rural water projects exist in communities that are experiencing urgent needs for a potable water supply due to poor quality of the existing supply or the lack of a secure, reliable supply. For example, in rural Montana, some communities have, from time-to-time, been subject to "boil water" orders due to the unsafe conditions of the existing drinking water supplies. In eastern New Mexico, existing communities currently rely on the diminishing Ogallala Aquifer, and the current drinking water supplies are projected by the Eastern New Mexico Rural Water Authority to be depleted within 40 years.

Question 1c. Should we not build these projects because relatively few Americans will be served by them?

Answer. Constructing these infrastructure projects will not only help provide the health and economic benefits of a clean, reliable, drinking water system that most Americans take for granted, but will also assist in creating jobs in the short-term through ongoing construction.

COSTS OF THE PROJECTS

Question 2. Your testimony states that by building the projects at an accelerated rate we can actually save the Treasury money. How much will be saved? What is the basis for this analysis?

Answer. The cost of these projects is dependent upon the rate of completion. In general, the longer it takes to complete authorized rural water supply projects, the higher the cost ceiling for incomplete projects. Each of the Acts of Congress authorizing Reclamation's involvement in rural water supply projects generally requires that the cost ceilings included in the legislation be indexed to adjust for inflation that includes the rising cost of materials and labor, which was estimated to be 4% annually. The result of this requirement is that the overall cost of rural water projects that are under construction has risen and continues to rise, and the total funding required to complete these projects is now \$2.6 billion, which is substantially higher than the original authorizations, which totaled \$2.0 billion. Increased non-Federal funding could also serve to contain these costs.

The analysis conducted as part of the draft assessment report cited above determined that Reclamation would continue to make progress toward completion of authorized rural water supply projects at an annual funding level of approximately \$50 million for construction. However, some of the currently authorized projects would not be completed until after 2063 despite close to \$4.0 billion in Federal funds being invested by that time. It is estimated that as of 2063, an outstanding balance of approximately \$1.1 billion in Federal funding would remain to complete construction of currently authorized projects at an annual funding level of \$50 million. In contrast, at an annual funding level of \$80 million, all currently authorized projects would be completed by 2039 at a total cost of approximately \$3.4 billion.

COMPETING NEEDS

Question 3a. Do you view these projects and the spending provided for by this bill as competing with other water needs in the West?

Answer. Yes, The Rural Water Program must compete with other priorities within Reclamation's budget, including aging infrastructure, Indian water rights settlements, environmental compliance and restoration actions, facilitating more sustainable water supplies, and other priorities intended to address future water and energy related challenges.

Question 3b. Is there sufficient funding in the Reclamation Fund to meet these needs even if we dedicate \$80 million per year to address the construction backlog for the authorized projects?

Answer. Based on the incoming revenues, averaging \$2 billion annually, the commitment in S. 3385 to dedicate \$80 million per year to construction for Congressionally authorized projects would fit within the revenues available from the Reclamation Fund. However, any monies expended from this fund would require a PAYGO offset, and even if an equivalent and acceptable offset is identified, use of those funds must be weighed against other priorities across the Federal government, including deficit reduction. This is one of the reasons why the Administration supports discretionary funding for these projects.

DROUGHT

Question 4. Many parts of the West are experiencing extreme weather and a prolonged period of drought. Will these rural water supply projects help in addressing drought? If so, how?

Answer. Yes, completing infrastructure for a dependable potable water supply will help these communities to withstand some of the uncertainties associated with drought. While the vast majority of water use in rural areas is for agriculture, drought can also impact potable drinking water supplies. These projects would help to alleviate the severity of drought's impact on potable water supply by providing local communities with clean, safe, reliable sources.

OGALLALA

Question 5a. I believe you are familiar with the extremely serious situation in eastern New Mexico where several communities rely on the Ogallala Aquifer as their sole source of water supply for domestic use. Can you give us any information on the time horizon for construction of the Eastern New Mexico Rural Water Supply project without this legislation?

Answer. The Eastern New Mexico Rural Water Supply project is the newest addition to the Bureau's current portfolio of six ongoing, authorized rural water projects. At the 2012 enacted level of Federal funding (approximately \$50 million for construction), and assuming no non-Federal funding beyond the minimum requirement of 25 percent, Reclamation would continue to make progress toward completion of authorized rural water supply projects and the Eastern New Mexico Rural Water Supply project would likely be completed sometime after 2063. However, constrained Federal budgets do not preclude the ability of non-Federal parties to move forward

with important investments in water resources infrastructure and the Department stands ready to support that effort.

Question 5b. Do you have any information you can provide for the record of how long the Ogallala will remain a viable sole source of water for the communities in the eastern part of the state?

Answer. Reclamation has not completed an in-depth analysis of how long the Ogallala aquifer will remain a viable source of water. Reclamation has been provided information by the Eastern New Mexico Rural Water Authority through a groundwater memorandum which indicates that, based on saturated thickness and drawdown rates, current drinking water systems reliant upon the aquifer are projected to be depleted within 40 years, with cost and water quality issues likely to arise before then.

RESPONSES OF MICHAEL L. CONNOR TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. What do you consider is the main mission of the Bureau of Reclamation? Please describe whether projects that provide water for municipal and industrial (M&I) uses in rural areas has evolved into a core mission of the BOR? Has this evolution been congressionally or administratively led?

Answer. The mission of the Bureau of Reclamation is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. Success in this approach will help ensure that Reclamation is doing its part to support the basic needs of communities, as well as provide for economic growth in the agricultural, industrial, energy and recreational sectors of the economy. Although Reclamation generally does not distinguish between Reclamation's "mission" and "core mission", the Department supports the goals of encouraging vibrant rural economies and ensuring safe, reliable sources of drinking water for rural residents, as authorized by Congress through authorized rural water projects and the Rural Water Supply Program. For instance, the Administration has supported Reclamation's rural water program over the last four years, allocating \$231 million of funding, in the FY 2010-2013 budgets, to construct, operate, and maintain authorized rural water projects in addition to \$232 million provided for these projects in the Recovery Act. Still, the rural water program must compete with a number of other priorities within the Budget, including aging infrastructure, Indian water rights settlements, environmental compliance and restoration actions, and other priorities intended to address future water and energy related challenges. At the direction of Congress, Reclamation is working on six ongoing authorized rural water projects to promote certainty, sustainability, and resiliency for those who use and rely on water resources in those project areas and to support the basic drinking water needs of those rural communities.

Question 2. How has Reclamation addressed M&I water deliveries from a programmatic level prior to the rural water program that you recently released? Are these types of systems generally incidental to larger Reclamation project purposes?

Answer. Prior to establishment of the Rural Water Supply Program authorization in 2006 (P.L. 109-451), Reclamation had no specific program to address rural water projects. Instead, Reclamation carried out individual Congressional directives, some that authorized M&I water deliveries from existing projects and some that directed our involvement in specific rural water projects. With only incidental participation in the technical and engineering aspect of the planning process for determining how to best meet the needs, Reclamation only became formally involved in aspects of each rural water project as authorized by Congress, typically after the design was already determined and authorized. Prior to P.L. 109-451, all of the options for addressing the water supply needs were not necessarily explored and therefore, the most cost effective and technically superior option may not have been selected. The establishment of the Rural Water Supply Program allowed Reclamation to formally coordinate with rural communities to explore all options through appraisal and feasibility studies—complying with the full scope of requirements that exist for all appraisal and feasibility studies carried out by Reclamation.

Question 3. How many federal agencies have programs designed specifically for rural areas to construct or improve water and wastewater facilities? In addition, please describe the different program and requirements for eligibility within those programs? Are there any currently authorized rural water projects within the BOR that could meet the funding requirements of other agencies supporting similar projects?

Answer. Reclamation issued a draft assessment report titled "Assessment of Reclamation's Rural Water Activities and Other Federal Programs that Provide Support on Potable Water Supplies to Rural Water Communities in the Western United States" (www.usbr.gov/ruralwater/docs/Rural-Water-Assessment-Report-and-Fund-

ing-Criteria.pdf) that provides in depth information related to federal rural water programs. This report was available for a 60-day public review with Reclamation seeking comments in order to ensure that it accurately and appropriately reflects these programs.

In addition to the Reclamation Rural Water Supply Program and the information referenced above, there are a number of federal programs that provide assistance for drinking water and wastewater infrastructure to rural communities referenced in the April 2012 Congressional Research Service (CRS) report titled “Federally Supported Water Supply and Wastewater Treatment Programs.” The CRS report identified 10 programs located in the Departments of the Interior (Reclamation), Agriculture (Rural Utilities Services), Housing and Urban Development, Commerce (Economic Development Administration), the Army Corps of Engineers, and the Environmental Protection Agency. Further, in November 2001, the General Accounting Office (now the Government Accountability Office) reported that four agencies—EPA, USDA, HUD and Commerce accounted for 98% of the total Federal funding for drinking water and wastewater capital improvements.

Each of the individual programs referenced above have unique authorities which require specific eligibility criteria and meet specifically authorized needs as defined by their Congressional mandates. Reclamation’s draft assessment report provides more detailed information related to the individual programs and requirements for eligibility within those programs.

A component that is integral to Reclamation’s Rural Water Supply Program is the requirement that Reclamation coordinate with other Federal agencies to both minimize the overlap between its efforts and those of other agencies, as well as leverage the budgetary and financial resources of other agencies involved in the similar geographic area. This is discussed in detail in the publically available draft assessment report.

Question 4. Please describe the repayment obligations for each project specified within the bill. How do these repayment obligations coincide with your programmatic goals and prioritization criteria for rural water projects?

Answer. As we read the bill, S. 3385 does not enumerate individual projects nor specify particular repayment obligations. The legislation instead creates a Federal funding source for existing, already authorized projects which have varying levels of non-Federal cost share specified in their individual authorizations. As summarized in the testimony, the Department’s Rural Water Program assesses needs and studies particular projects to address those needs through a priority-based process.

Question 5. Will the build out of these rural water projects have any direct impact on project power rates in their regions?

Answer. The impact of rural water projects to power rates depends on a number of factors. There is not likely to be an immediate impact on rates, but as an increasing number of water systems are completed, more pressure will be placed on a limited resource. If the rural water projects were to grow significantly larger in size or quantity, Western Area Power Administration (WAPA) may have to withdraw federal power marketed to power customers, meaning the customers would in turn purchase power from supplemental suppliers, effectively raising their own rates. WAPA has not withdrawn any Federal power to date for this reason. Alternatively, if projects grow significantly, WAPA could purchase more power, a scenario that would also place upward pressure on rates.

Question 6. Please describe how the prioritization and funding of your rural water activities are reviewed by the Office of Management & Budget? What type of controls does OMB require, as they review rural water funding? Are the authorized projects within the bill going to go through any additional review by OMB prior to receiving funding, if this legislation becomes law?

Answer. The Office of Management and Budget (OMB) reviews Reclamation’s budget submittals each year to ensure that they are consistent with the goals, policies and priorities of the President’s budget government-wide. This includes ensuring that the Federal investment in rural water projects is the best and most cost effective investment and that it furthers the priorities of the Administration. It is our expectation that analysis would continue—to ensure that the investments best protect the taxpayer’s financial investment in these activities.

Question 7. Of the currently authorized projects eligible for funding within the bill, what was or has been the involvement of Reclamation during project development?

Answer. Prior to about 1980, Reclamation generally did not have congressional authorization to provide more than limited technical assistance in the scoping and development of rural water projects. Congress specifically authorized Reclamation’s involvement in certain projects to deliver potable water supplies to rural communities—generally not in the initial project scoping, but in the implementation and

construction of a project. The majority of rural water projects were authorized prior to passage of the Rural Water Supply Act. Because Reclamation did not have a rural water program at the time of these authorizations, our role and involvement in the planning and scoping was very limited. In most cases, the studies to determine the need and to evaluate the options for how to address the water supply needs of these communities were completed by non-Federal project sponsors. Reclamation did not direct or publish these early reports.

In most cases, Reclamation's full role was determined after the projects were scoped out, designs were mostly determined, and Congress enacted legislation for Reclamation to build those projects. Although Reclamation implemented the construction of these projects cost effectively, all potential options for how the needs could be met had not been explored.

In 2006, the Rural Water Supply Act of 2006, (P.L. 109-451), authorized the Secretary of Interior to establish and carry out a rural water supply program in the 17 western states to:

- (a) Investigate and identify opportunities to ensure safe and adequate rural water supply projects for domestic, municipal and industrial use in small communities and rural areas of the Reclamation States;
- (b) Plan the design and construction of rural water supply projects through the conduct of appraisal investigations and feasibility studies; and
- (c) Oversee, as appropriate, the construction of rural water supply projects that are recommended for construction by Reclamation in a feasibility report developed under the Rural Water Supply Program and subsequently authorized by Congress.

Question 8. Of the authorized projects in the bill, given the competing budgetary demands among rural water projects and within Reclamation's overall budget, how do you ensure that the money is spent on the most feasible, and cost effective project? Is it possible to work in the most cost effective manner when the BOR was not involved in the scope and complexity of these authorized rural water systems during the planning and the development stages of these projects? Which of the projects, if the bill becomes law, would meet your requirements to ensure projects provide sustainable water supplies at the least cost?

Answer. Given current fiscal constraints, Reclamation must make tough decisions and set priorities across all investments, including rural water projects. Reclamation has developed a set of objective prioritization criteria to guide its decision making to maximize the agency's ability to meet its programmatic goals, to maximize water deliveries to rural communities in as short a period as possible, and to reflect the diverse needs and circumstances facing each individual project. The draft criteria are publically available and were open for public comment through September 10, 2012.

Question 9. In developing your new rural water assessment program, what lessons have you learned from the authorized projects in the bill that you do not want to occur in the future? How will implementation of the Rural Water Supply Act enhance the likelihood of the success of projects?

Answer. In most cases, the legislation authorizing the 11 rural water projects underway or constructed to date was adopted without Administration support, and prior to the completion of detailed feasibility studies for the projects. As a result, the non-Federal cost-shares, appropriation ceilings and other features were not consistent with the "beneficiaries pay" principle that underlies most traditional Reclamation water projects. Nevertheless, the Department is committed to completing the authorized projects as directed in as expeditious manner possible given existing budget constraints. Implementation of the Rural Water Supply Act, and the prioritization criteria referenced in the draft Assessment, will enhance the successful allocation of resources to the projects through application of six priority criteria.

Question 10. If S. 3385 were to be enacted, and the \$80 million per year disbursed to fund rural water project construction, how would OMB look at these types of projects within your budget submittal. In addition, do you believe that Congress would view these amounts as additional to annual appropriations allocations for the Bureau of Reclamation? If not, please describe your reasoning.

Answer. S. 3385 creates a mandatory Federal appropriation for rural water projects which, under current law, receive Federal funding through discretionary appropriations. It is not possible to answer this question on how OMB may view future funding on behalf of prospective future Congresses or Administrations, or future budget requests.

Question 11. If the Bureau is to get \$200 million in mandatory spending, once the \$120 million per year of mandatory funding for Indian water rights settlements

kicks in in 2020, do you perceive that you will continue to get your current \$50 million appropriation on top of that?

Answer. As stated in the answer above, S. 3385 creates a mandatory federal appropriation for rural water projects which, under current law, receive federal funding through discretionary appropriations. Discretionary funding levels in the Budget would continue to be determined on an annual basis.

Question 12. Current appropriations for rural water project construction are not even close to this level of funding. If this were to occur, wouldn't other projects funded in Reclamation's appropriation be impacted by this reduction in discretionary appropriation levels? Is it possible that you will get more money overall, but lose your ability to direct funding to any new or different priorities?

Answer. S. 3385 creates a mandatory federal appropriation for rural water projects which, under current law, receive federal funding through discretionary appropriations. This change would require a PAYGO offset. However, even if an equivalent and acceptable offset is identified, use of those funds must be weighed against other priorities across the Federal government, including deficit reduction.

Question 13. The Reclamation Fund was designed to fund construction of new federal water projects in the West. There are many areas of the West in dire need of new storage facilities, renewable hydroelectric projects, and other infrastructure where the federal nexus is an existing federal project or restrictions due to federal law, such as the Endangered Species Act. Should these projects be allowed the ability to qualify for similar or greater funding levels from the Reclamation Fund in the same manner proposed by S. 3385?

Answer. New storage facilities and other significant new infrastructure contemplated for an existing Federal project would require new Congressional authorization. S. 3385 would create a funding stream for already-authorized projects. As amended, the laws that created the Reclamation Fund were written to allow for a source of discretionary appropriations for authorized projects from the Fund. The Department's testimony stated that the Administration supports the goals of encouraging vibrant rural economies and ensuring safe, reliable sources of drinking water for rural residents. However, the Department believes that Federal investments in such projects must recognize the current fiscal constraints and the need to make tough choices in prioritizing those investments and therefore, supports the use of discretionary funding for these projects.

RESPONSES OF NATHAN BRACKEN TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1a. What is the magnitude of the need for infrastructure rehabilitation, modernization, and development necessary to support these and other water projects throughout the Reclamation States?

Answer. The WSWC has made no independent assessment quantifying water resources infrastructure needs in the West, and the Bureau of Reclamation is in the best position to respond to this question with respect to authorized federal projects in the Reclamation States. However, the magnitude of the need for water infrastructure rehabilitation, modernization, and development in the Reclamation States and the nation as a whole is substantial.

In April 2005, under the leadership of then Chairman Domenici, your Committee held a Water Resources Summit that included the participation of former WSWC Executive Director D. Craig Bell and Wyoming State Engineer and WSWC member Pat Tyrrell. Both addressed the need for funding for the Bureau of Reclamation, as well as Reclamation's role in the West.¹ At that time, Reclamation's estimate of foreseeable future rehabilitation and betterment (R&B) costs totaled approximately \$645 million. This figure included estimates from each region for facilities operated and maintained by project sponsors. With respect to dam safety, the Bureau estimated that it needed some \$227 million to complete corrective actions. Spending under the Bureau's Challenge Grant program, for water delivery system improvements, has been consistently oversubscribed and more than matched by non-federal dollars. The demands for dam rehabilitation and betterment, dam safety and water delivery system improvements at that time approached \$1 billion.²

¹Water Conference Before the S. Comm. on Energy and Natural Resources, 109th Cong. (April 5, 2005) (statement of Craig Bell, Executive Director, Western States Water Council); Water Conference Before the S. Comm. on Energy and Natural Resources, 109th Cong. (April 5, 2005) (statement of Pat Tyrrell, Wyoming State Engineer).

²Maintaining and Upgrading the Bureau of Reclamation's Facilities to Improve Power Generation, Enhance Water Supply and Keep Our Homeland Secure: Oversight Hearing Before the H. Comm. on Resources, Subcomm. on Water and Power, 109th Cong., 2 (July 19, 2005), state-

In June 2011, the WSWC released a report on western water infrastructure needs entitled, “Western Water Resources Infrastructure Strategies: Identifying, Prioritizing and Financing Needs.” The report summarizes the findings and recommendations that emerged from a November 2010 symposium attended by over 100 federal, state, and local officials, consultants, engineering firms and other stakeholders interested in water infrastructure needs in the West.³ Some of the notable findings that emerged from the symposium included:

- The Environmental Protection Agency estimated that state and local governments had spent \$1.1 trillion since the 1960s on water and wastewater infrastructure, with an additional federal investment of \$140 billion, while EPA’s 2002 analysis identified a continuing need for investment of \$540 billion.⁴
- The most recent American Society of Civil Engineers (ASCE) Report Card gives the nation’s drinking water and wastewater infrastructure a “D-” grade.⁵
- Of the \$135 billion in construction-related federal stimulus spending, only \$21 billion was directed towards water and wastewater projects.⁶
- The Texas Water Development Board’s investment in water and wastewater infrastructure totaled \$12.4 billion, including \$1.5 billion in 2010.⁷

More recently, the American Water Works Association (AWWA) released a report in February 2012 that found that the cost of repairing and expanding buried U.S. drinking water infrastructure will exceed \$1 trillion in the next 25 years (2011 to 2035) and \$1.7 trillion in the next 40 years (2011 to 2050). In general, the report found that the West and South will face the steepest investment challenges, with the West facing projected costs of \$236.6 billion over the next 25 years and \$409.2 billion over the next 40 years. Notably, the AWWA report defines the West as excluding the Reclamation States of Kansas, Nebraska, North Dakota, Oklahoma, South Dakota, and Texas, which means that the total for water infrastructure needs in the Reclamation States will be significantly higher than AWWA’s estimates for the West.⁸

Question 1b. Are the projects referenced in this bill projects that you would prioritize over other water needs throughout the West, if mandatory funding was made available?

Answer. With the exception of support for completion of the Animas-La Plata Project in Colorado and New Mexico as part of the Southern Ute Water Rights Settlement, the WSWC has never taken a position regarding a specific project. It does not have a position on whether the projects referenced in S. 3385 should be prioritized over other water needs in the West if mandatory funding is made available.

Prioritizing federal spending as it relates to water project investments has a long and storied history that continues with the current reevaluation of past principles and guidelines by the Council on Environmental Quality. It includes various changes to non-federal cost sharing requirements and the use of Congressional earmarks. In the past, the WSWC has stated that the project with the highest score from a National Economic Development (NED) view is not necessarily the best project, as there are other important considerations, including past federal promises. Consistency between authorized federal projects and state water plans is another such consideration.

With respect to the authorized projects that would receive funding under S. 3385, all are supported by the respective states and some were authorized to fulfill solemn federal promises and trust responsibilities to rural and tribal communities. In particular, the Garrison Diversion Unit is intended to compensate the State of North Dakota for the loss of over 300,000 acres of prime farmland that was lost as a result

ment of Tony Willardson, Deputy Director, Western States Water Council), <http://naturalresources.house.gov/uploadedfiles/willardsonstestimony07.19.05.pdf>

³W. STATES WATER COUNCIL, WESTERN WATER RESOURCES INFRASTRUCTURE STRATEGIES: IDENTIFYING, PRIORITIZING AND FINANCING NEEDS (June 2011), http://www.westgov.org/wswc/infrastructure%20report_final_lowresolution.pdf.

⁴Id. at 9.

⁵Id. at 2.

⁶Id. at 10.

⁷Id. at 11.

⁸AM. WATER WORKS ASS’N, BURIED NO LONGER: CONFRONTING AMERICA’S WATER INFRASTRUCTURE CHALLENGE, 6, 9, 11 (Feb. 2012), <http://www.awwa.org/files/GovtPublicAffairs/GADocuments/BuriedNoLongerCompleteFinal.pdf>.

of the construction of the Pick-Sloan Missouri River Basin Program,⁹ which also inundated over 550 square miles of Native American land and displaced more than 900 Native American families.¹⁰ Additionally, the North Central/Rocky Boys rural water project will implement the tribe's water rights settlement (as codified in P.L. 106-163) with the U.S. and the State of Montana. Authorizing the increased use of Reclamation Fund revenues to expedite completion these projects fulfills both a financial and moral obligation some of the beneficiaries have been waiting for decades to see fulfilled.

The WSWC has long supported using funds accruing to the Reclamation Fund for their intended purpose of supporting water infrastructure development in the Reclamation states as directed by the Congress in 1902 when it passed the Reclamation Act. Any mandatory funding that would be made available for the projects referenced in S. 3385 should not come at the expense of other Reclamation projects.

As stated in the WSWC's testimony, the unobligated balance of the Reclamation Fund is expected to exceed \$12 billion by the end of FY 2013. Providing \$80 million per year from the Fund for these projects, with anticipated offsets to other federal programs, only appropriately spends a small amount of the unobligated balance that has been used for other federal purposes contrary to the vision of the Congress in 1902.

Question 2a. Please describe the characteristics of Reclamation that you believe make Reclamation a better agency to handle rural water projects than other existing federal water quality or water supply programs, such as the USDA's Rural Utility Service or the EPA's state revolving loan fund (SRFs).

Answer. These specific projects are already authorized and under construction by Reclamation, which is well suited to handle these tasks given its long history of planning, designing, and constructing water infrastructure projects in the West. With respect to future projects, a careful evaluation of the appropriate federal role and agency responsibilities in meeting rural water needs is appropriate, given program specific abilities, eligibility requirements, and federal mandate. In contrast, other federal water programs (including the USDA's Rural Utility Service and the SRFs) provide rural and tribal communities with loans, grants, or loan guarantees. However, many smaller and poorer rural communities lack the capacity and experience that Reclamation can provide to help assess needs, design, plan, and construct larger water infrastructure projects.

Of note, Reclamation's June 2012 assessment report for the Rural Program provides a detailed description of the types of federal programs that support rural water supply development.¹¹ The report is available at: <http://www.usbr.gov/ruralwater/docs/Rural-Water-Assessment-Report-and-Funding-Criteria.pdf>.

Question 2b. In addition, would you prioritize rural water programs within Reclamation as the best use of their limited dollars?

Answer. As noted in 1(B) above, the completion of these specific authorized projects is needed to fulfill legal, financial and moral obligations of the United States. Future rural water projects would continue to be subject to authorization and therefore Congress' evaluation of appropriate priorities.

Question 3a. Please describe the cost share mechanisms of the projects authorized to receive funding within this bill.

Answer. Reclamation's July 2012 assessment report describes the cost share mechanisms of the projects referenced in S. 3385 as follows:¹²

⁹GARRISON DIVERSION CONSERVANCY DISTRICT, HISTORY & FEDERAL LEGISLATION: THE PICK-SLOAN MISSOURI BASIN PROGRAM, http://www.garrisondiv.org/about_us/history_federal_legislation/.

¹⁰SENATE REP. NO. 105-146, 4 (1997) (accompanying S. 156 and describing the impacts of the Pick-Sloan Missouri River Basin Program on the Lower Brule Sioux Tribe), <http://www.gpo.gov/fdsys/pkg/CRPT-105srpt146/pdf/CRPT-105srpt146.pdf>.

¹¹BUREAU OF RECLAMATION, ASSESSMENT OF RECLAMATION'S RURAL WATER ACTIVITIES AND OTHER FEDERAL PROGRAMS THAT PROVIDE SUPPORT ON POTABLE WATER SUPPLIES TO RURAL WATER COMMUNITIES IN THE WESTERN UNITED STATES, 10 - 17 (July 2012).

¹²Id. at 4.

PROJECT	AUTHORIZED FEDERAL COST-SHARE
Garrison Diversion Unit (ND)	100% (tribal component) 75% (non-tribal component)
Mni Wiconi Rural Water System (SD)	100% (tribal component) 80% (non-tribal component)
Lewis and Clark Rural Water System (SD, IA, MN)	80%
Perkins County Rural Water System (SD)	75%
Fort Peck Reservation-Dry Prairie Project (MT)	71% (tribal component) 29% (non-tribal component)
Rocky Boys/North Central Project (MT)	76% (tribal component) 24% (non-tribal component)
Jicarilla Apache Rural Water System (NM)	ARRA funds were obligated at the end of FY 2010 to complete the federal share of the project.
Eastern New Mexico Rural Water System (NM)	75%

Question 3b. Are these any different than other cost share provisions for other traditional Reclamation projects?

Answer. These cost share percentages are consistent with provisions of Reclamation law and policy, and may be compared to Title XVI water reuse project cost sharing, as well as WaterSMART project cost sharing. A project sponsor's ability to pay is also a consideration.

The 1986 Water Resources Development Act (WRDA) included new cost sharing requirements for most Corps project purposes, which also served as a guide for some Reclamation project purposes at the time.

Given its trust responsibilities, the federal government has provided all or a significant portion of the funding needed to construct Congressionally-authorized infrastructure projects that are part of Indian water rights settlements, while also requiring varying levels of state and local contributions for components that provide non-tribal benefits. For example, under the Navajo Nation's agreement with the U.S. and New Mexico (as codified by P.L. 111-11), the City of Gallup and the Jicarilla Apache Nation will reimburse the U.S. for up to 35% of the capital costs of the Navajo Gallup Water Supply Project.¹³ Additionally, the Taos Pueblo's settlement agreement in New Mexico (as codified by 111-291) includes a 75% federal cost share for non-Pueblo projects benefited by the agreement.¹⁴

Consistency and flexibility with regard to non-federal cost sharing requirements is a difficult balance to achieve, and in some cases may seem somewhat arbitrary. Some factors that might be considered in evaluating the need for cost sharing include direct and indirect federal and non-federal benefits; the extent to which a project meets national economic development and social goals associated with economic stability and income or wealth redistribution; the extent to which the federal government has by statute or rule mandated requirements to achieve clean and safe water supplies; and/or fulfillment of federal trust responsibilities and other obligations as evidenced by previous commitments or promises in treaties, decrees, legislation, etc.¹⁵

Other factors to consider include the extent to which federal investments are repaid over time by project sponsors, or are otherwise financed from project revenues, such as hydropower, or dedicated revenues such as those accruing to the Reclama-

¹³ W. STATES WATER COUNCIL, SETTLEMENTS APPROVED BY CONGRESS, 10 (Aug. 2011) (describing the federal, state, and local costs of Congressionally-authorized Indian water rights settlements), <http://www.westgov.org/wswc/SETTABLE%202011%20%2808-15-11%29.pdf>.

¹⁴ Id. at 13.

¹⁵ W. STATES WATER COUNCIL, STATE/FEDERAL FINANCING AND WESTERN WATER RESOURCES DEVELOPMENT, 8-11 (May 1984) discussing federal cost sharing) (on file with author).

tion Fund, which again have been specifically designated by the Congress for use for authorized purposes, including these projects.¹⁶

RESPONSES OF GAYLA BRUMFIELD TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. In your experience, what are the typical water rates of both the community systems and wells within the areas that your project intends to serve? Are the rates for these projects higher than what you would find in the larger municipalities?

Answer. Water rates among our members are tabulated below. Albuquerque is the largest municipality in New Mexico and is included for reference. The maximum, minimum, and average rates over all of New Mexico are also included.

MUNICIPALITY	RESIDENTIAL 6000 GAL WATER RATE/MOHTH
Albuquerque	\$ 21.59
Clovis	\$ 24.02
Elida	\$ 24.26
Grady	\$ 22.50
Melrose	\$ 13.42
Portales	\$ 17.80
Texico	\$ 27.49
Average (state)	\$ 23.17
Minimum (state)	\$ 8.20
Maximum (state)	\$ 51.10

The rates are generally higher than for larger municipalities. What is more, the income disparity between our area and some of the larger municipalities means that the rates paid are also a higher proportion of our per-capita income.

Question 2. Do you, or does Reclamation intend to pay for the operation and maintenance of the projects intended to be funded in this bill? If Reclamation does not pay for the O&M, are you financially capable of funding it?

Answer. We intend to pay for the operation and maintenance (O&M) of our project. The authorization for our project specifically excludes federal assistance for operation and maintenance. We are financially capable of funding O&M. Our financial plan, which was approved by Reclamation, demonstrates the ability of our member local governments to fund the ongoing operations, maintenance and replacement of the system from rates and charges for water delivered from the project. Our member communities have already enacted user fees and additional gross receipts taxes as needed to meet their obligation.

Question 3. Please describe your expectations on utilizing public power to operate the system. Do you know how much additional electricity will be needed in pumping, moving and treating the water?

Answer. We will be using public power to operate our system. We anticipate that current energy use will be reduced when our system is in operation.

Long-term energy use by project facilities would replace existing energy demand from existing facilities, and would consolidate a variety of services that currently are completed at a community-by-community basis. Well completion, individual community pumping, individualized water treatment, and other water services would be replaced with a consolidated regional system with efficiencies of scale. There are ongoing discussions surrounding harvesting energy from gravity-fed portions of the pipeline system, and those discussions will continue through the design process.

Question 4. Please describe your current repayment obligations for your project, as well as the remaining Federal Funding needed to complete the project.

Answer. There is not a repayment obligation as such. Rather, the Federal funding is 75% of the capital cost of the project and the matching costs are 15% from the State of New Mexico and 10% from the members. Additionally, the entire cost of O&M is paid by the members.

The capital costs of the project are indexed and will increase over the time that it takes to complete this project. However, as of now, the cost of the project is approximately \$500M. The Federal share of this (75%) is \$375M, the State share (15%) is \$75M, and the Member share (10%) is \$50M.

Today, we are expecting to receive approximately \$1M from the Federal FY2012 budget and \$2M from the FY2013 budget. The remaining Federal funding needed

¹⁶Id.

to complete this project today would be \$372M. Expressed as a percentage, 99.2% of the Federal funding remains needed. They have met 0.8% of their obligation.

Conversely, this year the State will have contributed a total of \$25M which puts them at 33% of their obligation. The members have contributed \$8.5M so far, which puts them at 17% of their obligation.

Our members have already committed to meeting their total obligation by enacting user fees and gross receipts taxes for that purpose.

RESPONSES OF TROY LARSON TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. In your experience, what are the typical water rates of both the community systems and wells within the areas that your project intends to serve? Are the rates for these projects higher than what you would find in the larger municipalities?

Answer. It is important to note when talking about water rates that Lewis & Clark is a non-profit wholesale provider of water to our 20 member cities and rural water systems. Our members in turn sell the water to their customers. Lewis & Clark does not sell water directly to homes, businesses or industries. As a result, comparing Lewis & Clark's wholesale water rates to those charged by a municipality or traditional rural water system would not be apples to apples.

That being said, if I understand the question correctly Lewis & Clark's water rates in the near future will be higher than the rates of communities and rural water systems in our region. The reason for that is because only 11 of our 20 members are receiving water at this time. These 11 members are paying the entire cost to operate the treatment plant and distribution system. There are a number of fixed costs that will be spread out over more members as they are connected, thereby bringing down the water rates. Given the large upfront investment by the local members in the construction of the System, it is expected that when all 20 members are connected Lewis & Clark's wholesale water rates will be less than the water rates of neighboring cities and rural water systems.

Question 2. Do you, or does Reclamation intend to pay for the operation and maintenance of the projects intended to be funded in this bill? If Reclamation does not pay for the O&M, are you financially capable of funding it?

Answer. Lewis & Clark RWS does not receive any state or federal funding for O&M. All O&M expenses are covered by the water rates, which the members are financially capable of paying.

Question 3. Please describe your expectations on utilizing public power to operate the system. Do you know how much additional electricity will be needed in pumping, moving and treating the water?

Answer. As part of our congressional authorization, Lewis & Clark RWS will purchase electricity from the Western Area Power Administration (WAPA) for the "irrigation season," which runs May 1 through Oct. 31. For the other six months, we will purchase electricity from our local electric suppliers. No other power is needed.

Question 4. Please describe your current repayment obligations for your project, as well as the remaining Federal Funding needed to complete the project.

Answer. Lewis & Clark RWS as an organization has no debt. The 20 local members pre-paid their share of the project (just over 10% of the overall cost). In almost all cases, members borrowed money to pre-pay their share of the project and are now making payments on that debt.

The remaining federal funding is \$200.6 million, which is indexed each year for inflation by the Bureau of Reclamation. Last year the remaining federal cost share balance was \$194.3 million, which shows that the current federal funding is not even keeping up with inflation. Consequently, as this rate the project will never be completed.

RESPONSES OF BRUCE SUNCHILD TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. In your experience, what are the typical water rates of both the community systems and wells within the areas that your project intends to serve? Are the rates for these projects higher than what you would find in the larger municipalities?

Answer. Water rates in north central Montana vary considerably but are generally higher than average for Montana and the upper mid-western United States. In January 2009, the North Central Montana Regional Water Authority (NCMRWA) compiled rate information for the community water systems to be served by the Rocky Boy's/North Central Montana Regional Water System (RB/NCMRWS) Project.

As shown in the attached graphic,* the data indicate that most of the systems (all but four) are at or above the target rate established by the State of Montana for the six-county area to be served by the RB/NCMRWS Project. The target rate of \$34.71/month, as defined by the Montana Department of Commerce, was calculated as 1.4 percent of the average median household income for counties represented in the project area.

Regarding a comparison to larger municipalities, AE2S, our engineering consultant for the Tribal portion of the regional water system, completes a North Central Utility Rate Survey on an annual basis to present and compare rate information for communities in Minnesota, North Dakota, South Dakota, Montana, and Wyoming. The attached graph* shows rate information for communities of population greater than 5,000 people from Montana and Wyoming that participated in the rate survey. By comparison to the rates provided in the graphic* prepared by the NCMRWA, the larger municipal water systems in Montana and Wyoming typically enjoy considerably lower monthly water rates.

Question 2. Do you, or does Reclamation intend to pay for the operation and maintenance of the projects intended to be funded in this bill? If Reclamation does not pay for the O&M, are you financially capable of funding it?

Answer. The Bureau of Reclamation is not responsible for operations and maintenance (O&M) costs for the RB/NCMRWS Project. The O&M costs associated with the RB/NCMRWS Project are to be provided from two sources of revenue. The O&M costs for the Core System of the RB/NCMRWS Project are to be provided from interest earnings from a trust fund established by authorizing legislation for the RB/NCMRWS Project. The trust fund, which has been established, is administered by the Bureau of Indian Affairs with assistance from the Chippewa Cree Tribe. Beyond the scope of the RB/NCMRWS Project, the Chippewa Cree Tribe currently pays a monthly water rate for the distribution of water on the Rocky Boy's Reservation, which will continue in the future. The O&M costs for the Non-Core System portion of the RB/NCMRWS Project will be paid via user rates charged by the NCMRWA to the participating water systems. Preliminary rates for the purpose of estimating the cost of water purchase have been presented to the participating water systems, and the participating water systems have signed commitment agreements based on that information. It should be noted that the response to this question is specific to the RB/NCMRWS Project. The payment of costs for O&M related expenditures for other rural water supply projects funded by the Bureau of Reclamation may deviate based on the authorizing legislation specific to those individual projects.

Question 3. Please describe your expectations on utilizing public power to operate the system. Do you know how much additional electricity will be needed in pumping, moving and treating the water?

Answer. The authorizing legislation for the RB/NCMRWS Project indicates preference for the use of power from the Western Area Power Administration (WAPA). Currently, it is anticipated that the power supply for the Core System Intake and Water Treatment Plant at Tiber Reservoir and the primary pumping facility located on the Rocky Boy's Reservation will be provided by WAPA. The power requirements for these facilities were recently estimated and provided in the Operations, Maintenance, and Repair (OM&R) report prepared by AE2S. At full build-out, the annual Core System power requirements, provided in units of kilowatts (kW), are estimated as follows:

Intake System:	102,000 kW
Water Treatment Facility:	13,774,000 kW
Core Pipeline:	7,200 kW
On-Reservation System:	55,000 kW
Total	13,938,200 kW

Power requirements for the Non-Core System pumping facilities have been estimated on the basis of conceptual design information. A summary of the estimated horsepower requirements for pumping facilities anticipated for the Non-Core System is attached for reference. At this point in time, it is uncertain whether WAPA will provide power to the proposed Non-Core System pump stations.

Question 4. Please describe your current repayment obligations for your project, as well as the remaining Federal Funding needed to complete the project.

* All graphics have been retained in committee files.

Answer. In accordance with Tribal water rights settlement negotiations and authorizing legislation, the Tribal component of the Core System of the RB/NCMRWS Project is funded entirely by the Federal government. The non-Tribal component of the Core System and the Non-Core System are funded by the Federal government, the State of Montana, and the local water systems at a ratio of 80:10:10, respectively. Based on information provided by the Bureau of Reclamation for Federal Fiscal Year 2012, the estimated funding obligation for the local water systems is approximately \$20.8 million. The NCMRWA intends to finance the local share of costs via loans from the Drinking Water State Revolving Fund program. Repayment of the loans will be included in the water rate structure developed by NCMRWA. Similar information provided by the Bureau of Reclamation indicates that, as of Federal Fiscal Year 2012, the remaining Federal funding required to complete the RB/NCMRWS Project is approximately \$272.4 million.

APPENDIX II

Additional Material Submitted for the Record

STATEMENT OF FLOYD AZURE, CHAIRMAN, ASSINIBOINE AND SIOUX TRIBES OF THE FORT PECK RESERVATION

I am Chairman of the Assiniboine and Sioux Tribes of the Fort Peck Reservation. I would like to thank Senator Bingaman and the Committee for the opportunity to submit this testimony for the record in support of S. 3385, the Authorized Rural Water Projects Completion Act. The goal of providing safe drinking water to all of the residents of the Fort Peck Reservation has been a primary goal of the Fort Peck Tribes for more than two decades. This bill would ensure that the Fort Peck Reservation Rural Water System will be completed in a timely manner and in way that could save the American taxpayer several million dollars.

The Fort Peck Tribes are a large, land-based tribe located in northeastern Montana. The Fort Peck Reservation encompasses 2.0 million acres. The Reservation's Indian population is approaching 8,000 and our Tribal enrollment is over 12,000 members. Our greatest need is health care, infrastructure, economic development and public safety. The Tribes' unemployment rate on the Reservation is 56%. Of our Tribal members who are working, four in ten live below the poverty level. The United States has a continuing trust responsibility to assist Tribes address the basic governmental services such as safe drinking water, public safety and healthcare. We view this bill as one way for the United States to fulfill its commitment to the Tribes.

The water quality within the Fort Peck Indian Reservation and surrounding communities ranks among the poorest in the country. A Bureau of Reclamation Needs Assessment documented drinking water of the Project Area, including both an inadequate supply and unacceptable quality of our water. Specifically, the water exceeds the standards for total dissolved solids, iron, sulfates, nitrates, and in some cases for selenium, manganese, and fluoride. For example, iron levels in Poplar, Brockton, and Frazer are one and half to five times the standard. These contaminants make the available supplies unhealthy for drinking, cooking, and bathing. Most recently, a brine plum has contaminated some of the drinking water wells of the City of Poplar, which is the site of Tribal Government, schools, federal agencies, a hospital and an airport.

The history of the Fort Peck Reservation Rural Water System dates back to more than two decades, with the Bureau of Reclamation undertaking the Needs Assessment. In 1993, following completion of the Needs Assessment; the Tribes began the arduous process of seeking authorization of the Fort Peck Reservation Rural Water System. We were soon joined by our neighbors surrounding the Reservation and the historic partnership of between the Fort Peck Tribes and Dry Prairie was formed. The Tribes and Dry Prairie worked for almost a decade to get final authorization. There were Congresses when we would get the bill through the House and not through the Senate or through the Senate and not the House. However, we persevered and finally on October 27, 2000, the Fort Peck Reservation Rural Water System Act become law. See, P.L. 106-382.

The Fort Peck Reservation Rural Water System when completed will have a service population of approximately 30,000 people. The Fort Peck Reservation service population is approximately 14,000 and for Dry Prairie it is approximately 16,000. Total project investment to date has been \$129 million. Currently, the Fort Peck Reservation Rural Water System Act is at 44% completion. This year the Project's major milestone is the completion of the Wambdi Wahachanka Water Treatment Plant that happened this summer. Notwithstanding this major accomplishment, we still have almost sixty-percent of the Project that needs to be completed. This includes delivery of water to communities that are in the most desperate need of water. The cost to complete the remaining 56% is approximately \$166 million, in today's dollars. At the current rate of funding of \$7.5 million per year, the Project

would not be completed for more than 20 years. Further, as this rate the indexed cost to complete this project would almost quadruple in excess of \$400 million.

This is unacceptable. The Fort Peck Tribes entered into a Treaty with the United States. When we ceded our vast areas of land to the United States for our Reservation, it was with the promise that the United States would do all that it could to ensure that this Reservation would be a permanent homeland for the Fort Peck Tribes. This promise included the promise that our people would have access to safe drinking water, for you cannot have a permanent homeland without drinking water. Furthermore, if we have any hope of achieving any level of economic development on my Reservation, we need safe drinking water now. We cannot wait 20 more years. We need this Project completed as soon as possible, and this bill would afford the authorized projects in the BOR Rural Water Program this opportunity. Finally this bill is a great deal for the American taxpayer. It allows funding that is now sitting in the Bureau of Reclamation Fund to be used to further reclaim the west, which was the intent of the Reclamation Fund, and it will spare the American Taxpayer the burden of the increased construction cost of this Project if it is built over a twenty year period.

I thank the Committee of the opportunity to submit this testimony.

STATEMENT OF SCOTT J. BUSS, EXECUTIVE DIRECTOR, MINNEHAHA COMMUNITY
WATER CORP., DELL RAPIDS, SD

On behalf of the Minnehaha Community Water Corporation, thank you for your leadership on S. 3385, the Authorized Rural Water Projects Act. We appreciate the role that you have taken in working to complete the seven Bureau of Reclamation rural water projects. As you know, timely funding of these seven projects will benefit all taxpayers nationwide by avoiding increased costs due to inflation. Locally, these projects will provide economic benefits by providing jobs, attracting new businesses, and allowing the expansion of existing businesses.

As part of the Senate Energy & Natural Resources Committee hearing on July 31st regarding S. 3385, please accept this letter as testimony, in strong support of S. 3385. MCWC is a member of the Lewis & Clark Regional Water System and one of the 20 members who have prepaid their local cost share of the project. The states of Iowa, Minnesota, and South Dakota, along with the 20 members of the Lewis & Clark project, have prepaid over \$153 million. This total represents 99.7% of the non-federal cost share.

On July 30th, MCWC started receiving water from Lewis & Clark at our west connection. While the delivery of L&C water has helped us meet increasing water demands due to drought conditions, only one of our two connections to the Lewis & Clark System has been completed. Until more federal funding is allocated to complete the project, MCWC will pay a higher water rate for L&C water, and cannot plan on when our second connection will be finished. Current federal funding for the project has not even kept up with inflation.

The Minnehaha Community Water Corporation strongly urges Congress to pass S. 3385. Timely completion of the seven Bureau of Reclamation authorized rural water projects is in the best interest of all Americans. Thank you again for your leadership on this important legislation.

STATEMENT OF THOMAS F. DONNELLY, EXECUTIVE VICE PRESIDENT, NATIONAL
WATER RESOURCES ASSOCIATION, ARLINGTON, VA

On behalf of the membership of the National Water Resources Association (NWRA), I am writing in strong support of S. 3385, the Authorized Rural Water Projects Completion Act.

For over a decade NWRA has called on Congress and various Administrations to make rural water supply projects in the Reclamation West a high priority.

The West's rural water delivery needs have been largely ignored in over a century of Reclamation water development. It is now time that the Congress and this Administration focuses its resources and expertise on providing quality water supplies to the rural communities and Tribes throughout the West. Many of the congressionally authorized projects are under construction, but proceeding so slowly that costs are rising to an unacceptable level. It is vitally important for the Committee to specifically identify rural water supply as a primary focus of the Bureau of Reclamation.

If there is anything NWRA can do to expedite the passage of S. 3385, do not hesitate to call upon us to assist the Committee.

STATEMENT OF JEANNE DUCHSCHER, FINANCE OFFICER, CITY OF PARKER, SD

On behalf of the City of Parker, South Dakota, thank you for your leadership on S.3385, the Authorized Water Projects Completion Act. We applaud your efforts to complete the seven Bureau of Reclamation rural water projects that have been languishing for years due to the lack of federal funding.

Please accept this letter as part of the testimony in strong support of S.3385. Our water system is part of the Lewis & Clark project. Lewis & Clark members and the three states have prepaid over \$153 million, which represents 99.7 percent of the non-federal cost share. The City of Parker began receiving Lewis & Clark water on July 30, 2012.

The federal funding the last two years has not even kept up with inflation, and under the current federal funding levels the project will never be completed, thereby leaving the remaining nine members high and dry. Many cities and rural systems have had to spend millions on infrastructure improvements on top of what that they pre-paid for the Lewis & Clark project because of these delays. Even though the City of Parker is currently receiving water it is crucial that the project is fully completed because until it is the eleven members will be paying for the o/m of the facility through our water rates at a higher rate.

Completing projects such as Lewis & Clark as quickly as possible will benefit the taxpayers by avoiding inflationary price increases as well as the economic development benefits of towns and rural water systems having enough water to attract and expand businesses and industries. Not to mention the quality of life benefits by having a dependable source of high quality drinking water. The sooner Lewis & Clark is fully completed the better. Thank you again for your leadership on this important legislation.

STATEMENT OF RICHARD H. GARCIA, MAYOR, EDINBURG, TX

Good morning Mr. Chairman and Members of the Committee on Energy and Natural Resources. I am Richard H. Garcia, honored to be the Mayor of the City of Edinburg, Texas, located in the 15th Congressional District of Texas. My testimony today is related to the federal waste water and sewer system programs.

I am submitting this testimony to share with you some very important economic statistics from the City of Edinburg and tell you about some important jobs the City is creating even as we speak, and to seek your counsel regarding a dilemma that the City faces—how to fund the infrastructure upgrades needed to keep up with the City's booming economy and service the 56 rural "Colonias" found both within and just outside the City limits that depend on our facilities.

EDINBURG POPULATION AND ECONOMY BOTH ARE BOOMING

Edinburg is located deep in South Texas, approximately 15 miles from the Texas/Mexican border. We are a city of 77,000 people. The City has grown to this population from less than 20,000 in 1960, and is now the fastest growing city in South Texas.

This year, we are seeing the grand opening of two major manufacturing and produce facilities that will add over 1,600 jobs to the City's employment rolls.

These two new plants are of enormous importance not only to the City but to the Nation. They are two important examples of what a community can do in the face of the deepest economic recession our Country has faced in many, many years.

First, there is the new plant being established by Santana Textiles, the largest denim manufacturer in the world. With grants from the State of Texas Enterprise Zone Program as well as tax breaks extended by the City of Edinburg, the company is having the grand opening of the plant this summer. This plant will hire 800 new employees to make denim in Edinburg, using US cotton and exporting the finished product all over the world.

The other new plant houses a major Don Hugo produce operation formerly located in Chicago. It opened its doors in Edinburg on April 2012, and the Don Hugo Company is hiring 800 new employees to staff it. Don Hugo is a produce importer and is moving to Edinburg because of Edinburg's proximity to the border of Mexico in recognition of the fact that Mexico is shipping the lion's share of its produce through South Texas, making our region the largest importer of Mexican produce in the USA. Don Hugo is also taking advantage of similar tax breaks from the City and will become one of the biggest employers in the area.

Also, our airport, which previously was used as a military defense airport and was converted to general aviation after WWII, is slowly but surely becoming a commercial airport, which it will need to be to adequately service Edinburg's business com-

munity. In fact, Fed Ex Ground has opened a new ground station in Edinburg close to our airport.

Edinburg also assists 56 essentially rural communities known as Colonias in South Texas. As described by the Federal Reserve Bank of Dallas, Texas Colonias date back to at least the 1950s. Using agriculturally marginal land, land that lay in floodplains, or other rural properties, developers created unincorporated subdivisions. They divided the land into small lots, put in little or no infrastructure, then sold them to low-income individuals seeking affordable housing. Colonia residents generally have very low incomes. Per capita annual income for all Texas counties bordering Mexico—where most of the Colonias are located—tends to be much lower than the state and national averages. These communities clearly are overburdened, but they also provide many of the workers that fuel the growth of the Rio Grande Valley economy. Like it or not, many of the City's services end up being provided to the residents of these Colonias.

The City government provides to the City's residents and the Colonias sewer and water treatment, fire fighting assistance, police assistance, emergency management assistance, and airport services in case of an emergency or natural disaster that requires people living in the Rio Grande Valley of Texas to seek a port of entry or egress, such as our airport and highways located north of the Texas/Mexican border. In short, during this period of growth, the City is working hard to make certain that its citizens, those who live in the Colonias, and the businesses that have located in our community continue to have the necessary services for a good quality of life as well as being able to attract even more jobs.

EDINBURG'S CHALLENGES

I fully understand that the Congress is out of the earmark business. However, I am here today to share with you a major dilemma the City faces regarding its sewer plant and water plants, airport, and law enforcement funding.

The City's population continues to grow because the City is working hard to add jobs, fight off the devastating economic effects of the recession, and do our part to stimulate economic growth. Thus, my job today on behalf of the citizens of Edinburg, Texas, is to ask you what the federal government can do to assist the City with federal dollars other than earmarks to help us address the cost of building an \$11 million sewer plant and an \$8 million water plant.

Do you have suggestions as to where the City might find the public resources to build these plants that will support our economic development? Unfortunately, the citizens of Edinburg cannot afford both to pay for more necessary improvements to the City's utilities and also assist the other surrounding unincorporated communities as well as the Colonias. Yet, the City has been faced with fines from the federal Environmental Protection Agency because its burgeoning population is pushing the water and sewer facilities to their limits.

This current state of affairs does not do any of us any good, and for certain, the City will have to either work with you to find federal dollars to help the citizens of Edinburg get through these rough spots, or the City will begin to turn away businesses that are eager to invest in bricks and mortar and jobs in Edinburg.

The same goes for our airport, when FAA tells us that we need more volume in order to access money from the Airport Improvement Act to expand the runway, the City responds that it cannot get more volume with a runway that is too short for commercial planes. It's the proverbial question of which comes first, the chicken or the egg. This is a good example of a government program that is not serving the communities it was designed to serve.

Finally, because of our proximity to the Texas/Mexican border, we also need federal dollars to strengthen border security, due to the horrible problems that Mexico is allowing to spill over into the Texas side of our border with Mexico. This is a national problem, but part of that battle is being fought on the local level—by our City's law enforcement officers.

AN INVITATION FOR YOU TO SEE THE PROBLEMS FIRST HAND

Today, I invite this committee to hold a hearing in Edinburg, tour the airport, the local Colonias that Edinburg services and let us show you exactly why we need help from the federal government. The dollars that we need from the federal government will be used carefully to help the City continue to be able to support its population growth as well as prove to you that the City is doing its part to stimulate the economy.

Come down to Edinburg, let me escort you to tour the Rio Grande Valley of Texas, see the Mexican border first hand, see the issues we face with drought and the need for irrigation, see the impressive farm land that produces sugar cane, feed grains,

cotton, citrus, vegetables, and cattle, hogs and sheep, as well as the oil and gas industry, solar energy and renewable fuel, and what these industries mean to Edinburg and South Texas in terms of jobs, jobs, jobs.

CONCLUSION

Our area is one of the fastest growing areas in the USA, and we need help from the federal government to make certain we continue to grow, add jobs, and allow the people of Edinburg and South Texas to prosper. Thank you for the opportunity to submit this testimony to the Committee.

STATEMENT OF HON. DENNIS DAUGAARD, GOVERNOR, STATE OF SOUTH DAKOTA,
PIERRE, SD

I am writing in support of S. 3385, the Authorized Rural Water Projects Completion Act. In South Dakota, a number of our communities are dependent upon the Lewis & Clark Regional Water System to address current water quantity and quality issues. Fully funding the Lewis & Clark project will provide reliable drinking water to an estimated 300,000 people—not just in South Dakota, but in Southwest Minnesota and Northwest Iowa as well.

To date, the states of South Dakota, Iowa, and Minnesota, as well as a number of communities, have pre-paid over \$153 million toward the Lewis & Clark project, representing 99.7 percent of the non-federal share. Trus total includes \$31.9 million in funding from the state of South Dakota. States and communities that have already made the investment to provide quality water for their residents await Congressional action to complete this vitally needed project.

Thank you for your leadership in introducing S. 3385, and I hope the Congress will live up to the commitment it made more than a decade ago and fully fund the Lewis & Clark Regional Water System. r;;f;

STATEMENT OF SCOTT HAIN, GENERAL MANAGER, WORTHINGTON PUBLIC UTILITIES,
WORTHINGTON, MN

On behalf of the City of Worthington, MN, thank you for your leadership on S. 3385, the Authorized Rural Water Projects Completion Act. As part of the Senate Energy & Natural Resources hearing on July 31, please accept this letter as part of the testimony in strong support of S. 3385. We applaud your efforts to complete the seven Bureau of Reclamation rural water projects that have been languishing for years due to the lack of federal funding.

Worthington became a charter member of the Lewis & Clark Regional Water System Project due to decades of failed local water exploration efforts. Although Minnesota is known as “the Land of 10,000 Lakes,” the glaciers missed southwest Minnesota and adequate water resources are scarce. All four of the Minnesota members of Lewis & Clark, including Worthington, have had economic development stifled for decades due to inadequate water resources. The same is true for our fellow Lewis & Clark members located in southeastern South Dakota and northwestern Iowa. We are located in a primarily agricultural area and ag related businesses, particularly production and processing, use significant amounts of water.

We in Worthington, along with the other members of Lewis & Clark and the States of Minnesota, Iowa and South Dakota have prepaid over \$153 million, which r presents 99.7 percent of the non-federal cost share. We made this investment based on the “promise” made by the federal government when the Lewis & Clark project was authorized and signed into law in 2000. These funds have been used to construct a treatment plant and water distribution: system that began delivering water to eleven of the twenty Lewis & Clark members on July 30 of this year. However, federal funding over the last two years has not even kept up with inflation. Under the current federal funding levels the project will never be completed leaving Worthington and eight other project members high and dry. In the meantime, we have had to spend money we didn’t plan on spending on various other infrastructure improvements just to get by. To date, the four Minnesota have spent \$8.3 million on these “band aids” which is on top of what we pre-paid for the Lewis & Clark project itself. In short, we’ve done our part and it’s time for the federal government to hold up their end of the bargain.

Again, thank you for your leadership on S. 3385 and for you efforts toward getting these vital rural water projects completed.

STATEMENT OF TEX G. HALL, CHAIRMAN, MANDAN, HIDATSA AND ARIKARA NATION
OF THE FORT BERTHOLD RESERVATION

Chairman Bingaman, Ranking Member Murkowski and Members of the Committee, my name is Tex Hall. I am the Chairman of the Mandan, Hidatsa and Arikara Nation (MHA Nation) of the Fort Berthold Reservation in North Dakota. Our Fort Berthold Rural Water Project is a part of the Garrison Diversion Unit, the first authorized rural water project. Thank you for the opportunity to testify on S. 3385, the Authorized Rural Water Projects Completion Act.

The MHA Nation strongly supports S. 3385 and the funding the bill would provide to help ensure completion of authorized rural water projects. However, to make real progress toward completing these long overdue projects and avoid additional unnecessary costs to the Federal government, the amount of funding provided in the bill should be substantially increased. We should not be asked to wait any longer for clean water supplies. On my Reservation, our rural water project was promised more than 50 years ago when the Pick-Sloan Missouri River Basin Project and the Garrison Dam flooded the heart of our Reservation and displaced our families, homes, infrastructure and our most valuable economic resources.

CONGRESSIONAL ACTION IS NEEDED NOW

Congress and the Administration are having a serious problem completing already authorized rural water projects. This problem is resulting in substantial additional costs to the government. S. 3385 provides much of the solution, but its funding levels should be increased and it should be passed by Congress this year.

It really is that simple. About 50 years ago, Congress began authorizing the Bureau of Reclamation to design and construct specific projects intended to deliver clean and secure water supplies to specific rural communities. Over this period, 12 projects were authorized and only 4 have been completed. The cost to complete the remaining 8 projects keeps rising to keep pace with increasing construction costs. Reclamation estimates that the cost to complete these projects will double if nothing is done. We need a substantial and stable funding source to make real progress toward completing these projects. S. 3385 could provide that funding.

I applaud Senator Baucus and all of the cosponsors of the legislation for drafting a simple and straightforward bill to address this problem. I also greatly appreciate the support of Senator Conrad from North Dakota as a cosponsor of this legislation. I will be working to seek the support of the rest of the North Dakota Congressional Delegation for S. 3385, including Senator Hoeven who sits on this Committee.

However, the funding that the bill would provide needs to be tripled, at least, to \$240 million per year to make any real impact and to avoid unnecessary additional costs to the Federal government. As it currently stands, the failure of Congress and the Administration to fully fund and complete these projects in a timely manner is resulting in additional costs to the Federal government. As you know, Reclamation estimated in a July 9, 2012 report, entitled "Assessment of Reclamation's Rural Water Activities and Other Federal Programs that Provide Support on Potable Water Supplies to Rural Water Communities in the Western United States," that at the current level of funding the eventual cost of the projects will be double their original authorization. Reclamation estimated that it will take about \$4 billion to complete the authorized rural water projects compared to their original \$2 billion in authorizations.

Reclamation's report seems to blame these additional costs on the cost indexing included in the original authorizing language. To the contrary, cost indexing is not the problem, the problem is the failure of the Congress and the Administration to adequately fund these projects on an annual basis. Cost indexing to keep pace with inflation is entirely appropriate, simply requires that annual project construction costs are based in reality and ensures that the projects will be completed as originally intended.

Our Fort Berthold Rural Water Project, part of the Garrison Diversion Unit, provides a good example of the level of funding needed. S. 3385 would make \$80 million available each year. If Garrison received \$20 million of that amount, because it was the first authorized project and because of the large federal share remaining, this would not be enough funding to make a significant difference in completing the Fort Berthold Rural Water Project. From that \$20 million, the State of North Dakota would keep \$10 million and the tribes in North Dakota would split the remaining \$10 million. Ultimately, the MHA Nation and our Fort Berthold Rural Water Project would end up with a few million dollars to keep construction moving along slowly.

As explained in more detail below, even if the funding amount were tripled, or more, it would still only be one-quarter, about 24%, of the surplus that is available

in the Reclamation Fund each year. After all the other shares are taken, this level of funding would provide the MHA Nation about \$10 million a year that could be devoted to Fort Berthold Rural Water Project construction. The MHA Nation has the staff and construction teams in place to easily use this level of funding on an annual basis. This is the level of funding needed to make a real impact and ultimately lower the cost to the Federal government by completing the project in a timely manner.

CONGRESS SHOULD KEEP IT SIMPLE AND PASS THIS SIMPLE SOLUTION

Unfortunately, approval of S. 3385 does not appear to be the only issue on the table. Instead, we are also talking about the Rural Water Supply Act of 2006, P.L. 109-451 that authorized Reclamation to establish a program to assess rural water supply needs which created additional work for Reclamation, and the convoluted process Congress has developed for managing costs and the federal budget. We need to put these two issues aside to complete the rural water projects Congress committed to long ago.

First, the Rural Water Supply Act of 2006 has Reclamation reviewing priorities that Congress already expressed in the authorization for each project and conducting appraisal and feasibility studies for new rural water projects. Reclamation may need a new programmatic approach to manage future demand for rural water projects needed by deserving communities, but, before we take that on, we need to complete the projects that are already authorized and should have been completed long ago. While our authorized projects have languished for lack of funding, Reclamation reports that it has funded 17 appraisal investigations and 5 feasibility studies in just two years. Neither Congress nor Reclamation should create new work or reassess long-standing commitments while existing projects remain underfunded and uncompleted.

Second, Congress should put an end to its convoluted process for managing costs and the federal budget. These processes effectively require legislation to pass Congress twice—first on the merits and then on cost. These processes also consolidate power in the hands of a few members with jurisdiction over revenues and expenditures. At a minimum, these rules should be waived for the kind of funding proposed by S. 3385.

The funding identified for S. 3385, the Authorized Rural Water Project Completion Act, would come from what is known as the Reclamation Fund. The Reclamation Fund is an existing account within the Federal government that is running huge surpluses and which should be used for exactly these kinds of rural water projects. I understand that approximately \$2 billion is paid into this fund each year. About \$1 billion of that is spent on existing operations and there is about a \$1 billion annual surplus. S. 3385 would commit \$80 million, or about 8% of that surplus, to complete authorized projects that are getting more and more expensive to complete each year. Moreover, even if this amount is raised to \$240 million, or 24% as discussed above, this is still a small amount to spend to lower the overall cost to the Federal government.

Spending a small portion of the Reclamation Fund to complete authorized rural water projects is one of the smartest funding decisions Congress could make. It would use existing funds that should be spent on rural water projects and it would reduce the overall costs expected for completing these projects. However, instead of making this straightforward decision, S. 3385 and recent Congressional procedures would require that any of the Reclamation Funds used be paid for by cuts in other Federal spending or by increases in revenues.

Instead of getting tied up in knots by its own procedures, Congress should simply provide the funding needed to complete the projects it has authorized. The \$80 million that S. 3385 would provide would be a good start. Congress needs to do this in a timely manner so that the projects do not end up costing far more than originally planned. Each day we wait the costs only grow higher. We need straightforward action from Congress to fulfill the commitments made to our communities.

COMPLETION OF THE GARRISON DIVERSION UNIT WOULD ADDRESS PAST WRONGS

While all of the remaining 8 authorized rural water projects need the funding that S. 3385 would provide, the promises the Federal government made to the MHA Nation deserve special attention. The Federal government committed to provide the MHA Nation and all of our homes with a clean and secure municipal and industrial water system. This promise was made because the construction of the Garrison Dam as a part of the Pick-Sloan Missouri River Basin Project flooded the heart of our Reservation and displaced families, homes, churches, school and our very way of life.

Few communities have been asked to sacrifice to the extent the MHA Nation has been asked to sacrifice.

In the 1950's, the MHA Nation's most abundant and fertile resources were flooded by the massive Garrison Dam, one of a number of dams constructed as a part of the Pick-Sloan Missouri River Basin Project. Originally authorized by the Flood Control Act of 1944, Pub. L. No. 78-534, § 9, 58 Stat. 891 (1944), the Pick-Sloan Project was intended to fulfill national public purposes of flood control, navigation, irrigation, hydropower, municipal and industrial water supply, fish and wildlife, water quality and recreation. However, from the MHA Nation's perspective the Project flooded our most valuable resources and devastated the economic and social systems that sustained us.

The MHA Nation was pressured and steam-rolled into signing away our prime river bottom lands to make way for Garrison Dam. Other sites were available to construct the Dam, but the site that would flood the most Indian lands and have the least impact on non-Indian towns was selected. Even with tribal resolutions opposing the Dam, by May of 1948, MHA Nation Chairman George Gillette had little choice but to travel to Washington, D.C. to sign the final agreement with the Department of Interior. A photograph of that event shows Chairman Gillette weeping as Interior Department officials sign away our trust lands to be flooded for public purposes by Garrison Dam's giant reservoir, Lake Sakakawea. Chairman Gillette said, "Right now, the future does not look too good for us." I have attached to my testimony an article from a North Dakota historical foundation that describes those events and that includes this photograph.

As a result of the Garrison Dam, the MHA Nation's land and our traditional social and economic structures were devastated. The Garrison Dam flooded more than 156,000 acres, the heart of our Reservation. It flooded much of our prime agricultural lands, 84 percent of our roads network, more than 400 homes, our Hospital, schools and churches, and 90 percent of our tribal membership was forced to relocate to higher, less hospitable ground. The Dam also flooded forests, the red willows that protected and nourished our stock, and displaced the wildlife that MHA Nation members harvested.

Compensation provided to the MHA Nation was far too little to make up for what was lost and was not adequate compensation for the use of our lands to produce hydroelectric power and provide navigation. In addition, projects to make the MHA Nation whole were promised but not fulfilled, including: irrigation and drinking water systems, preferential electric power, financial assistance for Reservation farms, development of recreational shoreline opportunities, and replacement of infrastructure that was flooded. These promises remain unfulfilled and the new economy brought by Garrison Dam provides little benefit to the members of the MHA Nation, yet we live daily with the most impacts.

After much study and discussion about how to begin making up for the losses that the MHA Nation suffered, our Fort Berthold Rural Water Project was authorized as a part of the Garrison Diversion Unit to make good on a decades old promise. Unfortunately, as a part of the Garrison Diversion Unit, by the time Reclamation's funding reaches our project managers there is little for us to spend on construction each year.

As I mentioned above, the State of North Dakota takes half of the Garrison funding and the other half is split among four tribes. As a result, in many years, the Fort Berthold Rural Water Project barely has the money to keep going. In contrast, the State currently enjoys a \$1 billion dollar budget surplus and in recent years had a water budget between \$200 and \$400 million. Until the Fort Berthold and other tribal projects catch up to the State water project, the State of North Dakota should be required to waive its share of Federal funding. This needs to be done to shorten the overall timeline for completing the tribal projects and make good on the promises to the MHA Nation for the flooding of our lands.

Because of the impacts the Pick-Sloan Project and the Garrison Dam had on the MHA Nation, our rural water project means more to us than just the promise of a clean and secure municipal and industrial water supply. The Fort Berthold Rural Water Project will help to address the devastating impact the Pick-Sloan Project had on our most valuable resources, our way of life and our homelands. We ask that Congress and the Administration increase the funding in S. 3385 and pass this bill so that promises made when our lands were flooded can finally be fulfilled.

CONCLUSION

Thank you Chairman Bingaman, Ranking Member Murkowski and Members of the Committee for the opportunity to provide this testimony in support of S. 3385 and its solution to the ongoing delays in completing authorized rural water projects.

We only ask that the funding levels in the bill be increased to a level that will ensure the completion of these projects and which will save the Federal government hundreds of millions of dollars. This needs to be done to complete these long promised rural water projects, and also to help address impacts to the MHA Nation from the Pick-Sloan Missouri River Basin Project.

STATEMENT OF MARY A. HELLER, GENERAL MANAGER, NORTH CENTRAL MONTANA
REGIONAL WATER AUTHORITY, HAVRE, MT

Members of the Senate Committee for Energy and Natural Resources, thank you for holding a hearing on Senator Max Baucus' bill S.3385 on July 31, 2012. I was in attendance at this hearing as a representative of the North Central Montana Regional Water Authority which is partnering with the Rocky Boy's Reservation of the Chippewa Cree Tribe to develop, construct, and operate the Rocky Boy's/North Central Montana Regional Water System (RB/NCMRWS) Project.

As you know, in 1999, President Clinton signed the Chippewa Cree Tribe of the Rocky Boy's Reservation Indian Reserved Water Rights Settlement and Water Supply Enhancement Act into law. That settlement act provided 10,000 acre-feet of water for the Chippewa Cree Tribe via Tiber Reservoir. In 2002, President George W. Bush signed the Rocky Boy's/North Central Montana Regional Water System Act into law. As a Congressionally authorized project, the RB/NCMRWS Project will distribute clean drinking water to meet tribal, municipal, rural and industrial needs for the Rocky Boy's Reservation and seven counties in north central Montana.

Since the signing of the authorized regional water project, the RB/NCMRWS Project partners have worked diligently to utilize the funds granted to them through the appropriation process. Our progress has been limited, however, due to the fact that the appropriated funds to date fall very short of the costs associated with construction of a project of this magnitude in a timely manner. Since its authorization in 2002, the funding ceiling for the RB/NCMRWS Project has increased from \$229 million to over \$350 million due to the application of annual indexing factors by the Bureau of Reclamation. While we are appreciative of the funding received—to date approximately \$60 million—we are nowhere close to receiving the funds necessary to complete the project.

During the hearing, Senator Max Baucus and Rocky Boy's Chairman Bruce SunChild testified that safe drinking water is scarce in north central Montana. Many of our public water systems and residents are faced with Administrative Orders from the Montana Department of Environmental Quality (DEQ) due to regulatory violations. Some water systems are at risk of enforcement action because of recent and anticipated drinking water regulations administered by the Environmental Protection Agency (EPA). Recently, I was told by a local water district operator that a customer came to him with a jar full of water that she had obtained from the tap at her kitchen sink. The water contained small worms and, obviously, was not safe for her family to drink.

Anyone associated with public drinking water is familiar with the Safe Drinking Water Act and the regulations mandated by the EPA to enforce that Act. They do not have to be reminded of how stressed our aging infrastructure is when it comes to public drinking water supply systems here in Montana. Water treatment plants, storage facilities, and distribution systems that are, in many cases, well over 50 years old are at risk of enforcement action by the DEQ because that infrastructure can no longer adequately protect human health. The reality is, however, our communities cannot afford to pay for the cost of updating and maintaining these individual, aging systems to comply with mandated EPA regulations. Regionalization, through the RB/NCMRWS Project, is the right solution.

North central Montana is very rural and the economy here relies primarily on agriculture. Our towns and water districts that deliver public water are small compared to many of the areas across the United States. However, the EPA regulations for safe drinking water that are mandated for communities of 100,000-plus residents are predominantly the same regulations that a community of 100 residents must abide by. The costs associated with updating aging infrastructure simply cannot be passed onto our small rural communities.

Try to imagine a day-to-day life that consists with the struggle to have clean drinking water in the home. The sources of water available to north central Montana residents are impacted by drought or require increased treatment to safeguard against contamination. Drinking contaminated water can pose significant health risks such as gastro intestinal illnesses, cancer, central nervous system problems, liver and kidney problems, and reproductive effects, including miscarriages.

As many Montana citizens face a daily struggle of obtaining safe drinking water at the front door, the DEQ and EPA are at the back door with additional compliance regulations that public water systems simply can't afford.

The RB/NCMRWS Project was signed into law with its authorization in 2002. However, the law has not been upheld by the US government as funding has been scarce, and we usually had to rely on Congressionally-directed funds to get any construction done.

This is not only a great concern in regards to lack of funding, but we're also concerned about the possibility of newly authorized projects. While we would not want to turn anyone away from clean drinking water, we also see the reality that currently authorized projects should receive all the funds necessary to complete and "get the projects off the books."

Past federal appropriation dollars awarded to the RB/NCMRWS Project created numerous jobs. We witnessed a large spike in employment when funds from the American Reinvestment and Recovery Act (ARRA) were obtained—it is estimated that over 550 jobs were created. This includes jobs in a wide variety of sectors including raw materials, manufacturing, transportation, suppliers, construction, engineering, management, administration, legal, easements acquisition, etc. This is the largest project occurring in north central Montana, and the livelihood for many hard working Montanans depends on it.

Completed segments within the project area have provided North Havre County Water District (CWD), South Chester CWD, and Riverview Colony with water treated to current drinking water standards. Furthermore, the Rocky Boy's Reservation has taken several steps towards receiving a reliable supply of clean drinking water.

According to the 2010 Census, the Rocky Boy's Reservation is the fastest growing reservation in Montana. However, infrastructure there is not expanding. As Chairman SunChild testified, current groundwater supplies are inadequate, and water rationing limits the quality of life and has prevented industrial and economic development opportunities.

Off-reservation areas such as Shelby and Havre, Montana are also witnessing the potential for economic growth opportunities with oil and gas developments, biodiesel and wind power projects, agricultural centers and even homeland security. However, economic growth in these communities is also stifled unless additional clean drinking water can be provided.

The federal government plays a significant role in this regional water system project. That role is to provide support for the growth of commerce, trade and the ability for citizens to strive for a prosperous future.

As our nation prepares for another election season, the buzz words used with each candidate are strikingly familiar; "job creation" and "economic growth." Regardless of political affiliation, all Americans seem to agree on one thing; the use of taxpayer dollars needs to be spent wisely on projects that will provide jobs, economic growth and positively impact America's future.

The RB/NCMRWS Project is a federally authorized project that provides solutions to the issues of human health, job creation and economic growth. We fully support Senator Baucus' bill S. 3385—a Bill to Authorize the Secretary of the Interior to Use Designated Funding to Pay for Construction of Authorized Rural Water Projects. With the passage of this bill, we can obtain the necessary funding needed to provide a lifeline to our fellow citizens with clean, safe, and reliable drinking water. We cannot achieve future growth and prosperity without this most precious natural resource.

Mr. Chairman and Committee members, on behalf of the RB/NCMRWS Project, I thank you for your hard work and support to bring clean drinking water to citizens of the United States.

STATEMENT OF GENE HEXOM, MAYOR, CITY OF MADISON, SD

On behalf of the City of Madison, thank you for your leadership on S. 3385, the Authorized Rural Water Projects Act. We applaud your efforts to complete the seven Bureau of Reclamation rural water projects that have been languishing for years due to the lack of federal funding. Completing these projects as quickly as possible will benefit the taxpayers by avoiding inflationary price increases, as well as realizing the economic development benefits of towns and rural water systems having enough water to attract and expand businesses and industries. Not to mention the quality of life benefits by having a dependable source of high quality drinking water.

As part of the Senate Energy & Natural Resources hearing on July 31" regarding S. 3385, please accept this letter as part of the testimony in strong support of S. 3385. Three rural water systems and eight communities in southeast South Dakota

are part of the Lewis & Clark project, as well as nine cities and rural water systems in southwest Minnesota and northwest Iowa. The 20 members and three states have prepaid over \$153 million, which represents 99.7 percent of the non-federal cost share.

Eleven of the 20 Lewis & Clark members just began receiving water on July 30. However, because federal funding the last two years has not even kept up with inflation, under the current federal funding levels the project would never be completed. This would leave the remaining nine members, including the City of Madison, high and dry, while the members who are receiving water will continue to pay higher than expected water rates because they are paying the entire cost to operate the treatment plant. In the meantime, the City of Madison is also facing tough decisions about potentially investing hundreds of thousands of dollars which would not have to be spent would the federal government live up to their promise to Lewis and Clark and the citizens of the City of Madison.

Lewis & Clark is critically important to the quality of life and economy of the City of Madison. The City of Madison strongly urges Congress to pass S. 3385. The sooner Lewis & Clark is completed, the better. Thank you again for your leadership on this important legislation.

STATEMENT OF MIKE HUETHER, MAYOR, CITY OF SIOUX FALLS, SD

On behalf of the City of Sioux Falls, thank you for your leadership on S. 3385, the Authorized Rural Water Projects Act. We applaud your efforts to complete the seven Bureau of Reclamation rural water projects that have been languishing for years due to the lack of federal funding. Completing these projects as quickly as possible will benefit the taxpayers by avoiding inflationary price increases, realizing the economic benefits by expanding and attracting new businesses, and providing a dependable source of high-quality drinking water.

As part of the Senate Energy and Natural Resources hearing on July 31, 2012, regarding S. 3385, please accept this letter as part of the testimony in strong support of S. 3385. Sioux Falls is fortunate in that it is one of the 11 members who finally began receiving water from Lewis & Clark at the end of last month. However, it is critically important that the remaining 9 members be connected as soon as possible. All 20 members are in this project together. We cannot stop pressing forward until everyone is connected. In addition, the 11 connected members will be paying elevated water rates until all the members are connected.

The 20 local members and 3 states have prepaid over \$153 million, which represents 99.7 percent of the nonfederal cost share. However, because federal funding the last two years has not even kept up with inflation, under the current federal funding levels, the project would never be completed. In the meantime, members have had to spend additional funds on infrastructure improvements. This has not been the case fortunately for Sioux Falls, but I understand from Lewis & Clark officials that the other members have spent a combined \$9.3 million, which is on top of what they prepaid for the Lewis & Clark project itself. This further highlights the need to complete this project in a timely manner.

Thank you again for your leadership on this important legislation.

JOINT STATEMENT OF DAN L. JANSSEN, CITY ADMINISTRATOR, AND JERRY L. JOHNSON, MAYOR, CITY OF SIBLEY, IA

On behalf of the City of Sibley, Iowa a member of the Lewis and Clark Regional Water System, thank you for your leadership on S. 3385, the Authorized Rural Water Projects Act. We applaud your efforts to complete the seven Bureau of Reclamation rural water projects that have been languishing for years due to the lack of federal funding. Completing these projects as quickly as possible will benefit the taxpayers by avoiding inflationary price increase, as well as realizing the economic development benefits of towns and rural water systems having enough water to attract and expand businesses and industries. Not to mention the quality of life benefits by having a dependable source of high quality drinking water.

As part of the Senate Energy & Natural Resources hearing on July 31 regarding S. 3385, please accept this letter as part of the testimony in strong support of S. 3385. The City of Sibley is a member of the Lewis and Clark Regional Water System project. Other members of Iowa including Hull, Sioux Center, Sheldon and Rock Rapids are also members of the system. They and the other members and three states have prepaid over \$153 million, which represents 99.7 percent of the non-federal cost share. Eleven of the 20 Lewis & Clark members just began receiving water on July 30. However, because federal funding the last two years has not even kept

up with inflation, under the current federal funding levels the project would never be completed, thereby leaving the members in Iowa high and dry. In the meantime, because of the delays these cities and rural water systems have had to spend money they did not plan to on infrastructure improvements and have missed out on many lost economic development opportunities.

The City of Sibley, Iowa strongly urges Congress to pass S. 3385. The sooner Lewis & Clark reaches northwest Iowa, the better. Thank you again for your leadership on this important legislation.

JOINT STATEMENT OF STAN KNOBLOCH, CHAIRMAN OF THE BOARD, AND JAMES E. HOYE, GENERAL MANAGER, ROCK RAPIDS UTILITIES, ROCK RAPIDS, IA

Rock Rapids Municipal Utilities thanks you for your leadership on S. 3385, the Authorized Rural Water Projects Act. We appreciate your efforts to complete the seven Bureau of Reclamation rural water projects that have been in limbo for years due to the lack of federal funding. Completing these projects as quickly as possible will benefit the taxpayers by avoiding inflationary price increase, as well as realizing the economic development benefits of towns and rural water systems having enough water to attract and expand businesses and industries.

As part of the Senate Energy & Natural Resources hearing on July 31 regarding S. 3385, please accept this letter as part of the testimony in strong support of S. 3385. Four rural water systems and seven communities in southeast South Dakota are part of the Lewis & Clark project, as well as nine cities and rural water systems in southwest Minnesota and northwest Iowa. The 20 members and three states have prepaid over \$153 million, which represents 99.7 percent of the non-federal cost share.

Rock Rapids is one of the eleven Lewis & Clark members that just began receiving water on July 30. Rock Rapids will be receiving water and will have to pay higher than expected water rates because we will be paying the entire cost to operate the treatment plant. In the meantime, because of the delays cities and rural water systems that are not connected have had to spend money they did not plan to on infrastructure improvements. To date, the members have spent a combined \$9.3 million, which is on top of what they pre-paid for the Lewis & Clark project itself.

Lewis & Clark is critically important to the quality of life and economy of the tri-state region. Rock Rapids Municipal Utilities strongly urges Congress to pass S. 3385. The sooner Lewis & Clark is completed, the better. Thank you again for your leadership on this important legislation.

STATEMENT OF ROGER LAMP, PRESIDENT OF THE BOARD, LINCOLN COUNTY RURAL WATER SYSTEM, INC.

On behalf of Lincoln County Rural Water System, Inc., thank you for your leadership on S. 3385, the Authorized Rural Water Projects Act. We applaud your efforts to complete the seven Bureau of Reclamation rural water projects that have been languishing for years due to the lack of federal funding. Completing these projects as quickly as possible will benefit the taxpayers by avoiding inflationary price increase, as well as realizing the economic development benefits of towns and rural water systems having enough water to attract and expand businesses and industries. Not to mention the quality of life benefits by having a dependable source of high quality drinking water.

As part of the Senate Energy & Natural Resources hearing on July 31 regarding S. 3385, please accept this letter as part of the testimony in strong support of S. 3385. Four rural water systems of which Lincoln County Rural Water is one of them, and seven communities in southeast South Dakota are part of the Lewis & Clark project, as well as nine cities and rural water systems in southwest Minnesota and northwest Iowa. The 20 members and three states have prepaid over \$153 million, which represents 99.7 percent of the non-federal cost share.

Eleven of the 20 Lewis & Clark members just began receiving water on July 30. Lincoln County Rural Water was fortunate to be one of the Lewis & Clark members receiving water. However, because federal funding the last two years has not even kept up with inflation, under the current federal funding levels the project would never be completed. This would leave the remaining nine members high and dry, while the members who are receiving water will continue to pay higher than expected water rates because they are paying the entire cost to operate the treatment plant. Because of the drought in our area, the Lewis & Clark project is needed more than ever. Due to delays these cities and rural water systems that are not connected have had to spend money they did not plan to on infrastructure improvements. To

date, the members have spent a combined \$9.3 million, which is on top of what they pre-paid for the Lewis & Clark project itself. Lewis & Clark is critically important to the quality of life and economy of the tri-state region. Lincoln County Rural Water strongly urges Congress to pass S. 3385. The sooner Lewis & Clark is completed the better. It is time for the federal government to live up to its part of the bargain.

Thank you again for your leadership on this important legislation.

STATEMENT OF MARY MCCLUNG, FINANCE OFFICER, CITY OF HARRISBURG, SD

On behalf of the City of Harrisburg, South Dakota, thank you for your leadership on S. 3385, the Authorized Water Projects Completion Act. We applaud your efforts to complete the seven Bureau of Reclamation rural water projects that have been languishing for years due to the lack of federal funding.

Please accept this letter as part of the testimony in strong support of S. 3385. Our water system is part of the Lewis & Clark project. Lewis & Clark members and the three states have prepaid over \$153 million, which represents 99.7 percent of the non-federal cost share. The City of Harrisburg is one of eleven of the 20 Lewis & Clark members that began receiving water on July 30, 2012.

The federal funding the last two years has not even kept up with inflation, and under the current federal funding levels the project will never be completed, thereby leaving the remaining nine members high and dry. Many cities and rural systems have had to spend millions on infrastructure improvements on top of what they pre-paid for the Lewis & Clark project because of these delays. Even though the City of Harrisburg is currently receiving water it is crucial that the project is fully completed because until it is the eleven members will be paying for the o/m of the facility through our water rates at a higher rate.

Completing projects such as Lewis & Clark as quickly as possible will benefit the taxpayers by avoiding inflationary price increases as well as the economic development benefits of towns and rural water systems having enough water to attract and expand businesses and industries. Not to mention the quality of life benefits by having a dependable source of high quality drinking water. The sooner Lewis & Clark is fully completed the better. Thank you again for your leadership on this important legislation.

STATEMENT OF DL SANDERS, CHIEF COUNSEL TO THE NEW MEXICO STATE ENGINEER

Chairman Bingaman, Ranking Member Murkowski and Members of the Committee, my name is DL Sanders and I serve as the Chief Counsel to the New Mexico State Engineer. I regret not being able to appear in person to present oral testimony in strong support of S. 3385, the Authorized Rural Water Projects Completion Act (Act). The Act will resolve some of the most critical potable water supply issues in the Western United States and those specifically impacting the seven Eastern New Mexico Water Utility member entities.

Mr. Chairman, this bill is important to two of New Mexico's rural water projects. My comments are limited to completion of the Eastern New Mexico Rural Water System (System) as it is critical to sustaining the population of Eastern New Mexico. As you know, Mr. Chairman, the water levels in New Mexico's portion of the Ogallala Aquifer continue to decline at a rate that threatens the area's potable water supply. The only viable alternative is this rural water system.

By way of a brief history, the Canadian River Compact apportioned the surface waters of the Canadian River among the States of New Mexico, Texas, and Oklahoma in 1950. The compacting States provided for the storage of water. Accordingly, in 1955, the New Mexico Legislature authorized the New Mexico Interstate Stream Commission to investigate the potential for construction of a Dam to impound a portion of New Mexico's share of Canadian River water. This investigation ultimately led to the construction of Ute Dam which was completed in 1964.

In 1963, while the Ute Dam was under construction, the predecessor organization that evolved into the Eastern New Mexico Water Utility Authority (Authority) was formed by the municipalities of Tucumcari, Clovis, Portales, Elida, Roswell and Artesia. Today, the member entities of the Authority remain steadfast in their support of the completion of the System as it offers the only water supply alternative to the groundwater of the Ogallala Aquifer that is in rapid decline. Only through increased funding, as proposed by this bill, will Authority members be assured of not running out of water before the System is fully constructed.

Since 1958, the United States has been a partner with New Mexico in the construction of Ute dam and the System. With respect to the System, the majority of

funding, more than \$25 million, has come from the State of New Mexico and the Authority's members.

This legislation is vital for Eastern New Mexico to establish a sustainable and renewable supply of water and assure its socio-economic future. A sustainable supply of water is critical to the economy of Eastern New Mexico that is dependent on a diverse number of industries such as dairy, large-scale food production and processing, ethanol refining, a critical military presence at Cannon Air Force Base and colleges and universities.

The completion of the System offers Eastern New Mexico the only viable means to overcome its most significant challenge: a lack of renewable water supply. Because Eastern New Mexico communities rely solely on the Ogallala Aquifer, Authority members invest millions of dollars per year to develop adequate production capacity to meet existing demand to replace existing pumping capacity as it continues to decline.

I understand that each of you have heard time and again just how critical some project is to a particular state, nevertheless there are some that truly are a little more critical than some others and I believe this is one. I cannot emphasize enough just how critical completion of this System is to ensure a reliable uninterrupted water supply for the Authority's members, the military, and the economy of Eastern New Mexico.

I would like to include the statement that the state of New Mexico continues to support the Jicarilla Apache Tribe's rural water project that also will benefit from passage of this bill.

Mr. Chairman, thank you for championing this effort and please know the State of New Mexico stands in strong support of S. 3385 and the State Engineer will gladly assist you in moving this important legislation through Congress. This concludes my written testimony.

STATEMENT OF ROD SPONK, CHAIRMAN, LINCOLN PIPESTONE RURAL WATER

On behalf of Lincoln Pipestone Rural Water (LPRW), thank you for your leadership on S. 3385, the Authorized Rural Water Projects Act. We applaud your efforts to complete the seven Bureau of Reclamation rural water projects that have been languishing for years due to the lack of federal funding. Completing these projects as quickly as possible will benefit the taxpayers by avoiding inflationary price increases, as well as realizing the economic development benefits of towns and rural water systems having enough water to attract and expand businesses and industries. Not to mention the quality of life benefits by having a dependable source of high quality drinking water.

As part of the Senate Energy & Natural Resources hearing on July 31 regarding S. 3385, please accept this letter as part of the testimony in strong support of S. 3385. Our neighboring rural water system, Rock County Rural Water District, is part of the Lewis & Clark project, as well as the communities of Worthington and Luverne. They, LPRW, and sixteen other members and three states have prepaid over \$153 million, which represents 99.7 percent of the non-federal cost share. Eleven of the twenty Lewis & Clark members just began receiving water on July 30. However, because federal funding the last two years has not even kept up with inflation, under the current federal funding levels, the project would never be completed, thereby leaving the members in Minnesota high and dry. In the meantime, because of the delays, these cities and rural water systems have had to spend money they did not plan to on infrastructure improvements. To date, the four Minnesota members have spent \$3.3 million, which is on top of what they pre-paid for the Lewis & Clark project itself.

Although Minnesota is known as "the Land of 10,000 Lakes," the glaciers missed southwest Minnesota. The lack of water has caused ethanol plants and dairies to be turned away. A large pork processing plant in Worthington has wanted to expand for over ten years, but cannot because of the lack of water. This has an adverse impact on the pork producers in the region.

Lincoln Pipestone Rural Water strongly urges Congress to pass S. 3385. The sooner Lewis & Clark reaches southwest Minnesota, the better. Thank you again for your leadership on this important legislation.

STATEMENT OF CHRIS UDALL, EXECUTIVE DIRECTOR, AGRI-BUSINESS COUNCIL OF ARIZONA, INC., MESA, AZ

On behalf of the membership of the Agri-Business Council of Arizona (ABC), I want to extend our support of S. 3385, the Authorized Rural Water Projects Comple-

tion Act. Focusing attention on quality water supplies for rural communities, agribusiness and Tribes throughout the west and in particular, Arizona, are extremely important priorities for our members.

ABC serves as Arizona's Reclamation Representative to the National Water Resources Association (NWRA). We appreciate our association with NWRA which provides the opportunity to work collectively on water issues of importance throughout the west such as S. 3385. We also support the Bureau of Reclamation's efforts to provide quality water supplies and delivery infrastructure throughout the west.

Please let us know how we can assist further in moving S. 3385 toward passage in the Senate and beyond.

STATEMENT OF ROGER VIS, MAYOR, CITY OF HULL, IA

The City of Hull, as a member of the Lewis and Clark Regional Water System, would like to thank you for the introduction of S. 3385, the Authorized Rural Water Projects Act. Economic development is not possible without an adequate water supply and the City of Hull appreciates your efforts in securing funding to complete the seven Bureau of Reclamation's existing rural water projects.

The 20 members and three states have pre-paid over \$153 million, almost 100% of the non-federal cost share. Passage of S. 3385 will greatly improve the ability of the federal government to fulfill its commitment.

The City of Hull is the epitome of the kind of economic benefits a completed Lewis and Clark System can provide a community. In 2007, the City of Hull successfully recruited a cheese and whey facility to locate in Hull. The promise of a future secure water source (Lewis & Clark) was one of the major reasons the facility chose the City of Hull. The facility employs over 125 individuals and over 2.5M pounds of milk (300,000 gallons) are processed daily. Future expansion, including the addition of 45 jobs, is currently being discussed and the City of Hull is competing against other locations, including Canada, for the expansion. At the present time, the City would not be able to accommodate the future water needs of the expansion, and we are unable to afford the millions of dollars it would take to build the additional infrastructure needed.

Again, thank you for your foresight in seeing the benefit of completing the existing rural water projects. Hull strongly urges Congress to pass S. 3385.

JOINT STATEMENT OF DENNIS WALSTRA, MAYOR, AND MURRAY HULSTEIN, LEWIS & CLARK VICE-CHAIRMAN, AND SIOUX CENTER UTILITIES MANAGER

The City of Sioux Center, Iowa, as members of the Lewis & Clark Regional Water System would like to thank you for introduction of S. 3385, the Authorized Rural Water Projects Act. We appreciate your efforts to have a bill passed which complete the seven Bureau of Reclamation rural water projects, which are unable to be completed due to lack of federal funding. Sioux Center realizes that these projects are important to their local economies, providing jobs, and allowing for economic development. As you know, completing these projects as quickly as possible also avoids inflationary increases and allows us to meet our growing needs.

As part of the Senate Energy and Natural Resources Committee hearing on July 31 regarding S. 3385, please accept this letter as part of the testimony in strong support of S. 3385. Lewis & Clark's executive director, Troy Larson, indicated in his testimony that the 20 members and three states have pre-paid over \$153 million which represents 99.7% of the non-federal cost share. These payments indicate our commitment to this project and we respectfully request the federal government fulfill its commitment of its cost share as soon as possible. We believe passage of S. 3385 will enhance the federal government's ability to meet its commitment.

The recent drought in the area has magnified the need for Lewis & Clark. On July 30, 11 of the 20 Lewis & Clark members began receiving water. Almost immediately, members were taking much more water than anticipated due to heavy demand and decreasing supplies. Those of us not connected to Lewis & Clark also need this critical source. We are forced to invest in infrastructure which would not be needed should Lewis & Clark be completed.

Sioux Center sees Lewis & Clark as a critical component to our quality of life and to economic development in our area. We also see Lewis & Clark as a critical contributor towards the economic viability of the tri-state region. Sioux Center strongly urges congress to pass S. 3385. Thank you again for introduction of this bill.

STATEMENT OF SCOTT WYNJA, CITY MANAGER, CITY OF SHELDON, AND LEWIS AND CLARK BOARD OF DIRECTORS

On behalf of the City of Sheldon, Iowa a member of the Lewis and Clark Regional Water System, thank you for your leadership on S. 3385, the Authorized Rural Water Projects Act. We applaud your efforts to complete the seven Bureau of Reclamation rural water projects that have been languishing for years due to the lack of federal funding. Completing these projects as quickly as possible will benefit the taxpayers by avoiding inflationary price increase, as well as realizing the economic development benefits of towns and rural water systems having enough water to attract and expand businesses and industries. Not to mention the quality of life benefits by having a dependable source of high quality drinking water.

As part of the Senate Energy & Natural Resources hearing on July 31 regarding S. 3385, please accept this letter as part of the testimony in strong support of S. 3385. The City of Sheldon is a member of the Lewis and Clark Regional Water System project. Other members of Iowa including Hull, Sioux Center, Sibley and Rock Rapids are also members of the system. They and the other members and three states have prepaid over \$153 million, which represents 99.7 percent of the non-federal cost share. Eleven of the 20 Lewis & Clark members just began receiving water on July 30. However, because federal funding the last two years has not even kept up with inflation, under the current federal funding levels the project would never be completed, thereby leaving the members in Iowa high and dry. In the meantime, because of the delays these cities and rural water systems have had to spend money they did not plan to on infrastructure improvements and have missed out on many lost economic development opportunities.

The City of Sheldon, Iowa strongly urges Congress to pass S. 3385. The sooner Lewis & Clark reaches northwest Iowa, the better. Thank you again for your leadership on this important legislation.

○