RELATING TO COLUMBIA BASIN IRRIGATION DISTRICT MATTERS

HEARINGS

BEFORE THE

SUBCOMMITTEE ON IRRIGATION AND RECLAMATION

OF THE

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 3162

A BILL TO APPROVE AN AMENDATORY REPAYMENT CONTRACT AND TO AMEND THE COLUMBIA BASIN PROJECT ACT OF 1943, AS AMENDED

JUNE 20 AND JULY 18, 1962

Printed for the use of the
Committee on Interior and Insular Affairs

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1962

87199

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RELATING TO COLUMBIA BASIN IRRIGATION DISTRICT MATTERS

WEDNESDAY, JUNE 20, 1962

U.S. SENATE,
SUBCOMMITTEE ON IRRIGATION AND RECLAMATION OF THE
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 11:30 a.m., in Room 3110, New Senate Office Building, Senator Henry M. Jackson presiding.

Present: Senators Henry M. Jackson, Washington; J. J. Hickey, Wyoming, and Gordon Allott, Colorado.

Also present: Roy Whitacre, of the committee professional staff; Jerry T. Verkler, chief clerk; Stewart French, chief counsel.

Senator JACKSON. The next measure on the agenda is S. 3162, a bill to approve an amendatory repayment contract negotiated with the Quincy Columbia Irrigation District, and to authorize similar contracts with any of the Columbia Basin irrigation districts, and to amend the Columbia Basin Project Act of 1943, as amended.

This matter has been before the committee for several years without resolution. Last year, after a series of meetings between the interested parties the proposed contract was approved by the Quincy district by a substantial vote of the electors.

The Department of the Interior then submitted the present bill which substantially provides for: The removing of the limitation on the cost of construction of drainage and irrigation works. The capitalizing of the costs of drainage works now being paid as operation and maintenance charges. An increase in the district's maximum construction charge obligation. Extension of the repayment period from 40 to 50 years.

A copy of the bill and the favorable reports of the departments will be placed in the record at this point.

(The documents referred to are as follows:)

[S. 3162, 87th Cong., 2d sess.]

A BILL To approve an amendatory repayment contract negotiated with the Quincy Columbia Basin Irrigation District, authorize similar contracts with any of the Columbia Basin irrigation districts, and to amend the Columbia Basin Project Act of 1943 (57 Stat. 14), as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the amendatory repayment contract with the Quincy Columbia Basin Irrigation District negotiated by the Secretary of the Interior, pursuant to subsection (a) of section 7 of the Reclamation Project Act of 1939 (53 Stat. 1192; 43 U.S.C. 485f), which contract was approved by the district electors on February 13, 1962, is hereby approved and the Secretary is hereby authorized to execute it on behalf of the United States and to negotiate and execute on behalf of the United States amendatory repayment

contracts in substantially the same form or amendatory repayment contracts containing substantially the same provisions with the South and East Columbia Basin Irrigation Districts.

SEC. 2. Upon any amendatory repayment contract with a Columbia Basin irrigation district approved or authorized by this Act becoming effective to bind the United States, that district's share of the operation and maintenance funds expended or obligated for the construction of drainage works including appropriate interest thereon during calendar years 1960, 1961, and 1962 shall be capitalized and charged as a part of the construction cost of the project works assigned directly to irrigation and the Secretary shall give that district an appropriate refund or credit including interest paid as it may elect, of all operation and maintenance payments made by it for the construction of drainage works during those years, such credit, if so elected by the district, to be applied against future development period and/or construction charges of the district as they become due.

SEC. 3. The Columbia Basin project shall be governed by the Federal reclamation laws, being the Act of June 17, 1902 (32 Stat. 388), and all Acts amendatory thereof or supplementary thereto, except that sections 2, 3, 7, and 9 of the Columbia Basin Project Act of March 10, 1943 (57 Stat. 14), as amended, are hereby repealed and section 4 of the Columbia Basin Project Act, as amended, is further amended to read as follows:

"SEC. 4. (a) For the purposes of assisting in the permanent settlement of farm families, protecting project land, and facilitating project development, the Secretary is authorized to administer public lands of the United States in the project area and lands acquired under this section; to sell, exchange, or lease such lands; to dedicate portions of such lands for public purposes in keeping with sound project development; to acquire in the name of the United States at prices satisfactory to him, such lands or interest in lands, within or adjacent to the project area, as he deems appropriate for the protection, development, or improvement of the project; and to accept donations of real and personal property for the purposes of this Act. Any moneys realized on account of donations for purposes of this Act shall be covered into the Treasury as trust funds.

"(b) Contracts, exchanges, and leases made under this section shall be on terms that, in the Secretary's judgment, are in keeping with sound project development. In addition, land sale and exchange contracts shall be on a basis that, in the Secretary's judgment, provides for the return, in a reasonable period of years, of not less than the appraised value of the land and improvements thereon. Qualification of applicants for the purchase of land for irrigation farming shall be prescribed as provided in subsection (c) of section 4 of the Act of December 5, 1924 (43 Stat. 702), notwithstanding any other provision of law. No farm unit shall be sold to, and no contract to sell a farm unit shall be entered into with, any person, corporation, or joint-stock association which has theretofore purchased or entered into a contract to purchase a farm unit from the United States on the Columbia Basin project. The foregoing provisions of this paragraph shall apply only to the sale of farm units which are suitable for settlement purposes. Farm units which, in the opinion of the Secretary, are not suitable for settlement purposes may be sold with a preference to resident project landowners as supplemental units, subject to the applicable irrigable acreage limitation on the delivery of water, but the purchasers thereof shall not be entitled to benefits of the Act of August 13, 1953 (67 Stat. 566), with respect thereto."

SEC. 4. The Secretary is hereby authorized and directed to amend or modify all existing documents, rules, regulations, forms, and procedures entered into or issued under the Columbia Basin Project Act, as amended (16 U.S.C. ch. 12D) prior to the date of enactment of this Act.

SEC. 5. (a) Notwithstanding the provisions of the Federal reclamation laws, water may be delivered to a farm unit platted before the enactment of this Act that contains a nominal quarter section of land exceeding one hundred and sixty irrigable acres insofar as those provisions limit the delivery of water to irrigable lands in excess of one hundred and sixty irrigable acres.

(b) The rights of any vendee or grantee as defined in section 3 of the Columbia Basin Project Act of 1943 are herein preserved as to any transactions that were consummated by contract or deed prior to its repeal by this Act.

SEC. 6. The following sections of the Columbia Basin Project Act of March 10, 1943, are hereby amended in the following respects:

(a) Section 5(B): Delete the last sentence thereof.

(b) Section 6: Delete "under section 2 hereof".

(c) Section 8: Delete "and to include in the contracts hereinbefore provided for".

SEC. 7. The Act of June 23, 1959 (73 Stat. 87) is hereby amended to permit delivery of water to not to exceed six hundred and forty acres of irrigable lands whether or not said lands are in conformed farm units, owned by the State of Washington for use by the State College of Washington for agricultural research purposes.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., March 30, 1962.

Hon. LYNDON B. JOHNSON,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: There is enclosed a draft of a proposed bill "To approve an amendatory repayment contract negotiated with the Quincy Columbia Basin Irrigation District, authorize similar contracts with any of the Columbia Basin Irrigation Districts, and to amend the Columbia Basin Project Act of 1943 (57 Stat. 14), as amended, and for other purposes."

We request that the proposed bill be referred to the appropriate committee for consideration, and we recommend that it be enacted.

The proposed bill would authorize the Secretary of the Interior to execute an amendatory repayment contract negotiated with the Quincy Columbia Basin Irrigation District and either or both of the other Columbia Basin Project Districts. The bill would also amend the existing Columbia Basin Project Act to remove the features of said act unique to that project and would essentially place that project under the same general provisions of the Federal reclamation law. This would be accomplished primarily through elimination of the present requirements for conformed farm units, removal of the antispeculation provisions as to nonexcess lands, and limitation on delivery of water to lands not deemed excess under the reclamation law.

Need for amendatory repayment contracts

For almost a decade the three irrigation districts and the United States have been considering the need for amendatory repayment contracts and have conducted negotiations toward that end.

With the primary objective of resolving these negotiations in an orderly manner, the Department on April 17, 1961, appointed a Board of Consultants. The Board's assignment was to study the repayment issues existing among the three Columbia Basin irrigation districts and the United States and to report its findings and recommendations to the Secretary of the Interior by August 1, 1961. The Board reported its findings and recommendations as scheduled. After reviewing the Board's report, the Secretary on August 31, 1961, in a letter to the chairman of the Joint Columbia Basin Irrigation District Boards, a copy of which is enclosed, outlined the framework within which he authorized negotiation of amendatory repayment contracts with all or any one of the irrigation districts on the Columbia River project. Enclosed also is the Secretary's "Framework for Solution of Repayment Problems, Columbia Basin Project, Washington," and the press release regarding the same. Such amendatory contracts would be negotiated pursuant to section 7 of the Reclamation Project Act of 1939 and would be submitted to the Congress for approval.

Meanwhile, pending completion of the amendatory repayment contracts with the three districts, the Congress adopted and the President approved the act of August 30, 1961 (75 Stat. 408). That act authorized the Secretary, to the extent project drainage facilities were constructed during the calendar year 1962 and charged as a part of the cost of the operation and maintenance of the project, pending completion of amendatory repayment contracts, to waive the requirement that such costs be paid on May 1, 1962, in advance of the delivery of water and to permit delivery of water during the calendar year 1962. Absent legislation permitting capitalization, these charges would then become due May 1, 1963, with interest.

The proposals and recommendations set forth in the Secretary's framework report have been discussed at length by the Bureau of Reclamation with officials of the three irrigation districts individually and collectively. The first attempt by the districts was to draft and submit to the Bureau of Reclamation a single proposed amendatory contract to which all three districts could agree. Agreement

was not reached, however, on the form or content of a proposed contract or on how negotiations should proceed. The East and South Columbia Basin Irrigation Districts preferred to redraft completely their existing repayment contracts on a so-called "long-form" contract approach. Their effort, among other things, was to obtain by contract the so-called "fringe benefits" as set out in the Secretary's framework report of August 31, 1961. These "long-form" contracts are still being negotiated and, while gratifying progress is being made, completion of negotiations cannot be anticipated until later this year.

The Quincy Columbia Basin Irrigation District, on the other hand, preferred to negotiate a "short-form" contract wholly in accord with the Secretary's framework report of August 31, 1961. In their view apparently this offered the speediest route to relief from the annual operation and maintenance drainage construction charges which are required to be assessed against the lands therein under the existing contract of 1945, as amended. All districts have been assured that using the "short-form" contract as the vehicle for legislation to modify the Columbia Basin Project Act would not delay or alter negotiation with any district that preferred to negotiate a "long-term" contract. Shortly after the close of the districts' joint drafting session with the Bureau of Reclamation in the early part of December 1961, the Quincy District accepted in total all the proposals and recommendations presented in the Secretary's framework report and agreed on a "short-form" contract, the form of which was subsequently approved by this Department on January 22, 1962.

On February 13, 1962, Quincy District water users approved the proposed contract by a vote of 2,263 for to 297 against. The contract, when approved by the Congress and executed on behalf of the district and the Government, will carry out the repayment proposals and recommendations of the Secretary within the Quincy District and lay the foundation for making applicable the so-called "fringe-benefits." Recognizing the importance of Congressional action this session on the contract provision requiring such action, and the fact that contracts with the other two irrigation districts are not yet ready for submission to the Congress, only the proposed amendatory contract with the Quincy District is being submitted now for congressional approval.

The proposed contract with the Quincy Columbia Basin Irrigation District covers only those matters relating to changes in existing contract provisions requiring a vote of the water users and/or congressional action. These include: (1) adjusting the net irrigable acreage in the district; (2) removing the limitation on the amount to be expended by the Government for construction of project irrigation and drainage works; (3) capitalizing the cost of drainage works now being charged to and paid as a part of the cost of annual operation and maintenance of the irrigation system; (4) authorizing performance of project drainage construction work by the district under suitable agreements with the United States; (5) increasing the district's maximum construction charge repayment obligation; (6) increasing the average construction charge to $131.60 per irrigable acre; (7) extending the construction repayment period from 40 to 50 years; and (8) reducing the annual construction payments in the early years and increasing them at periodic intervals during the remaining years of the 50-year repayment period.

The 1945 contracts with all three districts placed a limit of $280,782,180 on the obligation of the United States to make expenditures for facilities devoted solely to irrigation. Within this limit not to exceed $8,176,000 was to be expended for project drainage construction. Current estimates of costs to complete the project, essentially in accordance with the original plan, are $678,126,000 for facilities devoted solely to irrigation. Within the expenditure limitation of the existing contracts ($280,782,180) for direct irrigation facilities, the main water supply facilities exclusive of the East High Canal have been largely completed, but distribution facilities can be completed to serve less than 500,000 acres. The $8,176,000 drainage construction cost ceiling specified in the 1945 contracts has been reached. Consequently, and as required by the existing repayment contracts, drainage works now being constructed with appropriate funds are required to be assessed and paid as part of the annual operation and maintenance charges. These drainage charges amounted to $1.65 per acre in 1960, $2.30 per acre in 1961, and $2.80 in 1962.

Heavy drainage charges, when coupled with payment of construction charges averaging $2.125 per acre annually, and operation and maintenance costs approximating $6.60 per acre, place an undue burden on the water users, especially in the early years of project development. Accordingly, amendment of the 1945

repayment contracts to provide for capitalization of the necessary project drainage construction costs is justified provided the water users accept the related changes in repayment arrangements.

Provisions of the proposed legislation

Section 1 of the bill would authorize the Secretary of the Interior to execute the contract approved by the local voters of the Quincy District on February 13, 1962. This section would also authorize the Secretary to negotiate and execute either (1) short-form amendatory repayment contracts with the South and East Columbia Basin Irrigation Districts with the same repayment provisions as the contract negotiated with the Quincy District; or (2) long-form amendatory repayment contracts with the South and East Districts including, among other things, the same repayment provisions as the Quincy contract, consistent, of course, with the general policies and requirements of reclamation law. A long-form contract thus would be authorized with any district, if it conforms in all essential respects to the proposals contained in the Secretary's framework report of last August and to reclamation law.

Section 2 of the bill provides that when the amendatory repayment contract with the Quincy-Columbia Basin Irrigation District or any other Columbia Basin irrigation district approved or authorized by this act or approved by other acts of Congress become effective to bind the United States, the contracting district's share of the operation and maintenance funds expended or obligated for the construction of project drainage works during calendar years 1960, 1961, and 1962 will be capitalized and charged as a part of the construction cost of the project works assigned directly to irrigation. Section 2 would also authorize the Secretary to give that district an appropriate refund or credit, as each district may elect, of all operation and maintenance payments made by the district for the construction of drainage works during those years, such credit, if elected by the district, to be applied against future development period and/or construction charges of the district as they become due.

None of the irrigation district boards made levies in 1959 for the drainage construction charge amounting to $1.65 an acre which came due on May 1, 1960. They nevertheless met the obligation from reserve funds. The funds were placed in escrow on the May 1, 1960, due date with provision that the fund would be paid to the United States with interest if then pending legislation for a deferment of the payment failed to be enacted. Deferment was not authorized that year and the payment was made with interest. All districts levied and paid the drainage construction charge for 1961 amounting to $2.30 an acre. Payment of the 1962 drainage construction charge, in the amount of $2.80 per acre, was deferred under the provisions of the act of August 30, 1961.

Section 3 of the bill also repeals those sections of the Columbia Basin Project Act of March 10, 1943 (57 Stat. 14) which are peculiar to that project and the repeal of which would in all essential requirements eliminate the difference between the Columbia Basin project and other Federal reclamation projects.

The repeal of these provisions of the Columbia Basin Project Act would: (1) eliminate the requirement for farm unit conformance; (2) permit the delivery of water to farm units without regard to whether they are conformed; (3) allow delivery of water to 160 irrigable acres held by an individual and to 320 irrigable acres held by a husband and wife without regard to when the lands were held or required by them or to the irrigable lands held by their minor children in their own right and for their own benefit; (4) confine the antispeculation provisions of recordable contracts to lands in excess of those to which water may be lawfully delivered under this section of the bill; (5) eliminate reference to companion State legislation which has already been enacted; and (6) eliminate need for consent to sale of State-owned lands at approved prices.

Section 3 of the bill also amends section 4 of the Columbia Basin Project Act to permit farm units owned by the United States which the Secretary determines are not suitable for settlement purposes to be sold to resident project landowners as supplemental units, subject to the applicable acreage limitations. The purchasers thereof do not become entitled to exchanges under the act of August 13, 1953 (67 Stat. 566). It also permits portions of farm units owned by the United States to be sold to project landowners, subject to the applicable acreage limitations. In other words, an applicant who had previously purchased a settlement unit from the United States would not be eligible to purchase another settlement unit but he would be eligible to purchase a nonsettlement unit or a portion of a farm unit, subject to the limitations mentioned and to such other requirements and limitations as the Secretary may prescribe by

regulation in conection with the land sales program. Since nonsettlement units are of questionable suitability to support a family and would generally be used in conjunction with other lands, the administrative requirements for residence and construction of a dwelling would not be imposed as a condition to the sale of such units.

Section 3 of the bill would also benefit the United States by enabling it to dispose of a number of units which have been or might become unsuitable for settlement purposes, as well as portions of certain farm units which it has been unable, under present restrictions, to sell to owners of the remainder of the farm unit because of the size thereof or because of previous purchases of portions of farm units by those owners.

At the same time, this authority would enable the United States to assist landowners who desire to acquire such units and to develop and operate them in conjunction with other units which they own, within the applicable acreage limitations, thus permitting more efficient operation under modern agricultural methods; and to cooperate with landowners who need to acquire additional portions of farm units from the United States to round out their holdings.

The irrigation districts and their water users desire that the United States sell units and portions of units at an early date so that the lands can be assessed their share of the project operation and maintenance costs. Otherwise, those costs have to be borne by the project lands in private ownership which are subject to assessment.

Section 4 of the bill authorizes and directs the Secretary to amend or modify all existing documents, rules, regulations, forms, and procedures entered into or issued under the Columbia Basin Project Act prior to the date of the enactment of this bill. There are a number of documents (in addition to the recordable contracts and documents containing recordable contract provisions covered by section 3 of the bill), rules, regulations, forms, policies, and procedures which will have to be changed or eliminated, including those relating to leasing restrictions and water applications, in order to make section 3 of this bill fully effective and in keeping with the proposals and recommendations in the Secretary's framework report of August 31, 1961.

Section 5 of the bill retains the nominal quarter section where it exceeds 160 irrigable acres and also preserves to a vendee or grantee the right to sue for an overpayment made under the Columbia Basin Project Act before this amendment. This overpayment represents any amount paid in excess of the appraised value of the unit.

Section 6 eliminates language unnecessary in the remaining provisions of the Columbia Basin Project Act after enactment of this bill.

Section 7 amends the act of June 23, 1959 (73 Stat. 87) to permit delivery of water to State-owned land of the Washington State College research station, but for not to exceed 640 irrigable acres irrespective of whether or not units are conformed.

Amendatory contract with Quincy-Columbia Basin Irrigation District

The principal amendments to the existing 1945 repayment contract with the Quincy-Columbia Basin Irrigation District as set forth in the proposed amendatory contract are as follows:

Proposed article 5 amends article 6(a) of the 1945 contract to reduce the estimated irrigable acreage to be served by project works in the Quincy-Columbia Basin Irrigation District from 298,000 acres to 257,000 so as to have a current estimated acreage upon which to calculate the district's estimated maximum construction charge obligation. The reduction represents land now included in the Larson Air Force Base which is no longer available or usable for development, some scattered areas which are uneconomical to serve, and other marginal land which experience has indicated will not make satisfactory farm units. Since this is an approximate figure, the acreage to be developed may vary within reasonable limits above or below this figure. The acreage indicated is the Quincy-Columbia Basin Irrigation District's part of the 1,029,00-acre total project. This leaves an estimated 472,000 acres for the east district, and 300,000 acres for the south district.

Proposed article 6 amends article 6(c) to remove the limits on the amount which may be expended for the construction of project works. Adequate safeguards are provided for continuing project construction within cost limits of economic and financial feasibility.

Proposed article 7 amends article 7 of the 1945 contract to provide that the Quincy District's portion of the drainage construction costs will be treated as capitalized operation and maintenance costs each year and charged to construction costs of project works, but the Quincy District's portion shall not be charged against the $280,782,180 limit still in effect for the remaining districts. Also, provision is made for arranging for the Quincy District to perform drainage construction as appropriate without regard to the limitations on the Secretary's authority to contract under the act of June 13, 1956 (70 Stat. 274). These limitations would be a handicap on this project in view of the magnitude of the drainage work, the estimated cost of work to be done, and the desirability of contracting with the Quincy District to perform this drainage and other minor construction work. The 1956 act requires submission of drainage and minor construction contracts to the Congress whenever the estimated cost of the work to be performed by a district exceeds $200,000.

Proposed article 8 amends subarticle 9(a) to adjust the district's maximum obligation upward from $24,900,000 to not to exceed $35,512,268. This construction payment obligation of $35,512,268 is based on a graduation applied to each of the three Columbia Basin irrigation districts for the purpose of determining that increased obligation. Involved is an estimate of the total irrigable acreage, the acreage to be included in each of the four repayment classes, and the application of the approved repayment ratings to yield $131.60 per acre for the entire project of 1,029,000 irrigable acres.

The following table summarizes the results:

District	Irrigable acres	Calculated charge	110 percent
Quincy	257,000	$32,283,880	$35,512,268
East	472,000	65,229,860	71,752,846
South	300,000	37,914,470	41,705,917
Total	1,029,000	135,428,210	148,971,031

Since only a part of the project has been covered by the irrigable area survey and a significant area in the East High area has not been subjected to detailed land classification, it is necessary that part of these data be based on estimates. This being the case, the maximum obligation of each district would be 10 percent higher than the calculated figure. This article 8 also amends article 9(b) to apply the approved repayment ratings of the different classes to the construction charge of $131.60 per acre for the net irrigable acreage of the entire project for the purpose of determining the district's construction charge obligation. Retained from the 1945 contract is the application of the relative productivity for each of the four land classes in determining the per-acre construction charge.

Article 8 also amends article 9(c) of the 1945 contract to provide for a report by the Secretary to the Congress, together with comments of the district, taking into consideration current cost estimates in any recommendation for possible reduction of the average amount per acre of construction cost obligation from $131.60 to not less than $85 and including a reduction that may be available because of nonreimbursable allocations, any such reductions to be made only if authorized by the Congress.

Proposed article 9 amends subarticle 11(b) and 11(c) to extend the 40-year repayment period to 50 years. Percentage determinations are included for each graduated period which will be applied against the per-acre construction charge for the determination of annual construction charges. This approximates the average annual rates per acre recommended in the Secretary's framework report of last August.

Proposed article 10 deletes subarticle 12(4) which provides for payment of 3 percent interest on any portion of the construction cost obligation remaining unaccrued at the end of the repayment period, to accord with the act of August 8, 1959 (72 Stat. 542) governing variable repayment formulas.

Proposed article 11 adds to the 1945 contract a new article 52, which assures the district of the Secretary's willingness further to amend that contract and related documents to take advantage of other proposals and recommendations in the Secretary's report of August 31, 1961.

Proposed article 12 requires court confirmation of the contract and establishes the effective date of that contract.

In summary, the proposed contract will provide for continuation of a workable projectwide operation of the Columbia Basin project irrespective of action or inaction on the part of one or both of the remaining two districts to amend their existing contracts. The proposed amendments are in full accord with the proposals and recommendations in the Secretary's framework report.

Conclusion

Approval of the proposed legislation will permit the Secretary of the Interior to execute the approved contract with the Quincy-Columbia Basin Irrigation District, and will authorize the Secretary to proceed to negotiate and execute either short-form or long-form contracts with the South and East Columbia Basin irrigation districts. Of utmost significance, the proposed legislation, by authorizing the extension of so-called fringe benefits to all three districts, would provide for the development and administration of the Columbia Basin project on the same general basis as other reclamation projects throughout the West.

Excellent progress is being made in negotiations with the east and south districts. While there are a number of points still to be resolved, there is growing evidence that district officials and their water users want amendatory contracts and will exert all their efforts to secure executed amendatory contracts before the time comes next winter to levy drainage construction assessments for 1962 and 1963.

Thus, execution of amendatory contracts with all three districts conforming to the legislative recommendations discussed in this report, would comply with the recommendations announced August 31, 1961, by the Secretary of the Interior for completing amendatory repayment contracts for the Columbia Basin project.

It is not anticipated that the enactment of this proposed legislation will result in any additional expense to the Federal Government.

The Bureau of the Budget has advised that there is no objection to the presentation of this draft bill from the standpoint of the administration's program.

Sincerely yours,

JAMES K. CARR,
Under Secretary of the Interior.

A BILL To approve an amendatory repayment contract negotiated with the Quincy Columbia Basin Irrigation District, authorize similar contracts with any of the Columbia Basin Irrigation Districts, and to amend the Columbia Basin Project Act of 1943 (57 Stat. 14), as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the amendatory repayment contract with the Quincy Columbia Basin Irrigation District negotiated by the Secretary of the Interior, pursuant to subsection (a) of section 7 of the Reclamation Project Act of 1939 (53 Stat. 1192; 43 U.S.C. 485f), which contract was approved by the district electors on February 13, 1962, is hereby approved and the Secretary is hereby authorized to execute it on behalf of the United States and to negotiate and execute on behalf of the United States amendatory repayment contracts in substantially the same form or amendatory repayment contracts containing substantially the same provisions with the South and East Columbia Basin Irrigation Districts.

SEC. 2. Upon any amendatory repayment contract with a Columbia Basin Irrigation District approved or authorized by this act becoming effective to bind the United States, that district's share of the operation and maintenance funds expended or obligated for the construction of drainage works including appropriate interest thereon during calendar years 1960, 1961, and 1962 shall be capitalized and charged as a part of the construction cost of the project works assigned directly to irrigation and the Secretary shall give that district an appropriate refund or credit including interest paid as it may elect, of all operation and maintenance payments made by it for the construction of drainage works during those years, such credit, if so elected by the district, to be applied against future development period and/or construction charges of the district as they become due.

SEC. 3. The Columbia Basin project shall be governed by the Federal Reclamation Laws, being the Act of June 17, 1902 (32 Stat. 388), and all acts amendatory thereof or supplementary thereto, except that sections, 2, 3, 7, and 9 of the Columbia Basin Project Act of March 10, 1943 (57 Stat. 14), as amended, are hereby repealed and section 4 of the Columbia Basin Project Act, as amended, is further amended to read as follows:

"SEC. 4. (a) For the purposes of assisting in the permanent settlement of farm families, protecting project land, and facilitating project development, the Secre-

tary is authorized to administer public lands of the United States in the project area and lands acquired under this section; to sell, exchange, or lease such lands; to dedicate portions of such lands for public purposes in keeping with sound project development; to acquire in the name of the United States, at prices satisfactory to him, such lands or interest in lands, within or adjacent to the project area, as he deems appropriate for the protection, development, or improvement of the project; and to accept donations of real and personal property for the purposes of this act. Any moneys realized on account of donations for purposes of this act shall be covered in the Treasury as trust funds.

"(b) Contracts, exchanges, and leases made under this section shall be on terms that, in the Secretary's judgment, are in keeping with sound project development. In addition, land sale and exchange contracts shall be on a basis that, in the Secretary's judgment, provides for the return, in a reasonable period of years, of not less than the appraised value of the land and improvements thereon. Qualification of applicants for the purchase of land for irrigation farming shall be prescribed as provided in subsection (c) of section 4 of the Act of December 5, 1924 (43 Stat. 702), notwithstanding any other provisions of law. No farm unit shall be sold to, and no contract to sell a farm unit shall be entered into with, any person, corporation, or joint-stock association which has theretofore purchased or entered into a contract to purchase a farm unit from the United States on the Columbia Basin project. The foregoing provisions of this paragraph shall apply only to the sale of farm units which are suitable for settlement purposes. Farm units which, in the opinion of the Secretary, are not suitable for settlement purposes may be sold with a preference to resident project landowners as supplemental units, subject to the applicable irrigable acreage limitations on the delivery of water, but the purchasers thereof shall not be entitled to benefits of the Act of August 13, 1953 (67 Stat. 566) with respect thereto."

SEC. 4. The Secretary is hereby authorized and directed to amend or modify all existing documents, rules, regulations, forms, and procedures entered into or issued under the Columbia Basin Project Act, as amended (16 U.S.C., Chap. 12D) prior to the date of enactment of this Act.

SEC. 5. (a) Notwithstanding the provisions of the Federal reclamation laws, water may be delivered to a farm unit platted before the enactment of this Act that contains a nominal quarter section of land exceeding 160 irrigable acres insofar as those provisions limit the delivery of water to irrigable lands in excess of 160 irrigable acres.

(b) The rights of any vendee or grantee as defined in section 3 of the Columbia Basin Project Act of 1943 are herein preserved as to any transactions that were consummated by contract or deed prior to its repeal by this Act.

SEC. 6. The following sections of the Columbia Basin Project Act of March 10, 1943, are hereby amended in the following respects:

(a) Section 5(B). Delete the last sentence thereof.

(b) Section 6. Deleted "Under section 2 hereof".

(c) Section 8. Delete "and to include in the contracts hereinbefore provided for".

SEC. 7. The Act of June 23, 1959 (73 Stat. 87) is hereby amended to permit delivery of water to not to exceed six hundred and forty acres of irrigable lands whether or not said lands are in conformed farm units, owned by the State of Washington for use by the State College of Washington for agricultural research purposes.

FRAMEWORK FOR COLUMBIA BASIN, WASH., PROJECT AMENDATORY CONTRACT NEGOTIATIONS ANNOUNCED

A comprehensive plan to solve the long-standing Columbia Basin reclamation project repayment contract controversy was announced today by Secretary of the Interior Stewart L. Udall.

The program, which embraces recommendations of a three-man board of consultants appointed by Secretary Udall in April was outlined in a letter from Secretary Udall to George R. Locke of Othello, Wash. Locke is chairman of the Joint Columbia Basin Irrigation Boards.

If approved following negotiations between the three irrigation districts serving the 450,000-acre irrigation project, the program will be submitted to the Congress as required by law.

Secretary Udall said early adoption of the program will open the way for "getting into high gear the full development of the basin to its million-acre potential."

"The framework we have developed for settling this vexing problem protects the $550 million taxpayer investment in the Columbia Basin," Secretary Udall said. "At the same time it provides the water users with new protection of their equally important investment of funds and labor."

Secretary Udall continued: "Under Secretary Carr and I have considered very carefully the findings of the special board of consultants which has done a tremendous amount of work, and we have also considered the presentations of the irrigation districts, the Columbia Basin commission, and others with whom we have met during the last several months.

"During the entire period, we have been in close consultation with Washington's congressional delegation and Washington's Governor who have demonstrated keen interest in this problem."

Under Secretary Carr, who was designated by Secretary Udall to investigate the bogged-down contract negotiations explained that, "we propose to reduce the costs to the water users during the early years of project development and to stretch out the repayment schedule from 40 to 50 years in order to incorporate the drainage costs as a capital investment without unduly increasing the annual repayment charge.

"We are also agreeable to and, in fact, urge the water users to take over as much of the operation and maintenance responsibility as they can as soon as feasible and, if they desire, to assume responsibility for construction of drainage facilities to the fullest extent practicable. Agreement on a basic drainage plan and program and acceptance of the principle that drainage is a project cost to be borne by all irrigable land is a necessary prerequisite to proceeding along these lines.

"We urge now that the three districts immediately resume negotiations with W. E. Rawlings, project manager, who is to be given direct responsibility in this matter by Commissioner of Reclamation Floyd E. Dominy. I hope we can join with the boards in recommending approval of an amendatory contract to the Congress by next January. That, in turn, should pave the way for continued development of the remainder of the project."

The 8-point program proposed by Secretary Udall follows:

1. Transfer responsibility for operation and maintenance of completed project irrigation works to water users as soon as feasible under contractual arrangements which preserve the one-project concept essential to the sound development of the project;

2. Delegate to the districts, if they desire, the responsibility for construction of project drainage facilities to the fullest extent practicable, with prior agreement on a basic drainage plan and program, and with acceptance of the principle that drainage is a project cost to be borne by all irrigable land in the project, adjusted by land classes;

3. Extend the contract repayment period from 40 to 50 years;

4. Reduce annual installments on the repayment obligation to an average of $1 per irrigable acre for the first 5 years of the repayment period, and thereafter graduate installments upward to accomplish repayment;

5. Remove contract ceilings on expenditures for irrigation and drainage construction to permit completion of the project at a reasonable rate and within such cost limits of economic and financial feasibility as are applied by the Secretary under the Federal reclamation laws;

6. Fix the repayment obligation of each district on the basis of $131.60 an irrigable acre, varied by established land classes, which obligation would be the contract amount of water user repayment on irrigation and drainage construction costs;

7. Capitalize all future project drainage costs as part of total project construction costs; and

8. Make appropriate refund or credit, as each district may elect, of drainage charges previously paid.

Secretary Udall's letter to Mr. Locke, together with a background statement on the proposals, is attached.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., August 31, 1961.

Mr. GEORGE R. LOCKE,
Chairman, Joint Columbia Basin Irrigation District Boards,
Star Route, Othello, Wash.

DEAR MR. LOCKE: When you and other representatives of the Columbia Basin irrigation districts were in my office on August 17, I promised that I would make every effort to decide before September 1 on a framework within which we

could negotiate new and amendatory repayment contracts for the Columbia Basin project. I am pleased to report to you that I have been able to reach some decisions and the purpose of this letter is to outline to you in some detail the area in which I think we can negotiate contracts which in turn will be acceptable to the Congress. I wish to emphasize that the policy with respect to amendatory repayment contracts under section 7(c) of the Reclamation Project Act of 1939 is set by the Congress.

The act specifically states that I may execute any such contract on behalf of the United States only after approval thereof has been given by an act of Congress.

As stated in President John F. Kennedy's letter of last fall to Gov. Albert Rosellini of the State of Washington, our fundamental objective is to find a permanent solution to the repayment problems which have hampered the development of the Columbia Basin project for several years. Moreover, as stated by the President's letter, we have determined upon a framework for negotiation that reflects the history of the project as established under reclamation law. More important, we have endeavored, in reaching decisions with respect to this problem, to fully consider the long-term welfare of the water users on the project.

With these objectives the Department of the Interior is willing to support legislation to approve amendatory repayment contracts with the irrigation districts of the Columbia Basin project based upon the following terms and conditions:

1. Transfer responsibility for operation and maintenance of completed project irrigation works to the water users as soon as feasible under contractual arrangements which preserve the one-project concept essential to the sound development of the project;

2. Delegate to the districts, if they desire, the responsibility for construction of project drainage facilities to the fullest extent practicable, with prior agreement on a basic drainage plan and program, and with acceptance of the principle that drainage is a project cost to be borne by all irrigable land in the project, adjusted by land classes;

3. Extend the contract repayment period from 40 to 50 years;

4. Reduce annual installments on the repayment obligation to an average of $1 per irrigable acre for the first 5 years of the repayment period, and thereafter graduate installments upward to accomplish repayment;

5. Remove contract ceilings on expenditures for irrigation and drainage construction to permit completion of the project at a reasonable rate and within such cost limits of economic and financial feasibility as are applied by the Secretary under the Federal reclamation laws;

6. Fix the repayment obligation of each district on the basis of $131.60 an irrigable acre, varied by established land classes, which obligation would be the contract amount of water user repayment on irrigation and drainage construction costs;

7. Capitalize all future project drainage costs as part of total project construction costs; and

8. Make appropriate refund or credit, as each district may elect, of drainage charges previously paid.

In addition to these repayment proposals, the Department is willing to support legislation to modify certain unique provisions of the Columbia Basin Project Act to permit project development, operation, and administration similar to other Federal reclamation projects. Rules and regulations would be simplified, in keeping with the legislation, and to remedy other problems not requiring legislation.

My proposals are set out in more detail in the attached statement. In developing these proposals, I have given the most careful attention to the findings and recommendations of the board of consultants, and have fully explored the possibilities of other alternatives as well. In weighing the possible advantages and disadvantages of the various alternatives, with due recognition for the complex difficulties that each would present in developing the project, I have come to the conclusion that the recommended plan is the only practical route to pursue. Other plans would not be in the best interests of either the water users or of the Government.

As announced on several previous occasions, it is our desire that the negotiations be carried on at the administrative level closest to the water users. Therefore the Commissioner of Reclamation is placing the direct responsibility for negotiation on Project Manager W. E. Rawlings of Ephrata. As required to

maintain adequate and necessary liaison with this office, staff members will be assigned from the Commissioner's office and the Office of the Solicitor.

I would like to say that I have been very pleased with the cooperation which you, members of the Columbia Basin commission, and other members of the irrigation districts in the basin have given to Under Secretary Carr and my staff as they have studied this problem over the past several months. I wish to thank you and the others for that cooperation. I am confident that in this spirit we will be able to reach agreement and present to the Congress in the next session proposed amendatory contracts that will permit this great project to move forward so that we can ultimately make the optimum use of these valuable resources.

Sincerely yours,

STEWART L. UDALL,
Secretary of the Interior.

FRAMEWORK FOR SOLUTION OF REPAYMENT PROBLEMS, COLUMBIA BASIN PROJECT, WASHINGTON, AUGUST 31, 1961

In accordance with the Department's commitments, the repayment contract situation and historical development of the Columbia Basin project have been carefully appraised. Negotiations to amend the 1945 repayment contracts have been underway with the three irrigation districts since 1953. In recognition of President John F. Kennedy's deep concern, as expressed in his letter last fall to Governor Rosellini, Secretary Udall took immediate steps, on becoming Secretary of the Interior, to develop a permanent solution to this longstanding controversy. A comprehensive study of the issue has been made, and legislation as recommended by the administration to defer 1962 drainage charges has been enacted by the Congress. The findings and recommendations of the professional Consulting Board appointed last April were submitted to the Secretary of the Interior, and made public August 1.

Underlying any proposals for a permanent solution should be the primary objective of providing greater opportunities for the water users successfully to develop their farms free of the special laws and regulations, differing from standard reclamation requirements, that have restricted individual opportunities and hindered project development. Basically, however, irrigated agriculture on the Columbia Basin project is sound.

In the analysis, the Department has had the benefit of the reports of the Board of Consultants, the opinion of Solicitor Barry dated July 11, 1961, payment-capacity studies, recommendations of the three irrigation districts, and comprehensive discussions with the Columbia Basin Commission, the Bureau of Reclamation, and committees of the Congress. The evidence is compelling that amendments of the 1945 contracts are necessary and justified.

Accordingly, the Secretary of the Interior is willing to support legislation to approve amendatory repayment contracts with the irrigation districts of the Columbia Basin project, based upon the following terms and conditions:

1. Transfer responsibility for operation and maintenance of completed project irrigation works to the water users as soon as feasible under contractual arrangements which preserve the one-project concept essential to the sound development of the project;

2. Delegate to the districts, if they desire, the responsibility for construction of project drainage facilities to the fullest extent practicable, with prior agreement on a basic drainage plan and program, and with acceptance of the principle that drainage is a project cost to be borne by all irrigable lands in the project, adjusted by land classes;

3. Extend the contract repayment period from 40 years to 50 years;

4. Reduce annual installments on the repayment obligation to an average of $1 per irrigable acre for the first 5 years of the repayment period, and thereafter graduate installments upward to accomplish repayment;

5. Remove contract ceilings on expenditures for irrigation and drainage construction to permit completion of the project at a reasonable rate and within such cost limits of economic and financial feasibility as are applied by the Secretary under the Federal Reclamation laws;

6. Fix the repayment obligation of each district on the basis of $131.60 an irrigable acre, varied by established land classes, which obligation would be the contract amount of water-user repayment on irrigation and drainage construction costs;

7. Capitalize all future project drainage costs as part of total project construction costs; and

8. Make appropriate refund or credit, as each district may elect, of drainage charges previously paid.

As an essential part of proposals for a permanent solution, the Department will support legislation to modify certain provisions of the Columbia Basin Project Act to permit project development and administration like other Federal reclamation projects.

Thus it is evident that these combined proposals for the Columbia Basin project are more than just revised repayment plans. They include the recommendation that the Congress authorize significant changes in the operating, development, and administrative arrangements for the project. Elimination of certain unique features of the Columbia Basin Project Act would permit a number of administrative changes and simplification of regulations when amendatory contracts are executed.

These proposals are in accord with and fully supported by the findings of the Board of Consultants in its report of August 1 and supplemental letter of August 15. As they relate to repayment, they are consistent with the July 11, 1961, opinion of the Solicitor. The proposals are in keeping with the requirements and the policies of the Federal reclamation laws. Increases in construction costs alone since the 1945 contracts were executed preclude any reduction of the $85 per acre construction obligations in these contracts. The water users are, by existing contracts, now obligated to pay for additional drainage works on an annual basis, the total of which is estimated by the Board of Consultants to be an average of at least $46.60 per acre over the drainage construction period. Financing the cost of drainage works on an annual basis, as required by the existing contracts, places an unduly heavy burden on the water users during the early years when the private costs of building and developing a new irrigation farm are heaviest. Nevertheless, experience indicates that the drainage work must be done when needed and must eventually be included in costs to be paid for by the irrigators. As stated in the Board of Consultants' report, "the principle of full repayment of drainage costs on reclamation projects is customary policy which has been repeatedly approved by Congress."

REPAYMENT PROPOSALS

Transfer of operation and maintenance to water users.—Responsibility for operation and maintenance of completed project irrigation works should be transferred as soon as feasible to the water users under mutually agreeable contractual arrangements in accordance with the longstanding policy as set by the Congress. The project has been constructed, developed, and operated as a single project and the 1945 repayment contracts spread construction, operation and maintenance, and drainage costs projectwide. The one-project concept should be continued in the transfer arrangements negotiated with a satisfactory project operating entity to insure equitable distribution of water, costs, and benefits among the various irrigation districts and all water users. The entity to which operation and maintenance should be transferred and the provisions for such transfer can take any one of several forms, as long as the interests of all parties are equitably protected.

Graduation of annual installments.—The annual average construction repayment installments recommended for the amendatory repayment contracts are as follows:

Period of repayment (years)	Annual average rate (per acre)	Cumulative total (per acre)	Period of repayment (years)	Annual average rate (per acre)	Cumulative total (per acre)
1 to 5	$1.00	$5.00	36 to 40	3.59	95.70
6 to 10	1.40	12.00	41 to 45	3.59	113.65
11 to 15	1.80	21.00	46 to 50	3.59	131.60
16 to 20	2.20	32.00			
21 to 25	2.60	45.00	Cumulative total		131.60
26 to 30	3.00	60.00			
31 to 35	3.55	77.75			

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As emphasized by the board of consultants, this schedule of installments would provide for recovery of the additional drainage costs largely through extending the project payout period to 50 years even though a part of the costs would be repaid beginning in the 36th year.

The new schedule would provide obvious and immediate benefits to the irrigators. With new contracts by next spring the irrigators in the construction repayment period for 1962 would be obligated to pay an average of $1 an acre for the construction of irrigation and drainage works, compared with an average estimated $4.62 an acre under existing contracts. Those still in the 10-year development period would pay nothing on construction of drainage works in 1962, compared to about $2.50 an acre under existing contracts.

1960 and 1961 drainage payments.—The board of consultants recommended that the amounts previously paid as additional drainage charges on the operation and maintenance billings be refunded or credited to the districts. Appropriate refund or credit, as each district may elect, could be authorized in connection with execution of an amendatory contract.

Deferment of 1962 charges.—Payment of the 1962 drainage costs will be deferred as authorized by the legislation recently enacted by the Congress.

As required by existing contracts, the 1962 drainage charges will be billed to the three irrigation districts in October 1961. Payment of the charges, otherwise due by May 1, 1962, will be deferred for payment with interest on May 1, 1963, the date when 1963 drainage charges would also become due. If the districts execute amendatory contracts with legislative approval before that date, they would not have to pay the 1962 deferred charges or the 1963 charges due on May 1, 1963, since those charges would all be capitalized as part of project construction costs.

MODIFICATION OF PROJECT LEGISLATION AND REGULATIONS

Many problems of the Columbia Basin project relate not to the specific repayment requirements of existing contracts but to some of the special provisions of the Columbia Basin Project Act and the regulations that have been necessary thereunder. The Department is willing, as previously stated, to support legislation modifying the Columbia Basin Project Act to place the project on a basis similar to Federal reclamation projects generally. Rules and regulations to implement the modifying legislation, and to remedy problems not requiring legislation, could be prepared and placed in operation as soon as practicable after authorizing legislation is adopted and amendatory contracts are executed.

Abolish farm unit conformance requirements.—Requirements of farm unit conformance should be eliminated, but farm unit layout should be retained. Original layout of farm units is essential to the design, construction, and operation of an economical and efficient irrigation system, taking into account the character of soil, topography, location with respect to the irrigation system, and such other relevant factors as enter into determination of the area and boundaries hereof. Water would be delivered to farm units or portions of farm units at established unit turnouts upon payment of annual charges. The internal distribution of water and the division of supplemental charges would be the sole responsibility of the owners within the unit. Thus, owners of portions of units could get water for their land without the previous requirement that the entire unit be in a single ownership. Every reasonable effort should be made, however, to avoid land ownership conflicts in farm unit layout.

Lift special land limitation provisions.—A 160-irrigable-acre limitation on delivery of water to lands held by any one landowner and a 320-irrigable-acre limitation on the delivery of water to lands held by a husband and/or wife as their community or separate property, shall be made applicable to all landowners in the same manner as applied under general reclamation law to landowners on other reclamation projects.

Expedite settlement of federally owned lands.—The settlement program, including the purchase, sale, or exchange of lands, should be continued on the project to the end that wherever possible Federal lands may be platted and disposed of in family-size farm units. Settlement units would not be available for purchase by applicants who had previously purchased settlement units or who owned irrigable lands on the project. Where units had been or might be, of necessity, platted that were unsuitable for settlement purposes or become so later, such units might well be disposed of to resident project landowners as supplemental units not subject to all requirements or limitations of the settlement program. Such units, however, should not be subject to exchange under

Public Law 258 of the 83d Congress. In addition, federally owned portions of farm units might be disposed of to project landowners subject only to limitations on total irrigable acreage.

Removing price limitations.—The provisions of the Columbia Basin Project Act and recordable contracts with respect to conveying or contracting to convey lands covered thereby for a consideration exceeding their appraised value could be removed as to nonexcess lands, but should be retained as to excess lands. This would place the project in conformance with other reclamation projects.

ADMINISTRATIVE MODIFICATIONS

Much desired administrative modifications for the project would be made effective with the execution of amendatory repayment contracts. Among others, they include:

Eliminating leasing restrictions.—The existing limitations in the repayment contracts and in the present regulations on delivery of water to lands under lease would be eliminated and Government supervision over leasing would be discontinued. Thus farm owners and operators would have the opportunity to adjust the size and nature of their operations and enterprises to best suit their needs, desires, and abilities.

Eliminating or simplifying water applications.—The annual water applications should be eliminated, if the Congress removes the farm unit conformance and so-called "antiwindfall" provisions of the Columbia Basin Project Act; otherwise, the applications should be simplified.

CONCLUSION

For a project of the size and scope of the Columbia Basin, involving thousands of farm families, no one could devise a plan that would meet with the universal approval of all water users or their representatives. The objective has been to develop proposals that would meet the needs of a substantial majority of the irrigators consistent with the report of the board of consultants and with generally prevailing reclamation law and related policy.

Ultimate adoption of these repayment, administrative, and legislative proposals would require the support of the Department of the Interior, acceptance by the irrigation districts, and the approval of the Congress. They are considered to be sound, well justified, reasonable, and would benefit the irrigators and the Columbia Basin project. It is to be hoped that all districts can agree to these favorable terms and will unite in support of the amendatory contracts and recommended legislation. Each district must now make a decision. Project construction, drainage, and operating programs should be altered as necessary to respect the integrity of these district decisions.

The Commissioner of Reclamation is authorized to conduct repayment contract negotiations with any or all districts based upon these terms and conditions. The Bureau of Reclamation is also authorized to discuss and to recommend other necessary or desirable changes in contract provisions, not inconsistent with these terms and conditions, that would meet the needs of the irrigation districts and simplify and improve the administration of the project. Throughout the negotiations, the water users, the districts, the Bureau of Reclamation, and all others concerned should keep in mind the requirement for agreements that are fair and equitable and in keeping with requirements and policies of the Federal reclamation laws as established by the Congress over the years in giving approval to contracts and legislation for reclamation projects.

Senator JACKSON. I understand that Under Secretary James Carr was here earlier and had left. I want to say that Secretary Carr has worked hard and long on this project, as well as his able assistants and we in the State are particularly grateful to him for the special attention that he has given to this particular contract.

It was not easy to work out and we are delighted that we have the legislation before us this morning. The witness from the Department, Mr. G. G. Stamm, Chief of the Division of Irrigation and Land Use of the Bureau of Reclamation, will present it.

STATEMENT OF G. G. STAMM, CHIEF, DIVISION OF IRRIGATION AND LAND USE, BUREAU OF RECALAMATION, DEPARTMENT OF THE INTERIOR; ACCOMPANIED BY EDWIN C. DAVIS, ATTORNEY, OFFICE OF THE SOLICITOR, DEPARTMENT OF THE INTERIOR

Mr. STAMM. Thank you, Mr. Chairman.

Mr. Carr was sorry he had to leave. He has a statement, however, which can be included in the record.

Senator JACKSON. Without objection, that statement will be included at this point in the record.

(The document referred to is as follows:)

STATEMENT BY JAMES K. CARR, UNDER SECRETARY, DEPARTMENT OF THE INTERIOR

Mr. Chairman, I appreciate this opportunity to discuss the bill providing for approval of proposed contractual arrangements with the three irrigation districts of the Columbia Basin project. We have already reached accord with the Quincy-Columbia Basin Irrigation District. This legislation, which the Department strongly recommends for enactment, would authorize the secretary to execute the Quincy-Columbia Basin Irrigation District contract and to enter into substantially similar contracts with the other two Columbia Basin project irrigation districts and, in addition, would provide for certain long-needed amendments of the Columbia Basin Project Act of 1943, as amended.

The Department reported on this bill on March 30, 1962. I believe we are nearing a solution to the longstanding Columbia Basin project repayment problems which have been under discussion for nearly 10 years. Affirmative action by the Congress on this bill is essential to the solution proposed.

Last year in a statement in support of S. J. Res. 76, I stated that we were in the process of carrying out a plan to solve the repayment contract controversy. Your committee greatly assisted us by passage of that essential interim measure which became Public Law 87–169. By this means, the water users were allowed much-needed relief from the onerous assessments required to finance construction of drainage works in 1962 and a favorable climate was afforded for resumption of negotiations.

Now we have arrived at a sound basis for amending the 1945 repayment contracts. The contract agreement reached earlier this year with the Quincy district officials was put to a vote of the water users in February. It carried by a favorable vote of 2,263 to 297, approximately 8 to 1. Furthermore, encouraging progress has been made with officials of the other two districts. Accordingly, we are seeking authority at this time to execute the amendatory repayment contracts.

Also, we are requesting amendment of the Columbia Basin Project Act to modify its unique requirements. Such action is in keeping with Secretary Udall's comprehensive plan which was outlined to the three project irrigation districts on August 31, 1961, and under which we have been moving steadily toward a permanent solution to the contract controversy. The proposed objectives of this program can be accomplished only if the Congress moves now to revise those features of the act which set the project apart from other reclamation projects.

The proposed contracts and the bill jointly fulfill the objectives set forth in Secretary Udall's comprehensive plan. Significant among these are: (1) capitalizing the cost of drainage works now being charged to and paid as a part of the cost of annual operation and maintenance of the irrigation system; (2) authorizing performance of project drainage construction work by the district under suitable agreements with the United States; (3) increasing the districts' maximum construction charge repayment obligation; (4) increasing the average construction charge to $131.60 per irrigable acre; (5) extending the construction repayment period from 40 to 50 years; (6) reducing the annual construction payments in early years of the repayment period with offsetting increases at periodic intervals during the remaining years of the 50-year repayment period; (7) removing the dollar limit and substituting an economic and financial feasibility limit by formula on the amount to be expended by the Government for construction of project irrigation and drainage works; (8) eliminating the requirement that farm units be completely conformed to one ownership before becoming eligible to receive project water; (9) converting special land limitation provisions essentially to the standard excess land limitations of reclamation law; and (10) removing sale price limitations on nonexcess lands.

I am pleased to report that substantial progress has been made in reaching agreement with the East and South Columbia Basin Irrigation Districts. The basic terms embodied in the document approved by Quincy district electors are being offered to the other districts. We expect that their directors will soon endorse a draft of contract, satisfactory to the Department, embodying the repayment provisions of the Quincy contract and other provisions which depend on prior modification of the project act.

I believe that most of the uncertainties and misunderstandings of the past have been resolved. The Department is working closely with all concerned for the good of the Columbia Basin project and the protection of the Government's interests. We seek the approval of Congress by passage of the legislation which you have under consideration at the present time. The legislation has the full endorsement of all three irrigation districts. If it is enacted now, I am confident we can go forward with contracts and dismiss this longstanding problem.

Mr. STAMM. Incidentally, I have on my right, with your permission, Mr. Ed Davis of the Solicitor's Office.

Senator JACKSON. All right.

Mr. STAMM. The Interior Department's official report of March 30, 1962, recommends enactment of S. 3162, "to approve an amendatory repayment contract negotiated with the Quincy-Columbia Basin Irrigation District, authorize similar contracts with any of the Columbia Basin irrigation districts, and to amend the Columbia Basin Project Act of 1943, 57 Stat. 14, as amended, and for other purposes."

This legislation was sponsored by the Department and our opinion remains unchanged that there is critical need for its passage during the present session of the Congress.

PURPOSE

The purpose of the bill is threefold: (1) To authorize the Secretary to execute an amendatory repayment contract already approved by a large majority vote of the district water users; (2) to authorize the Secretary to execute similar contracts, or contracts with similar terms, with the South and East Columbia Basin Irrigation Districts; and (3) to amend the existing Columbia Basin Project Act to remove some of the unique legislative provisions that currently apply only to that project. This will permit the project to operate under the provisions of reclamation law which generally are applicable to projects throughout the West.

BACKGROUND OF THE PROBLEM

There is no doubt in our judgment that amendment of the 1945 repayment contracts is necessary and justified. The water users under existing contracts are faced with extraordinary and burdensome annual water charges in the early years of project development when they are least able to pay.

These burdensome charges result from the contract requirement that drainage construction costs in excess of a specified figure must be charged to the water users annually as the costs are incurred. The cost ceiling against which drainage costs can be capitalized has been reached so the districts are now being charged for drainage construction in addition to the normal annual charges for operation, maintenance, and construction. Payment of the 1962 charge was deferred by Public Law 87–169 but will become due by May 1, 1963, with interest, unless adjustment is legislatively authorized.

Nearly 10 years ago, the Bureau of Reclamation recognized that amendatory contracts would be needed. Not only was it considered important to relieve project farmers of the requirement to pay for drainage construction annually as the costs were incurred, but also there was need to modify or remove other restrictive contract terms which had proven impracticable.

Negotiations have been underway for a long time. The most difficult points at issue have been the financial arrangements for handling costs and providing for repayment.

These provisions, as now proposed, are consistent with the pattern of repayment followed in amendatory contracts with more than 40 other irrigation districts in the 17 Western States. All such contracts have been negotiated in accordance with section 7 of the 1939 Reclamation Project Act and have been approved by the Congress.

Early in 1961, the Department took aggressive action to resolve the longstanding controversy between the United States and the Columbia Basin irrigation districts. In this regard, the Department appointed a three-man board of consultants to make an independent study of the repayment issues and to provide recommendations for a solution. The board submitted a comprehensive report on August 1, 1961, and on August 31, 1961, Secretary Udall announced the framework for a solution which he was willing to support and within which he felt that agreement could be reached.

The basic outline of the Secretary's proposal is included in the statement of Under Secretary Carr. The Secretary's proposal has also been covered comprehensively with officials of the irrigation districts. It is generally considered to be fair and equitable, and acceptable to the districts.

Gratifying progress has been made since last fall. The leaders of the three districts have been very cooperative. We have conducted intensive and cordial negotiations around the conference table and have developed general agreement on almost all of the controversial items which previously has caused concern.

Agreement with the districts has been reached within the framework outlined by the Secretary. In order to expedite progress and to allow the irrigation districts to arrive at decisions according to their own desires, the Department agreed to contract with all or any one of the districts. We also indicated willingness to negotiate so-called long-form or short-form contracts.

The Quincy District decided to proceed without delay using the short form. This short-form contract approved as to form by the Secretary for the Quincy-Columbia Basin Irrigation District provides for repayment of an average of $131.60 per irrigable acre over a 50-year repayment period; graduation of annual installments beginning with an average of $1 per irrigable acre for the first 5 years; substitution of an economic and financial feasibility limitation in lieu of a dollar ceiling on expenditures for irrigation and drainage construction; and capitalization of project drainage construction costs.

The Quincy District board scheduled its election for February 13, 1962, and the proposed contract was approved by a large majority vote. That contract would be cleared for execution by the passage of S. 3162.

The East and South Columbia Basin Districts have expressed a preference for a long-form contract which takes into account the proposed changes in the Columbia Basin Project Act. As a result, we have been working with them to develop a suitable draft. Such a contract would replace the existing contract signed in 1945, as well as all amendments thereof but could not be put to the districts' electorate until the proposed legislation is enacted. Treatment of all districts will be the same ultimately and no district will be disadvantaged by having executed a short-form contract. With enactment of the proposed legislation, we fully anticipate that amended contractual arrangements with all three districts will be consummated expeditiously.

The drainage construction charge for 1962 amounts to $2.80 per acre. All three districts, unless the proposed legislation is enacted and contracts are executed, will be obligated to pay the 1962 drainage charge plus interest on May 1, 1963; also all three districts will be obligated to pay a 1963 drainage charge of about the same magnitude on the same date. District assessments to meet these charges would have to be made late in 1962. Thus there is strong need for legislative action in this session of the Congress.

The proposed bill provides for significant and progressive changes in the Columbia Basin Project Act. Certain existing provisions of the act have been at considerable variance from general reclamation law. These would be eliminated or modified. This action, plus the approval of basic financial terms upon which there is already substantial agreement, would encourage the irrigation districts to execute the long-needed amendatory contracts. All three of the irrigation districts have submitted statements firmly supporting the proposed legislation. If the Congress acts affirmatively this year, we sincerely believe that resolution of the Columbia Basin propect repayment contract controversy is near at hand.

Senator JACKSON. I wonder if, Mr. Stamm, you could just state briefly how this controversy got started and then just a little more specifically the difference between the short-form and the long-form contract that is being offered or will be offered in the case of the long form?

Mr. STAMM. Yes, sir, I think I can do that.

Senator HICKEY. Pardon me just a minute. Would the Senator yield?

Senator JACKSON. Yes.

Senator HICKEY. Has there been a contract executed prior to this time?

Senator JACKSON. Yes; this is an amendatory contract.

Senator HICKEY. I got from your statement that this is a revision or an amendment of a contract already in existence?

Mr. STAMM. Yes.

The existing contracts were executed in 1945. They provided for a payment of $85 per irrigable acre toward the construction repayment by the water users. The contract provided that within the limits of the contract, we could capitalize only $8 million of drainage costs for the entire project.

They further provided that any requirements for drainage construction costs in excess of the $8,176,000 would be billed to the farmers annually as the works were built.

Senator HICKEY. On an operation and maintenance basis?

Mr. STAMM. Yes, sir. Now, the $8 million has been expended, so, beginning in 1960, we were obligated to begin charging the water users for drainage construction as an operation and maintenance cost. That has added, in the first year, $1.65 an acre to their normal costs that they would pay for water, and in 1961, it was $2.30, in 1962, it is $2.80, and so on.

Senator JACKSON. Perhaps we ought to go back for a moment. Is it not true that when the project was set up, it was estimated, that the drainage problem would certainly not be what it turned out to be? Is that not the crux of the matter?

Mr. STAMM. I think so. Also, there has been an evolutionary process in the degree to which original project authorizations are designed to take care of the drainage problems. In the early stages of reclamation, we made no provision. But as we began to recognize that it is as important to remove the water as it is to put it on, we have made progressively more adequate arrangements for drainage construction. It is also true that this area is underlain by a tight basalt rock and the drainage problems have been greater than anticipated.

Therefore, the total drainage cost, instead of running in the neighborhood of $8 per acre for the project, we now estimate will be about $44 per acre. So under the existing contract, that additional cost, which was not anticipated, became a burden on the water users in the early years.

Many of those farms are still in the development period, when they are least able to pay. So this takes it off those earlier years, capitalizes it, and extends it over the 50 year period.

The short form, worked out with the Quincy district, treats primarily with the financial and repayment arrangements. I indicated in my statement that this project had some unique features which applied only to that project, and it is the desire of the water users, I think of all three districts, to make some modifications in the basic law, and as soon as those modifications are made, to extend those changes to all three districts, also.

Now, the east and the south districts preferred to prepare a long form contract which embodied all of the changes that could be made in policy and as a result of changes in the law, as well as the financial and repayment arrangements.

The Quincy district wants those adjustments also, but they were anxious to be relieved of the obligation to assess for drainage charges this fall, and all three districts agreed that the short form contract would be a logical vehicle to get these matters before the Congress and ask for changes in the act.

Then as soon as these changes are authorized, if they are, then we can proceed immediately with the long form contracts upon which agreement is already substantially reached and elections can be held on a long form contract.

Senator JACKSON. Senator Allott?

Senator ALLOTT. I do not think I have any questions.

Senator JACKSON. The Chair has received a number of resolutions and letters which will be included at this point in the record.

(The documents referred to are as follows:)

QUINCY CHAMBER OF COMMERCE,
Quincy, Wash., May 25, 1962.

RESOLUTION

Whereas the electors of the Quincy Irrigation District have seen fit to approve by a vote of 2,263 for, to 297 against the proposed amendatory repayment contract; and

Whereas the proposed contract would—

1. remove limitations on project construction and drainage works,
2. permit capitalization of drainage works costs, permitting the landowner to repay these costs over a period of years,
3. extend repayment period from 40 to 50 years,
4. reduce repayments in early years making it easier for landowners to properly develop their farmland; and

Whereas these and other matters considered in the proposal would promote the orderly development of the Columbia Basin irrigation project: Now, therefore, be it

Resolved, That the Quincy Valley Chamber of Commerce does hereby urge the passage of H.R. 11164, S. 3162, at this session of Congress authorizing the Secretary of Interior to execute on behalf of the United States, amendatory repayment contracts with the Quincy, South and East Columbia Basin Irrigation Districts; be it further

Resolved, That copies of this resolution be forwarded to our congressional delegates and to Representative Wayne N. Aspinall, chairman, House Interior and Insular Affairs Committee, and to Senator Clinton P. Anderson, chairman, Senate Interior and Insular Affairs Committee.

Passed this 15th day of May, 1962, by the Board of Trustees of the Quincy Valley Chamber of Commerce, Quincy, Wash.

ALBERT E. EVENSON, *President.*

Attest:

LAURA L. FULLERTON, *Secretary.*

RESOLUTION

Whereas the three Columbia Basin Irrigation Districts, Quincy, East Columbia, and South Columbia, have seen fit to approve the proposed amendatory repayment contract, and

Whereas the electors of the Quincy Irrigation District have seen fit to approve by a vote of 2,263 for to 297 against the proposed amendatory repayment contract; and

Whereas the proposed contract would—

(*a*) remove limitations on project construction and drainage works;

(*b*) permit capitalization of drainage works costs, permitting the landowner to repay these costs over a period of years;

(*c*) extend repayment period from 40 to 50 years;

(*d*) reduce repayments in early years making it easier for landowners to properly develop their farmland; and

Whereas these and other matters considered in the proposal would promote the orderly development of the Columbia Basin irrigation project: Now, therefore, be it

Resolved, That the Moses Lake Chamber of Commerce does hereby urge the passage of H.R. 11164, S. 3162, at this session of Congress, authorizing the Secretary of Interior to execute, on behalf of the United States, amendatory repayment contracts with the Quincy, South and East Columbia Basin Irrigation Districts; be it further

Resolved, That copies of this resolution be forwarded to our congressional delegates and to Representative Wayne N. Aspinall, chairman, House Interior and Insular Affairs Committee, and to Senator Clinton P. Anderson, chairman, Senate Interior and Insular Affairs Committee.

Passed this 12th day of June 1962 by the board of directors of the Moses Lake Chamber of Commerce, 324 E. Pioneer Way, Moses Lake, Wash.

DAVID H. JONES, *President.*

Attest:

LOGAN O. BEAM,
Secretary-Manager.

EDWARD D. HAMES,
Chairman, Legislative Committee.

QUINCY-COLUMBIA BASIN IRRIGATION DISTRICT,
Quincy, Wash., June 6, 1962.

HON. CLINTON P. ANDERSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. ANDERSON: The board of directors of the Quincy-Columbia Basin Irrigation District herewith submits its statement relative to pending legislation (S. 3162) pertaining to amendatory repayment contract legislation for the Columbia Basin project irrigation districts.

In view of the extended negotiations and congressional hearings, both in Washington, D.C., and on the project, a lengthy summary of the history of the matter is very likely unnecessary. However, a short résumé of the background of the problems involved which gave rise to the need for the pending legislation may be helpful.

In 1945, repayment contracts between the three irrigation districts (Quincy-Columbia Basin Irrigation District, East Columbia Basin Irrigation District, and South Columbia Basin Irrigation District) were executed with the United States of America. In many respects, the repayment contracts varied from the usual reclamation repayment contracts executed by the United States with other irrigation districts in the Western reclamation States. In addition, the 1945 repayment contracts provided that costs of drainage, after the expenditure of $8,176,000, would be paid by the water users as a part of their annual operation and maintenance charges. At the time of the execution of the contracts in 1945, it was anticipated that the $8,176,000 would, for all practical purposes, provide for completion of necessary drains. Unforeseen drainage problems and inflation proved otherwise and, beginning in 1960, drainage charges were made a part of the farmers' annual O. & M. charges.

The board feels it unnecessary to outline the controversies and negotiations which have transpired since approximately 1954 when the districts were first advised that steps should be taken to secure an amendatory repayment contract to avoid payment of annual drainage charges. The committee is undoubtedly aware of past negotiations and the economic plight of the farmers which have compounded the seriousness of the problem.

Suffice it to say that in a final effort to resolve the long-standing differences between the districts and the Department of Interior, an independent board of consultants was appointed by Secretary Udall on April 17, 1961. The duty of the board of consultants was to study the repayment issues which were in controversy and to report its findings and recommendations to the Secretary of the Interior. The board entered into an exhaustive and thorough study of the issues and submitted its written report to the Secretary on August 1, 1961. Subsequently, on September 1, 1961, the Secretary of Interior submitted his report to the irrigation districts setting forth the terms and conditions of proposed amendatory repayment contracts which he believed were fair to the contracting parties and in keeping with historical reclamation policy as established by Congress.

The proposals of the Secretary were met with full acceptance by the board of directors of the Quincy District. Pursuant to the proposals of the Secretary of Interior, a proposed amendatory repayment contract between the United States and the Quincy District was drafted and submitted to the water users for their approval or rejection at a special election held on February 13, 1962. The proposed repayment contract was overwhelmingly approved by a vote of 2,263 for to 297 against. Accordingly, the proposed legislation (which your committee is now considering) authorizing the Secretary to execute the proposed repayment contract with the district was prepared and introduced.

In essence, the proposed repayment contract provides for the following: (1) adjusting the net irrigable acreage in the district; (2) removing the limitation on the amount to be expended by the Government for construction of project irrigation and drainage works; (3) capitalizing the cost of drainage works now being charged to and paid as a part of the cost of annual operation and maintenance of the irrigation system; (4) authorizing performance of project drainage construction work by the district under suitable agreements with the United States; (5) increasing the district's maximum construction charge repayment obligation; (6) increasing the average construction charge to $131.60 per irrigable acre; (7) extending the construction repayment period from 40 to 50 years; and (8) reducing the annual construction payments in the early years and increasing them at periodic intervals during the remaining years of the 50-year repayment period.

In addition to the foregoing, the legislation proposes to correct certain problems which have been peculiar to the Columbia Basin project irrigation districts and is designed to bring them into line with other Federal reclamation projects. The legislation further provides for certain changes in the presently applicable law, which modifications are beneficial not only to the districts but also to the United States. The purposes of the legislation are set forth in detail in the letter of Mr. James K. Carr, Under Secretary of the Interior, dated March 30, 1962, directed to the President of the Senate.

The board of directors of the Quincy District strongly favors the proposed legislation. In view of the election results, it can be stated that the water users of the district are of the same opinion. It is sure that you are aware of the fact that unless the required legislation approving the proposed contract is passed by Congress, it will be necessary for the district to relevy the 1962 drainage charge, plus interest, which was deferred by Congress until May 1, 1963, for the purpose of granting additional time to the districts to negotiate a new repayment contract with the Department of Interior. In the event the pending legislation is not enacted, both the deferred 1962 drainage charge and the 1963 drainage charge will become due May 1, 1963. This will be in addition to the annual O. & M. charges for the year 1963. In addition to the foregoing charges, various irrigation blocks in the district are now coming into the construction repayment period which will require an additional average payment of $2.13 per acre.

The imposition of the above charges will be extremely burdensome and, in some cases, almost impossible for our water users to meet.

It is the opinion of the Quincy District that the proposed legislation is the culmination of many years of study and negotiation. It feels that the proposed amendatory repayment contract, and the accompanying legislation which you are now considering, is in keeping with established reclamation and historical policy and precedent. It further feels that the proposals are fair and equitable to the districts and the water users and also to the U.S. Government.

The Quincy District therefore respectfully urges the committee to act favorably upon the proposed legislation which, in its opinion, will constitute a permanent solution to the problems, repayment and otherwise, which have beset the Columbia Basin project for many years.

Respectfully,

BOARD OF DIRECTORS OF THE QUINCY-
COLUMBIA BASIN IRRIGATION DISTRICT,
By JOHN W. BAIRD, *Secretary.*

WILLIS T. BATCHELLER, INC.,
Seattle, June 6, 1962.

Re hearings on S. 3162, Columbia Basin project.

Senator CLINTON P. ANDERSON,
Chairman, Senate Interior and Insular Affairs Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR ANDERSON: You will remember that when you were Secretary of Agriculture under President Harry S. Truman, Senator Mon Wallgren was sponsoring me with you. I was also working closely with Secretary of the Interior Oscar L. Chapman and have known nearly all of his predecessors starting with Hubert Work.

I had charge of the original engineering and planning of Grand Coulee, Columbia Basin irrigation project, and Chief Joseph powerplant for the Bureau of Reclamation and the State department of conservation and development.

For several years past the Bureau has been giving our Columbia Basin water users a bad time while I have been trying to help them. They do not have finances to support a delegate before your committee on the present Columbia Basin Senate bill 3162, which was obsolete before it started, for the reason it covers continued management of the Columbia Basin project by the Bureau of Reclamation, in spite of the fact Under Secretary of the Interior James K. Carr and Project Manager William E. Rawlings are preparing to have three irrigation districts take over the irrigation project.

We are therefore most anxious to have this bill not reported out of committee, or reported out do not pass on the above grounds, and wait until the details of taking over can be worked out before adopting any legislation.

I enclose a copy of my presentation before your committee on June 20, 1962, and would like to have it read and made a part of your record when the hearings are printed. I am sending each member a copy for their information, and I do not see why any member would not go along with this policy. If I can assist you further after you read the enclosed four pages, I shall be happy to. I worked for many years with the State and National Grange and got them lined up back of the Columbia Basin project.

I used to know both Senators Hayden and McFarland of Arizona, and could still help Arizona and New Mexico with similar projects in pioneering and design for construction.

Sincerely yours,

WILLIS T. BATCHELLER,
Registered Professional Engineer, Civil, Electrical, Mining and Land Surveying.

BRIEF OF TESTIMONY ON HEARINGS ON S. 3162

To Senate Interior and Insular Affairs Committee:

1. The purpose of this brief is to inform the members of your honorable committee that the subject matter contained in this Senate bill was originally brought up some 10 years ago by the Bureau of Reclamation in the Department of the Interior, which has been successful in securing the approval of the Quincy Columbia Basin Irrigation District to the present short form of its amended repayment contract, which is intended to be approved by this bill. The East and South Columbia Basin Irrigation Districts have developed other forms which have not been submitted to a vote of the water users.

2. The present amended form of repayment contract was predicated upon the continued management of the Columbia Basin project by the Bureau of Reclamation, and the last half was intended to simplify foreclosure proceedings against lands claimed to be in default or claimed violations of the Bureau's operating rules.

3. The basis of the present objection to the bill is that it was obsolete before it was drafted, for the reason that on July 18, 1961, following a public meeting in Ephrata, Wash., at which Under Secretary of the Interior James K. Carr was the principal speaker, he met with the three irrigation district boards and officers, including the writer, and offered to turn over to the three irrigation districts the operation of the irrigation project in their own interests, suggesting January 1, 1962, as the effective date of transfer.

4. At each monthly irrigation district board meeting held since that date, Bureau Project Manager William E. Rawlings has attended and has reiterated the fact that he is in process of preparing to turn the management over to the districts, as recommended by Under Secretary Carr. Incidentally, Secretary of the Interior Stewart Lee Udall's home is in Phoenix, Ariz., where in 1917 after years of disagreement between the project and the Bureau, Congress authorized the transfer of the project to the Salt River Valley Association, which has successfully managed and expanded it ever since.

5. Without regard to the details of the bill, our technical objections to it in its entirety lie in the fact that there is nothing contained in the text which is applicable to present conditions involving turning the project over to the three irrigation districts. Therefore, its provisions are irrelevant and inapplicable as well as premature. Its passage therefore could accomplish nothing except confusion and if it passed it would be applicable to the Quincy District only, which has voted on the proposed short form of repayment contract. Since the Columbia Basin project is an indivisable unit, it is impossible for any one or two districts to act or operate separately, and besides, no sane water user could be induced to vote to facilitate the confiscation of his land by the Bureau, which foreclosed on 75 units during the calendar year of 1961 along with large numbers before.

6. We therefore respectfully request that your honorable committee recommend that Senate bill 3162 do not pass and that further consideration of this project be deferred until the Bureau and the three irrigation districts shall have worked out the details of the latter taking over. At that time a new amended repayment contract will be solely concerned with determining the then unpaid balance of construction cost chargeable to irrigation and the method by which it is to be repaid along with any new loans from the reclamation revolving fund

made for future construction work; this being completely foreign to the present draft of the bill. There is no way by which the present draft can be altered to fit the present requirements of the project. Future consideration by your committee of simple, appropriate legislation should readily receive your unanimous approval and that of the three irrigation districts and water users concerned.

ANALYSIS OF S. 3162

For the benefit of any committee members who may still wish to go further into the provisions of this bill other than described above, we have made the following analysis for your study:

7. Section 2 provides that drainage works construction costs heretofore assessed directly against the water users for the calendar years 1960, 1961, and 1962 shall be capitalized and charged as any other construction cost, which they should have been in the present repayment contract as admitted by Project Manager Rawlings at board meetings last fall. There is no difference between drainage and other construction except that drainage costs have been artificially inflated by omitting canal and ditch linings through porous soils along the south half of the east main canal and starting about half way between Ephrata and Quincy, creating serious water problems by water which has never been used for irrigation.

8. Section 3 provides that the Columbia Basin Project shall be governed by the general Federal reclamation laws which are applicable to nonpower projects instead of by the two initial grants for Grand Coulee Dam from the Public Works Administration which are not reimbursable, subsequent acts of Congress, and final determination of allocation and repayment of the costs of the Columbia Basin project between power, irrigation, navigation, and downstream benefits created by stored water back of Grand Coulee Dam. Benefits resulting from all these historical documents have been guaranteed and finalized by the present 1945 repayment contract and must be preserved for 17 years up to this date. Actually, the present construction cost figure of $85 per acre chargeable to irrigation constitutes a warranty to the water users who have thereon invested from $30,000 to $50,000 per unit in land and improvements and the statute of limitations has expired on any attempt to terminate or change it.

9. Section 4 relates to the purchase and sale of land by the Secretary of the Interior as unrelated to the water users and other landowners. It can best be understood by describing the present practices of the Bureau of Reclamation in connection with its existing budget item of $11 million for the purchase of project lands, and as related to the present unworkable acreage limitation.

In most cases one irrigation farm unit of approximately 40 acres more or less depending on the contour line which the supply ditch may folow, is not sufficient to enable a family to make a living. Under the present regulation promulgated by the Bureau of Reclamation and in which the water users and irrigation districts have no voice, the Bureau must make an appraisal of the land which generally has been set at about sage brush value, before a sale can be made privately. Where one neighbor has planned to sell to another adjoining, he finds it impossible to accept the Bureau's appraisal and is compelled to remain and go broke. The Bureau then forecloses and reappraises the same land at market value and proceeds to sell it to a new buyer from outside of the project on a 10-year payment contract. Thereby the original purchaser has lost his capital and several years work by his entire family, and the neighbor has been prevented in placing himself in a sound financial position, such as by adding pasture for dairy cattle requiring little added labor.

10. Section 4(b) limits eligibility for purchasing such land by excluding present landowners and describes methods of sale of nonirrigable lands. Since the only violator of the Anti-speculation Act is the Bureau of Reclamation, no known water users are concerned with or interested in either subsections (a) or (b). Actually, since nonfood uses for farm crops and products have become popular and profitable due to crop promotional activities of the Utah & Idaho Sugar Co. for sugarbeets, and Corn Products Refining Co. for corn, for which acreage has been greatly increased this growing season, there is great need for elimination of the acreage limitations now enforced by the Bureau of Reclamation to the financial disadvantage of the water users. Such limitation may have been necessary at the start of irrigation to prevent speculators from artificially raising land prices, but has long since ceased to be helpful.

11. The remaining sections have reference to amending and reconciling various provisions of the present laws with the new bill and listing exemptions to

rules provided for land eligibility of water, including Washington State University for 1 section for its agricultural experiment station.

12. We respectfully request that this brief be included with the other transactions of your committee with respect to the printed hearings on this bill. We shall be happy to amplify any pertinent matters upon receipt of request from you. We wish to thank you for the opportunity of presenting this factual information and comment prepared and submitted on behalf of all water users on the Columbia Basin project, under the sponsorship of the

COLUMBIA BASIN LANDOWNERS ASSOCIATION,
By WILLIS T. BATCHELLER, *Consulting Engineer, Registered Professional Engineer, Washington, Oregon, and British Columbia, Seattle, Wash.*

Original Power and Irrigation Engineer for U.S. Bureau of Reclamation and Washington State Department of Conservation and Development, in charge of surveys, foundation investigations, planning, cost estimates, regional power market surveys, for Grand Coulee power project, irrigation pumping plant and irrigation distribution system; also Chief Joseph power project; originated method of financing combined project by means of commercial power revenues with personal approval of original Director Arthur P. Davis of the Bureau of Reclamation.

Member, national professional practice committee of American Society of Mechanical Engineers, also power and other technical divisions.

Member, American Institute of Electrical Engineers, and American Concrete Institute.

P.S. During calendar years 1960 and 1961 prepared four reports on Columbia Basin project covering basic objectives submitted to Advisory Board of Department of the Interior, historical review of project and obstacles; balance sheet of all irrigation water pumped, and financial summary from inception of project.

Copy mailed to each committee member and interested parties.

JUNE 7, 1962.

Senator ALLOTT. I have a letter from one person out there, as everyone on the committee, I presume did, because they would have no special reason to write to me.

In this letter, the question of the Department turning over the operation and control of this district to the various people who live there was mentioned. Now, does this question come into this at all, Mr. Stamm?

Mr. STAMM. The matter of transfer of the works to the district for operation and maintenance has come up for lots of discussion.

It is not one that involves the repayment issue, it is not one that involves the Columbia Basin Act or requires a legislative adjustment to accomplish. The Bureau of Reclamation's longstanding policy, as this committee knows, is to transfer operation and maintenance to water users just as soon as agreement can be reached among all parties concerned, and we have so indicated on the Columbia Basin project.

The project was designed to operate as a single project and there has been some difference of opinion among the districts as to whether, when these are transferred, they should be transferred for operation under a single organization, such as a central operating organization or board of control, or whether they should be split up among the several districts. If they are split up among the several districts, then we need to work out arrangements whereby the integrity of the project is maintained and all water users can be assured of an equitable distribution of water and cost. We have indicated a willingness to go either route, the latter being more complicated to work out equitably.

Senator ALLOTT. I note that on June 16, you turned over the operation of most of the facilities of the Paonia project in Colorado to the users.

Mr. STAMM. Yes, sir.

Senator ALLOTT. In view of a contemplated turning over, would the present bill which we are considering be premature in any way?

Mr. STAMM. No, sir.

Senator ALLOTT. That just has to be done, does it not?

I mean this problem has to be worked out some way, regardless of whether the Bureau turns over the operation and maintenance of the district tomorrow or whether they do it 10 years from now or 20 years from now; is that not the situation?

Mr. STAMM. Yes, sir; these two things are entirely independent. We could arrange for transfer of facilities without this legislation if everything else were OK.

They are just entirely independent. The existing contracts provide for transfer of the facilities when all districts are agreed on a plan.

Senator ALLOTT. Well, this question was raised and I wanted to get—I thought I understood it, but your answers have clarified it and I wanted to get that straightened out.

Senator JACKSON. I think there must be a misunderstanding on the part of some who have associated the problem of turning over the operation and maintenance to the local districts with an amendatory contract. They are entirely separate.

Mr. STAMM. There is one individual who has strongly advocated that this be made an issue along with legislation and that individual has volunteered to the district board to take over operation and maintenance for them if such arrangements are completed.

Senator ALLOTT. Thank you, sir.

Senator JACKSON. Senator Hickey?

Senator HICKEY. This is actually a resolution of the question raised by Senator Jackson a year or two years ago by virtue of resolution?

Mr. STAMM. Yes, sir.

Senator HICKEY. Now, two other questions:

One, this is not a problem of lack of water, is it?

Mr. STAMM. No, sir.

Senator HICKEY. Is it a problem of the land classification?

Mr. STAMM. No, sir.

Senator HICKEY. It is purely a drainage problem; the cost of drainage has taken it out of proportion?

Mr. STAMM. Yes, sir.

Senator HICKEY. What you are actually doing is extending the term of the payout period from what?

From 50 years to 100?

Mr. STAMM. No; we are extending the payout period from 40 years to 50 years. We are increasing the water users' repayment obligation from $85 an acre to $131.60. But we will capitalize all project drainage works.

Senator HICKEY. And this will include the operation and maintenance?

Mr. STAMM. No, sir.

Senator HICKEY. This will be in addition?

Mr. STAMM. This will become a part of the construction obligation.
Senator HICKEY. Thank you.
Senator JACKSON. Thank you, gentlemen, very much.
We appreciate having your statement and we are sorry for the delay.
Mr. STAMM. Well, we are glad you took care of us.
Senator JACKSON. The committee is adjourned.
(Whereupon, at 12:05 p.m., the committee adjourned, subject to the call of the Chair.)

RELATING TO COLUMBIA BASIN IRRIGATION DISTRICT MATTERS

WEDNESDAY, JULY 18, 1962

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The committee met at 10 a.m., pursuant to call, in room 3110, New Senate Office Building, Hon. Clinton P. Anderson (chairman) presiding.

Present: Senators Anderson, Jackson, Long, Burdick, Hickey, Dworshak, Allott, Miller, and Bottum.

Present also: Jerry T. Verkler, chief clerk; Roy W. Whitacre, professional staff member; and Stewart French, chief counsel.

The Chairman. The committee will be in order.

The meeting this morning is to have a little further examination into S. 3162, to approve an amendatory repayment contract negotiated with the Quincy Columbia Basin Irrigation District, authorize similar contracts with any of the Columbia Basin irrigation districts, and to amend the Columbia Basin Project Act of 1943 (57 Stat. 14), as amended, and for other purposes.

Mr. Stamm, we will start off with you.

STATEMENTS OF G. G. STAMM, CHIEF, DIVISION OF IRRIGATION AND LAND USE, BUREAU OF RECLAMATION; EDWARD WEINBERG, ASSOCIATE SOLICITOR FOR WATER AND POWER, DEPARTMENT OF THE INTERIOR; AND EDWIN C. DAVIS, ATTORNEY, BRANCH OF RECLAMATION, OFFICE OF THE SOLICITOR

Mr. STAMM. With your permission, could we have Mr. Weinberg?

The CHAIRMAN. You can have anyone you want.

Mr. STAMM. Mr. Weinberg, on my left, is Associate Solicitor for Water and Power; and Mr. Ed Davis, on my right, is in the Solicitor's Office, also.

The CHAIRMAN. The main problem we had when we got into this was that in the testimony given before the committee there was very little said about the fact that this would raise the authorization $400 million, and some of us believe that $400 million is not an insignificant sum; but not one word of that ever appeared in the testimony, so far as I can tell.

There was a sort of limitation as to how many acres could be developed. I think it is the plain intention of everybody that in time the entire million acres be developed, but the Congress has been very careful about authorizing additional reclamation at the present time,

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and from what was being proposed by your Department, let us say quietly, at least, it was to raise the authorization from 400,000 acres to the full 1 million acres.

I did not find anywhere in the testimony where that was made plain or even mentioned, and I wonder if it was the purpose of the witnesses to conceal that fact from the committee.

Secondly, I know of nothing in this that said that the money limit which had been placed in the contract by Secretary Ickes was being expanded from $200 million.

Senator JACKSON. The contract amount was $280 million to $678 million.

The CHAIRMAN. There was very little said about that. That is a $400 million raise, and it is of some importance to this committee, if it is not of importance to the people handling these funds for the Department.

We take long testimony on projects that run $10, $15, and $20 million, and here, in the matter of a few minutes, we disposed of $400 million, I do not say foolishly, because this is a fine project, but very quickly, on the basis of an amendatory contract that was sort of insignificant and did not amount to much.

Now, I was in the House of Representatives and a member of an irrigation committee when the Columbia Irrigation Act was brought up originally and the work was done which resulted in the Columbia Basin Project Act of 1943.

You also strike all that out and make the general reclamation law applicable and overcome all that Congress did in that long session.

Now, that may be all right. I merely point out to you that under the rule in the House, if you are changing the existing law, you have to set forth what you are repealing. I do not think anybody understood by what was said here that you were repealing all the act that had been written in 1943.

That is the thing we would like to have testimony on, as to why the presentation was made as it was, whether there is any significance to the fact that none of these things were pointed out, and just what the method was that you used in trying to bring about this amendatory contract.

I do not think there is anybody on the committee that does not feel the Columbia Basin project is a good project. And as far as I am concerned, I want these districts to have an amendatory contract that makes it possible for them to live. I think you ought to clearly set forth the circumstances when you are asking these things before the committee.

Mr. STAMM. Yes, Mr. Chairman. We certainly will be glad to review those things, and inasmuch as this is a sort of a rehearing, we do not have prepared statements, but I would like to make some summary remarks pertaining to the questions you have raised, and then we will go into these matters in as much detail as you want.

Senator JACKSON. Mr. Chairman, may I suggest that before we proceed with the specific questions that you have raised, we get the historical background of this project? I think this is almost a condition precedent to understanding answers to the questions that were raised this morning and in our executive session last week.

The CHAIRMAN. I would be happy to have you do that. I just do not want you to spend so much time on the historical background that we never get to the questions.

Mr. STAMM. I will state it very briefly.

The existing repayment contracts with the three districts on the Columbia Basin project were executed in 1945, and the cost figures that appear in those contracts were based on 1940 cost estimates. That was done because it was thought that following the war there would be a drop in prices and the 1940 estimates would be realistic. As you know, of course, the postwar recession did not occur, and prices and costs continued to increase.

The 1945 contracts contemplated construction of facilities to serve 1,029,000 acres. Those contracts contemplated the repayment by the water users of $87 million, which figured $85 an irrigable acre.

The CHAIRMAN. What was the estimated cost per acre at that time?

Mr. STAMM. The estimated cost per acre at that time was approximately $200——

The CHAIRMAN. You better start with a $300 figure.

Mr. STAMM. I will give you two figures. $281 million for single-purpose irrigation facilities; and for total irrigation facilities, including the cost of joint works, $342 million.

It is approximately a million-acre project, so that is approximately $281 per acre for single-purpose irrigation facilities and $342 per acre for total irrigation facilities, of which the water users were going to pay $85 an acre.

Senator JACKSON. Distinguish between what you mean by the single-purpose facility and total irrigation facilities.

Mr. STAMM. The joint facilities include a portion of the cost of the dam and reservoir and the powerplant.

Specifically, I think 44 percent of the cost of the dam and reservoir was assigned to irrigation, and House Document 72 contemplated about 7½ percent of the cost of the powerplant assigned to irrigation.

The single-purpose facilities are the pumping plant and all of the main canals and laterals and other facilities that serve irrigation only.

Now, the $281 million for single-purpose facilities, or approximately $280 an acre for single-purpose facilities did include $8,176,000 for construction of drainage works.

Both of those figures were put in the repayment contracts as ceilings on the obligation of the United States to continue construction of the project.

Senator JACKSON. How did you ever come to such an exact figure on the drainage costs?

Mr. STAMM. That actually is $8 times 1,029,000 acres, so the figure per acre was a rounded figure, but it sounds precise when multiplied by the acreage.

By 1953, and even before, it was clearly evident that the project could not be completed within the $281 million and the $8 million ceilings in the contracts.

The administrative decision was made not to ask for funds to continue construction beyond these ceilings until we had obtained an amendatory repayment contract. We felt that an amendatory repayment contract was desirable, because in the existing contracts any drainage construction costs in excess of the $8 million ceiling were

to be borne by the water users annually as an operation and maintenance cost, as those works were built, and we knew that that would put an excessive burden on the water users in the early years of project operation, when they are least able to pay.

Now, we believe the water users should pay these costs, but they should pay them pursuant to their ability to pay, so we were working toward an arrangement whereby those costs could be capitalized for repayment over a longer repayment period.

This produced a controversy, because the water users believed that they should not pay for these drainage costs. They felt that they had a firm commitment from the United States to complete this project, no matter what developed, within the 1945 contracts. The water users did not think they should pay additional drainage costs either as operation and maintenance or as a capitalized cost; but rather that all of the increased costs should be charged to power revenues.

This controversy continued over 8 or 9 years. It took many forms, and there were many side issues that came in, but essentially the issue was how to finance and repay these drainage construction costs that could not be covered as a capitalized construction item within the existing contracts.

The legislation before this committee, and the proposed amendatory contract with Quincy, would capitalize the drainage costs. It would extend the repayment period from 40 years, which is in the present contract, to 50 years. It would increase the water users' repayment obligation from $85 an acre to $131.60. It would remove the limit on the obligation of the United States to spend, and it would substitute in lieu thereof a principle related to economic and financial feasibility of the project.

These items were included in the Department's report on the bill. Attached to that report was the Secretary's framework memorandum, which spelled these points out in considerable detail. They were mentioned in Mr. Carr's statement to the committee, which was turned in for the record, and it was mentioned in the statement I made to the subcommittee.

Now, in addition, we have found that some of the unique provisions of the Columbia Basin Act, which were worked out in 1943 or thereabouts, have caused considerable hardship on the project. We feel, and the water users agree, that some of those unique provisions need to be modified at this time, and the project converted more nearly to the generally prevailing reclamation law.

The principal one of these—these have also been mentioned in previous submittals—the principal one of these was the provision that water could not be delivered to any farm unit unless the ownership was conformed in area and boundary to the farm unit boundaries as laid out by the United States. We are proposing that that requirement for conformance be removed. We will go into these amendments of the Columbia Basin Act in more detail as we proceed.

All of the program documents that we have been preparing each year, all of the financial documents that we prepared to the Appropriations Committees each year, have contemplated completion of the full project and have carried the full estimated cost of the project. In other words, the materials submitted to the Appropriations Committees this year, and last year, carried total project cost estimates of approximately $960 million.

Senator JACKSON. That includes the power, as well?

Mr. STAMM. That includes power, irrigation, everything; the total cost of the project.

The CHAIRMAN. When you say representations to the Appropriations Committees went up to $960 million, you were not asking for $960 million, were you?

Mr. STAMM. No, sir.

The CHAIRMAN. Just put in some footnote, as to what it is going to come to finally. No member of the committee passes on it, do they?

Mr. STAMM. We show the amount every year as it goes before the Appropriations Committees.

The CHAIRMAN. And does every member of the Appropriations Committee look at all those figures?

Mr. STAMM. Every member, you say? I cannot say whether they do or not.

The CHAIRMAN. Does any member?

Mr. STAMM. We are quizzed very thoroughly on our documents, and particularly where there is an increase in project cost estimate, we are asked in detail why, and we have explained time and again to the Appropriations Committees, as these cost estimates increase, the reasons for the increases.

But what I wanted to add beyond that is that as these cost estimates are increased, we have to provide, under the existing legislation, for repayment of those costs, because this project is almost fully reimbursable.

The CHAIRMAN. Out of power revenues?

Mr. STAMM. Yes.

The CHAIRMAN. I am not complaining about that.

Mr. STAMM. I thought it might be of interest to this committee that the power revenues and the bookkeeping in connection with the power revenues have been such every year as to cover these cost increases as the increases occurred.

Senator DWORSHAK. Do you have those figures there? Would you put them in the record at this point? Showing, in the original 1945 estimate of $281 per acre, how much of that was to be repaid from power revenues.

Mr. STAMM. Yes, we can supply those figures.

Senator DWORSHAK. Do you know offhand how much of that $281 was to be repaid from power?

The CHAIRMAN. All but $85.

Senator JACKSON. That is correct. $85 million of it was to be repaid by the water users, so you deduct that, and certain nonreimbursable costs and balance is the amount to be repaid from power revenue.

Senator DWORSHAK. And how many years would it take out of power revenues, on your schedule that was set up at that time, to repay?

Mr. STAMM. Each year as we submit these documents, we show that the power revenues will pay the full obligation against the power revenues within the prescribed period, and the books are now kept on a basis, and the allocations to this project each year are such, that the power revenues will pay off the full million-acre project cost estimates within the 50-year limits of the law.

Senator DWORSHAK. But what is the current cost per acre? $700—something? $780 million?

Mr. STAMM. Yes, including the joint costs it is about $764 million, of which the water users will repay roughly $135 million.

Senator DWORSHAK. And the rest, $629 million, would come from power revenues?

Mr. STAMM. Yes, sir.

Senator DWORSHAK. Within a 50-year period?

Mr. STAMM. Yes, sir.

Senator DWORKSHAK. And on what basis do you have assurances that there will be available these power revenues?

Mr. STAMM. Well, we prepare repayment studies each year, which show the anticipated revenues from the system.

Senator DWORKSHAK. Will those power revenues come out of the Grand Coulee generating plant or other plants?

Mr. STAMM. Mr. Weinberg would like to answer that.

Mr. WEINBERG. Senator, the power revenues come about in this way. By intradepartmental agreement, or directive of the Secretary, the Bonneville Power Administration transfers $12,800,000 a year to the account of the Bureau of Reclamation. That $12,800,000 a year represents a payment of approximately 1 mill a kilowatt hour, when compared with the production of Grand Coulee Dam. The power is sold, as you know, at $17.50 a kilowatt year, which is 2½ mills a kilowatt hour, out of which, of course, the transmission costs are met.

The $12,800,000 is calculated to pay out the power investment in Grand Coulee Dam with interest within 34 years and the irrigation costs that cannot be met by the water users on the entire 1 million-acre project in a total of 50 years from the time each irrigation unit goes into operation.

Senator DWORSHAK. Then how much will there be transferred to the Bureau to compensate that?

Mr. WEINBERG. $12,800,000 a year.

Senator DWORSHAK. That will take care of it?

Mr. WEINBERG. Yes, sir.

Senator DWORSHAK. And what was the original cost figure on the lower cost?

Mr. WEINBERG. Senator, of all the documents we meant to bring up, that is the one we did not. I will immediately call my office and get that.

Senator JACKSON. We have sent for it from the Library of Congress.

Mr. WEINBERG. Thank you very much.

Mr. STAMM. Just to conclude the summary remarks——

Senator MILLER. Could I ask you a question on that point?

In your last statement, you said something about this repayment being on the assumption of ——

Mr. WEINBERG. 1,029,000 irrigable acres.

Senator MILLER. Which is the total authorized acreage in the project?

Mr. WEINBERG. Yes, sir.

Senator MILLER. But this assumes, then, that the ceiling will be taken off, as provided by the bill?

Senator JACKSON. No. Perhaps there is one thing we can clarify; if I am in error, correct me. The so-called ceiling of $280 million, as I understand it, is a contractual ceiling entered into 1945 by the Bureau of Reclamation and the three irrigation districts.

As a matter of fact, as far as this one phase of the problem is concerned, this ceiling could be changed by contract. It does not require legislation as such. But it is my further understanding that the Bureau, the Department, over the years, has constantly kept the committees of Congress informed regarding this contractual ceiling and indicated they would come back to Congress when this ceiling was reached.

Now, have I stated this correctly?

Mr. STAMM. I think that is exactly right.

Mr. WEINBERG. That is right, Senator Jackson. The authorization for the project has never imposed a dollar limitation on amounts authorized to be appropriated or any dollar limitation on the amount that might be expended, and the authorized project has always contemplated the 1,029,000 acres of irrigable land.

In 1945 when the Secretary wrote the repayment contracts, he had before him the estimates which would complete the 1,029,000-acre project on the basis of the then current cost estimates, and those were written into the contracts as limitations as a matter of contract on the amount which the water users could require the Government to spend.

The CHAIRMAN. Does that differ in any way from the Garrison project in North Dakota, which is approved in the Pick-Sloan plan?

Mr. WEINBERG. Garrison has certain problems which will require the project to be reauthorized, because of changes in the scope of the plan that have been made.

The CHAIRMAN. Why?

Mr. WEINBERG. A difference in the location of the dam, a difference in the type of project.

The CHAIRMAN. Did they not build one dam in South Dakota in a different location?

Mr. WEINBERG. The Army did, yes, sir.

The CHAIRMAN. If you can build one in South Dakota, can you not build one in North Dakota? There is no discrimination between north and south, is there? There is on a larger scale, maybe, but is there in these States?

Mr. WEINBERG. Perhaps at the risk of being unduly cautious, Senator, the Interior Department does not regard Garrison as being in a State in which we would be justified in seeking appropriations without further authorizing legislation.

The CHAIRMAN. Now we are getting somewhere. Go ahead.

Senator BURDICK. What is the essential difference between the authorization for Garrison in the 1944 Flood Control Act and the authorization of a million acres for this project in Washington in the 1945 act?

Mr. STAMM. I would like to make one comment on that.

We are not proposing changes in nonreimbursable allocations.

The CHAIRMAN. Never mind what you are proposing. Let us get an answer to his question.

Mr. STAMM. I was attempting to answer that.

On the Garrison project, we are contemplating some changes in the nonreimbursable allocations, which would be covered by the reauthorization; and on the Columbia Basin project, we are not changing nonreimbursable allocations.

Senator BURDICK. That is not answering my question. I want to know originally what was the difference between the authorization of

a million acres for Garrison and under the authorization of a million acres for this project. We are making changes now in this project.

Mr. STAMM. Well, originally I think we might say they were essentially the same, but the changes that are being proposed now are different in the two cases.

Senator BURDICK. In other words, I have been making a mistake. I should have gone to the Appropriations Committee with this project.

Mr. STAMM. I do not think so, Mr. Burdick. It is my understanding that the reauthorization of Garrison would include increases in the nonreimbursable allocations to such features as fish and wildlife and recreation.

The CHAIRMAN. Can we not get away from the reauthorization and start talking about the original authorization? You keep saying if you are going to reauthorize it, you are going to do something different.

His question is: When you authorized Garrison, how was it authorized in a different fashion than the authorization under the Flood Control Act on the Columbia River Basin?

Never mind what you plan to do in the future. What did the Congress do that was different?

Mr. STAMM. Well, I said a minute ago that so far as I know, there was no essential difference in the original authorization. Were it not for changes, we could proceed under the original authorization in both cases.

The CHAIRMAN. Are you going to change anything in the Columbia River Basin?

Mr. STAMM. Not of the nature that requires reauthorization, so far as the million-acre project is concerned.

The CHAIRMAN. Are you going to change all the provisions as to how the land will be farmed?

Mr. STAMM. Those require legislation, yes, sir. Those require legislation.

The CHAIRMAN. What else is going to require legislation?

Mr. STAMM. The extension of the payout period, from 40 years to 50, requires legislation.

The CHAIRMAN. So that both projects would require authorizing legislation?

Mr. WEINBERG. Yes, indeed, Senator. In that respect there is no question about it.

Senator JACKSON. If you came in here now, and all you wanted to do is to recognize the increase in cost, could you not do this by contract?

Mr. STAMM. If we did not extend the period, yes.

Senator JACKSON. That is not my question. I asked you a simple question.

All I asked, Mr. Stamm: If you came in here, and you wanted to increase, as you do, the costs from $280-odd million to the present figure of wherever it is, $678-odd million without the power feature, all you need to do, as I understand your premise, is to amend the contract.

Mr. STAMM. That is correct.

Senator JACKSON. Am I right or wrong?

Mr. WEINBERG. You are correct in that.

Senator JACKSON. The point is that under the original acts that were passed the authority to proceed was open ended as far as the project was concerned. The Secretary, in 1945, made the decision that he would put into the contract the total single-purpose cost figures of $280-odd million, and since that time, costs have gone up. They were based on 1940 figures.

But what you are doing here, in connection with the repayment contract, as amended, as I understand it, is to bring in additional factors in the contract that you have proposed with the Quincy District, and it is in these areas, other than the increase in costs, that amendatory legislation is required.

Mr. STAMM. Yes, sir.

Senator JACKSON. Then, the word "authorization" is inaccurate here; the proper word is "amendatory."

Am I right in this?

Mr. STAMM. Yes, sir.

Senator MILLER. What you have just testified to may possibly be in conflict with what I have here, and I would like to ask you about it.

I have here a memorandum of the chairman of the Committee on Interior and Insular Affairs, U.S. Senate, with accompanying official reports and other material relating to the problems, 1960, in which there is, starting on page 83, a letter of transmittal to Hon. James E. Murray, the chairman of the Committee on Interior and Insular Affairs, from Fred G. Aandahl, Assistant Secretary of the Interior, transmitting the reply of the Department of the Interior with respect to various questions regarding the Columbia Basin project.

Do you by any chance have that document with you?

Mr. WEINBERG. Yes, sir; we have it.

Senator MILLER. If you will note on page 150, the first question there is: "Can the Secretary of the Interior increase the $280 million contract limitation?"

And I believe you just testified that all you needed to do was to amend the contracts, but the answer here is: "No, not without authorizing legislation or an agreement supported by adequate consideration."

Now, it seems to me that either there is a conflict between your answer and the opinion expressed here, or at least we ought to get some clarification on that point.

Mr. WEINBERG. No. Senator Jackson's question was a limited question: Could we, merely to meet the cost increase problem, resolve it by contract? The answer is: We could, provided adequate consideration moved to the United States and if we did not extend the 40 year repayment period.

Senator MILLER. Could the reporter go back in his notes and read Senator Jackson's question? I believe he specified this $280 million.

(The question of Senator Jackson was read by the reporter. See pp. 34 and 36.)

Senator MILLER. That is the point I am making, Mr. Chairman. That answer seems to be in conflict with the answer here, where it says, "No, not without authorizing legislation or an agreement supported by adequate consideration."

Now, either that is in conflict, or else I think we ought to have this amplied, because right now I am confused on it.

Mr. WEINBERG. I would be glad to amplify it. Perhaps my answer to Senator Jackson was shorter than necessary, using lawyers'——

Senator MILLER. This was not your answer, I believe. This was Mr. Stamm's answer.

Mr. WEINBERG. Mr. Stamm answered that with my concurrence, I will have to take the responsibility for Mr. Stamm's answer to a legal question.

When Mr. Stamm said the matter could be done by contract, to me as a lawyer this assumed a contract supported by adequate consideration. Now, if I may, I would like to read the complete answer that appeared at page 150, to that question, because I believe it deals with precisely that issue.

The CHAIRMAN. You do not want to change the terms of the question that was asked on page 150, do you?

The question is: "Can the Secretary of the Interior increase the $280,782,180 contract limitation on the amount which can be expended for the construction of project works directly assigned to irrigation, and continue on with the construction of the project?"

The answer is: "No."

Do you agree with that answer?

Mr. WEINBERG. I do. I would not want to change either the question or the answer.

The CHAIRMAN. So you could not just increase the amount of the contract from $280 million up to $678 million?

Mr. WEINBERG. No, sir. He would have to have a contract supported by adequate consideration; but such contract would not require legislation.

The CHAIRMAN. We did not talk about legislation.

The question was: Can the Secretary, since this is merely a figure in a contract, just change the figure from $280 million to $676 million?

Mr. WEINBERG. Not unilaterally, without a contract.

The CHAIRMAN. I know that is a good answer, except that, not being a lawyer, I hope that some day I will find a question that could be answered yes or no.

Yes, a little? No, not much?

Yes or no.

Mr. WEINBERG. May I answer the question and then explain my answer?

The CHAIRMAN. Well, yes; if that is the best we can get, fine.

Mr. WEINBERG. We had a contract in 1945 that contained a $280 million contract limitation. The water users agreed to pay a certain amount in 40 years.

Now, if the water users would agree to pay the additional amount over the same 40 years, we could raise the $280 million limit as a matter of contract.

Senator MILLER. May I pursue this one step further?

I requested you to amplify this, and in that amplification I would like to find out from you what would be the consideration.

The answer, here, which you would not want to change, is: "Not without authorizing legislation or an agreement supported by adequate consideration."

Of course, that is adequate consideration moving to the United States. What would be the adequate consideration moving to the United States?

Mr. WEINBERG. Any agreement—and I am reading from an additional part of that answer, which appears at page 150:

> Any agreement raising that ceiling would have to be supported by adequate consideration moving to the United States in the form of additional repayment from the irrigation districts and their water users.

Senator JACKSON. So that would be met.

Senator MILLER. I would like to get this one thing cleaned up, if I may.

Now, as I see it, this can be broken into two parts. An adequate consideration based upon the present ceiling?

Mr. WEINBERG. Yes, sir.

Senator MILLER. Or an adequate consideration based upon an assumption which may be completely false, because Congress might not see fit to make the appropriations necessary to go over the ceiling, but the assumption that that will be done, and the scheduling of the repayments based upon power, on the assumption that we are going to have a million-acre project.

Now, which of those areas are you in when you talk about "adequate consideration"? Are you not in the latter one?

Mr. WEINBERG. The "adequate consideration" would be clear if the water users agree to repay the entire additional amount. That would clearly be adequate consideration.

Senator MILLER. Even if the water users were only the water users who are operating under this $280 million ceiling?

Mr. WEINBERG. The $280 million ceiling applies to all three districts.

Senator MILLER. Well, but the practical application of that has been that we have a considerably smaller number of acres in irrigation now than the 1 million acres in the original authorization.

Now, are you saying that those people who are farming this considerably smaller number of acres could enter into a contract to see that the whole thing was reimbursed?

Mr. WEINBERG. Our contracts are with the three districts. The districts embrace all of the lands. The district is obligated to assess all of the lands to meet the charges under the contracts.

Senator MILLER. But the result of it would be that these people operating on this smaller number of acres would have a tremendous increase in their costs?

Mr. STAMM. No, for this reason: The 1945 contracts and the new contracts both establish the obligation on the basis of an amount per acre times the irrigable acres in the irrigation district.

When the project is fully developed, under either contract, they would repay the maximum amounts that we show in the 1945 contract or in the proposed contracts.

If we were to stop right now and not complete the project, then, under the 1945 contracts, the water users would still pay the $85 an acre times the irrigable acreage, but we would not get back the full $87 million, because we do not have a million-acre project as yet.

So the obligation is related to an amount per acre.

Senator MILLER. All right. Then to wind this up, that brings me to my very point at the start of my questioning, here, and that is that when you say that this will pay out over the 50-year period, you make that statement on the assumption that this $280 million ceiling is going

to be lifted, so that the total authorized acres will come into production, do you not?

Mr. STAMM. Yes. Yes, but that does not jeopardize the repayment. If the acreage does not come in, it does not jeopardize repayment, because the obligation to be picked up by power would be reduced in proportion to any reduction in ultimate acreage of the project. So, if the project is not completed to a million acres, it does not jeopardize repayment to the United States from water users and power revenues.

Senator MILLER. Within the 50-year period?

Mr. STAMM. Yes, sir.

Senator MILLER. Well, I must say that I am confused on that point, because I can see where, if you do not spread the cost of this over a million acres and confine the repayment—of course, it is the district, but confine the actual source of the repayments—to the operators of the reduced acreage, it is going to put such a burden on them that perhaps they will not be able to stand it.

Mr. STAMM. Well, let me say we would not expend the money for the irrigation facilities if we did not complete it. And the difference in cost between water-user repayment and total cost of facilities would not have to be picked up by power revenues if we did not complete it. There are sufficient power revenues to cover the difference in cost between water-user repayment and total cost for the full million-acre project, if we complete it. But the revenues would not have to pick that up if it were not completed.

Does that clarify the point somewhat?

The CHAIRMAN. Do you have any plans for completing the project? And if so, what is the schedule?

Mr. STAMM. We have a plan, yes, for completing the project, and it is at a rather slow and long-term rate. Based on our experience to date, we believe that normally we should not bring in large acreages in any given year. It ought to be spread over a comparatively long period, 20 to 30 years.

The CHAIRMAN. I agree with you. I am merely trying to find out what it is, because this would be helpful to us. If we thought you were going to expand this project to a million acres next year, or going to try to do anything of that nature, naturally every member of this committee would get a shock, because the Agriculture Department is running around asking people to reduce their acreage in various types of crops. That is why we agreed to a provision in the Navaho irrigation project that it is going to require about 25 years, instead of the normal 10.

Mr. STAMM. That is essentially our figure here.

The CHAIRMAN. How many acres do you have now in cultivation?

Mr. STAMM. We have facilities to serve about 450,000 acres.

Senator JACKSON. How much of that is actually under cultivation?

Mr. STAMM. Under cultivation, it is a little under 400,000, I believe.

The CHAIRMAN. You have a little under 400,000 acres in cultivation. You have facilities which would permit the expansion to what amount? You said 450,000?

Mr. STAMM. 450,000 to date. We can complete to 481,000.

The CHAIRMAN. That was going to be the next question.

All right. You have 400,000 acres under cultivation. You have facilities that would raise it to 450,000 acres?

Mr. STAMM. Yes, sir.

The CHAIRMAN. You have room in the ceiling to raise it to 481,000 acres?

Mr. STAMM. Yes, sir.

The CHAIRMAN. So that without coming back to this committee for any authorization or to the Appropriation Committee for any relief, you could expand this project from just under 400,000 acres to 481,000 acres. Now, how quickly do you plan to do that?

Mr. STAMM. Under the current schedule, I think we would complete facilities to the 481,000 acres by 1966.

The CHAIRMAN. So at least for 4 years, there is not going to be any expansion above the 481,000-acre figure that you used, if you carry out your present plans?

Mr. STAMM. Yes, sir.

The CHAIRMAN. Now, there are a great many people, and I am one of them, who believe that by the year 1975 we will be an agricultural deficit country. I mean we will have to be importing food into this country, by about 1975, on our present rate of growth, on our present rate of cutting back agricultural lands, and taking into consideration the fact as to how much we can expand production from a given acreage.

Can you give us your schedule as to what you would do past 1966? I think you have given it to us, but about how many thousand acres a year would you plan to expand until you get up to the limit?

Mr. STAMM. Based on our past experience, we would not expect to bring in more than about 20,000 acres a year.

The CHAIRMAN. So that if you had some 500,000 acres left, you figure it might take you 25 years beyond 1966 to do this?

Mr. STAMM. Yes, sir.

The CHAIRMAN. That brings us up to 1991, and nearly to the year 2000. By that time the country might be welcoming this land in cultivation.

Now, then, have you any objection to our putting into our report, if we report this bill out, the fact that you now have authorization to carry to 1966, and you therefore will have to expand in this new area at a rather low rate of expansion, which might require you another 25 years to complete it?

Mr. STAMM. I think there would be no objection to having that in the report.

The CHAIRMAN. That does not bind you, because you can always come back to the Congress and say, "I changed my mind."

Senator JACKSON. Again I think we should use the term "contractual authority;" not "authorization," because it is a contract.

Mr. STAMM. Yes, it is contractual authority. You are right. I agree with Senator Jackson that we feel firmly that the project does not need to be reauthorized.

The CHAIRMAN. You have not been going on contractual authority though, have you, solely?

Mr. STAMM. Yes. Yes, we have.

Senator HICKEY. Would the gentleman yield for a question?

The CHAIRMAN. Senator Hickey.

Senator HICKEY. Mr. Stamm, is it not a fact that the reason you need this legislation at this time is the fact that you have attempted, under the understanding you now have, to negotiate this expansion,

and you have not been able to? You have not been able to negotiate under this philosophy you have of adequate consideration with the water users, to get sufficient authority to expand this to your year 1966. Is that not a fact?

Mr. STAMM. I do not think that is stated correctly, Senator Hickey. We believe that the water users cannot pay the increased obligation within 40 years. If they could, we could amend the contract without legislation.

Senator HICKEY. Then does that not get back to the fact that you cannot complete your 481,000 acres that you just replied to the Senator on, without legislation?

Mr. STAMM. No, sir. That is not right. We can complete the 481,000 acres without legislation.

Senator HICKEY. And without renegotiating the contract?

Mr. STAMM. Yes. sir.

The CHAIRMAN. Now may I follow along one more step?

Senator Jackson is right. The term I should have used was contractual authority. I am just trying to figure out some way of saying what we might do if we were trying to pin you down. I do not think we need to at all, but if we were trying to do this, we would then, if we were trying to be real tight, we would take this $281 million, and we might provide that that is enough to carry it to 1966, and we might provide, since it only takes about $15 million, to put in this, 20,000 acres every year. We could, if we were trying to do it piecemeal, and have it come back to the Congress year after year—we could provide for an increase in contractual authority of about $15 million a year, and if we did that every year, you would reach your million acres.

Now, is it your contention—I assume it is—that we ought to deal with it once and for all, so that the people up there would know what to anticipate, and the State of Washington would know what to do, and we would put it on an orderly basis of saying we hope it would expand slowly, but you would like to have the full raise in the contractual authority at this time, even if you do not plan to use it?

Mr. STAMM. Yes, sir, I certainly think we need the full authority now, because in constructing works, in planning and constructing works, you cannot schedule your expenditures to keep them within a level amount throughout.

For example, when we have to put in the second Bacon siphon and tunnel, the expenditures that year or for those 2 or 3 years, might be much larger than the average over the period of time. And we cannot bring in additional lands in certain areas until that major job is done.

The CHAIRMAN. Precisely. And therefore you would like to know now what the Congress expects you to do 20 years from now?

Mr. STAMM. Yes. If the Congress would admonish us to hold the actual service, increasing the irrigable lands, within reasonable limits, over a period of time, I think that would be reasonable, but to put a limit on dollars of expenditure in any given year I think would be unreasonable, and would prevent an orderly construction program.

The CHAIRMAN. You understand, Mr. Stamm, that I do not intend to suggest that at all, and I do not intend to vote for any such thing as that at all. I do think, however, it is useful for the purpose of this

hearing to know what you have in mind. We had a little argument about legislative intent in one of the other committees a day or two ago, and I think this goes to the legislative intent. It makes it very much simpler, for those of us who would like to grant the authority carried in this bill, to vote for it, if you know you have made some expression of what you plan to do.

Now, would you mind going into the reasons why you would like to repeal the provisions of the act of 1943?

Mr. STAMM. Yes, sir. We can do that.

Let me mention briefly the reasons, and Mr. Weinberg and Mr. Davis can go into as much detail as you want them to cover.

The Columbia Basin Project Act is unique in that it required the United States to lay out all the land in the project into farm units, private land as well as public land; it provided initially that no family could have more than one farm unit, and it defined the family to include all the members of the family within certain age limits. Also it provided that farm units should range anywhere from not less than 10 acres to more than 160 acres.

So farm units were laid out initially, following the depression, in sizes that were fairly small, around 50 to 55 acres of class 1 or its equivalent, and only one unit was allowed per family. The act also provided that the area of each of these units had to be completely conformed to a single ownership before that unit was eligible for water.

Well, in the first place, the limitation on the acreage of the holding soon proved to be inadequate. We have been enlarging the sizes of units as they were laid out, and in 1957, the Congress made some modification in the law.

The CHAIRMAN. Was that due to the fact that the land was unproductive, or was it due to the fact that there has been a change in farming and the size of the family farm all over the country has increased?

Mr. STAMM. The latter, yes, and the mechanization of farms.

The CHAIRMAN. Mechanization I was going to say enters into it also. I remember the Senator from North Dakota, Senator Young, was talking to me one time about an agricultural problem. He said when he started farming all you had to have was a team of horses, a plow, land, and a small bag of seed, and when his son started farming, he had to buy $15,000 worth of farming equipment.

Mr. STAMM. And also, when the project was being planned, there was some talk of subsistence type farms, where the farmer might weave his own cloth and make his own shoes. That kind of thing has changed.

The CHAIRMAN. You prided yourself in the early days of farming that you never had to take a single thing to the grocery store except eggs. You always traded those off a little bit for groceries. That was the grocery money. That is not the situation any more.

Therefore this change in the size of the farms is not due to a change necessarily in the concept of trying to get to a family-size farm, but due to the size of the family-size farm itself?

Mr. STAMM. Yes, sir. Now, the change in that regard, in the law, as we are proposing it here, would permit the family, and the owners, to exercise their own initiative in enlarging their units up to the generally prevailing limitations of reclamation law, the 160-acre limitation.

The CHAIRMAN. Is that 160 acres in this bill? Or 320 acres?

Mr. STAMM. It is 160 per individual, or 320 for a man and wife.

The CHAIRMAN. This is a community property State that we are dealing with?

Mr. STAMM. Yes.

The CHAIRMAN. And that is the same as it is in my home State, which is a community property State. Under the irrigation law I am allowed to hold 160 acres, and my wife, being a separate person, can hold 160 acres, and not violate the law.

Mr. STAMM. Yes, sir. That is right.

The CHAIRMAN. That is not a violation of the 160-acre limitation.

Mr. STAMM. That is right.

Senator JACKSON. I wonder if we could go back a minute, Mr. Chairman, and approach this step by step.

As I understand it, the 1937 act provided that no one individual could have more than 40 acres, then it is stipulated that there would be a maximum of 80 acres for a husband and wife. Is this correct?

Mr. STAMM. That is applicable to this project, the Columbia Basin.

Senator JACKSON. That is what I am talking about. The Anti-Speculation Act, of course, is related to the Grand Coulee project. I think it is the only instance, at least at that time, where antispeculation laws applied, because of the great amount of public land that was involved there.

Senator DWORSHAK. No, Mr. Chairman, I think the reverse was true, that there was a lot of the privately owned land already included in the area.

Senator JACKSON. I did not say that was not true. There were private and public lands.

Senator DWORSHAK. There would not be any speculation on public lands. It would only be where people owned private land.

Senator JACKSON. Now, in 1943, the law was changed again. Is this not correct?

Mr. STAMM. Yes.

Senator JACKSON. And as I understand it, under the 1943 act, the Columbia Basin Project Act, they provided for the development in irrigation blocks, with no unit to contain more than 160 acres nor less than 10 acres.

So it was possible under the 1943 act to bring the family unit, actually, depending on the departmental regulations, the determination they made, up to 160 acres, as one family unit.

Is that right?

Mr. STAMM. That is right.

Senator JACKSON. So the 1937 act was changed from a maximum of 80 acres for a family unit to a maximum of 160.

Now, in 1957, the law was changed again to increase the family limitation to 320 acres, to conform with rights of husband and wife under the community property law.

Is this essentially correct?

Mr. STAMM. Yes, with some qualifications as to when they acquire the lands. Essentially, that is correct.

Senator JACKSON. Will you indicate what this bill will do to the holdings or family-size units, as is applicable today, what changes will be made by this bill, by applying the reclamation law, that is, the act of 1902, as amended?

Mr. STAMM. This bill would permit any individual to own up to 160 acres, or a nominal quarter section of land, and if that man is married, it would permit his wife also to hold up to 160 acres.

Senator JACKSON. Does he not have that right now, under the 1957 act?

Mr. STAMM. Yes, sir; the individual can own 160 irrigable acres. The 1957 act retains the definition of a family, and the family can own up to 320 acres for the family, which includes husband and wife and all children under——

Senator JACKSON. Under the age of 18.

I think this is the thing we need to get very clear, here.

Senator BURDICK. Will the gentleman yield?

Senator JACKSON. Yes.

Senator BURDICK. May I ask the witness how he interprets section 5(a) of the bill?

Senator JACKSON. If we can clarify this point, we can go back.

Senator BURDICK. This relates to it.

Mr. STAMM. Section 5(a) provides that water may be delivered to one or more farm units (a) which in the case of a single owner do not aggregate more than 160 acres or nominal quarter sections comprising more than 160, and (b) which in the case of a family do not aggregate more than 320 acres.

You are right, Senator Jackson.

Senator JACKSON. Very well.

Senator BURDICK. What is your interpretation of section 5(a), in this regard, of the bill?

Mr. STAMM. What is the reference again, Mr. Burdick?

Senator BURDICK. 5(a), at the bottom of page 4.

Mr. STAMM. The nominal quarter section refers to a situation where in making corrections in the cadastral survey there may be 161 or 162 or 163 acres in a nominal quarter section.

Senator BURDICK. That does permit the delivery of water to the extent of 160 acres, does it not?

Mr. STAMM. If it is a nominal quarter section. That is the only case.

Senator JACKSON. What do you mean by "nominal"?

Mr. STAMM. Normally a quarter section is 160 acres, but as you know, along the west side and north side of townships, they correct for survey errors in laying these things out, so some sections on the west side of a township may be long or short, and the nominal quarter section along the west side might have more or less than 160 acres. The adjustments are usually one, two, three acres, very nominal amounts.

Senator JACKSON. That is my impression. It is not more than one or two or three acres generally.

Mr. STAMM. It is a nominal quarter section. The amount that is laid out as a quarter section in a certain section of land in the official plats.

Senator JACKSON. How far would you go in applying "nominal" to excess acreage over 160 acres by reason of such a situation?

Mr. STAMM. Well, it would depend on the survey. In my experience with such surveys, I do not know of any case where it has run more than a few acres. I could not tell you what the maximum might have been in some of those corrections.

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The CHAIRMAN. I just hoped you would not confine it too much, because there have been cases where these surveys have been off a little bit, and we had a very interesting oil suit on that very question, because it involved around 10 acres that was excess. A man leased 160 acres and tried to claim the remaining land within the quarter.

What you are trying to say, though, is that any reasonable amount that may come up is to be regarded as satisfactory. I think that would be a sensible viewpoint for us to take.

Mr. STAMM. And the amount so determined would be what the official plats of the United States show in the cadastral survey.

Senator DWORSHAK. Mr. Chairman, could I ask a question on that very point?

Could you tell us about whether half of the units are operated under lease by more or less large scale operators, and not individual farm families? And if that is true, then in what way is the Bureau trying to maintain this upon the basis of a family sized operation? Is it true that there are leases and that there are large scale operators?

Mr. STAMM. Mr. Dworshak, it is true, I think more predominately in the east district, that there is quite a little leasing. There is nothing in reclamation law that puts a limit on the amount of land a man might farm through lease arrangement, but there is leasing on all reclamation projects.

Senator DWORSHAK. Not on the ones down in southern Idaho.

Mr. STAMM. On some, probably on all.

Senator DWORSHAK. It would not amount to one-tenth of 1 percent.

Is it true that almost half of these units which have already been set up on the Grand Coulee are now not being operated on the basis of a family size farm? 40 percent? Or how many?

Mrs. STAMM. I would have to get the records for you. I do not think that the figure is that high.

Senator DWORSHAK. What would you say?

Mr. STAMM. In many cases, Senator, the owners have entered into lease arrangements for development purposes, to get their lands leveled and developed and in operation.

Senator DWORSHAK. Mr. Stamm, I know you have an extensive background in reclamation. Then this shadowboxing we have had here for some time about what we decided the size of the operation would be, 40 acres or 80 acres or 160 acres or twice that much—the facts are that the operations currently are on the basis of how much leasing can be done by the people who have the original contracts with the Bureau. Is that true? And that you are far beyond a 160 acre limit in these leasing operations? Is that right, or is it not right?

Mr. STAMM. Well, it is right. The operating unit is larger than the ownership unit. But I say that is true on all reclamation projects, and the operating unit is considerably more—

Senator DWORSHAK. Is that true on the north side pumping division?

Mr. STAMM. Again I do not have the figures, but I am sure there is leasing there.

Senator DWORSHAK. Will you get that in the record at this point?

Mr. STAMM. Yes, sir; I will be glad to.

(Information referred to follows:)

Current records indicate that, of the 647 farm units on the north side pumping division of the Minidoka project, 145 or 22.4 percent are reported to be leased to owners of other north side pumping division farm units. Additionally, 45 units

have been sold to owners of another project farm unit. Accordingly, there are presently 457 operating units on the division consisting of either wholly owned or combined owned and leased lands.

The CHAIRMAN. I am still distressed at why no greater presentation took place on the subject of the amount of money involved and the amount of acreage involved in the opening hearings we had. Was there any reason that there was some concealment of this, or did it not occur to the members here that this would be an essential point?

Mr. STAMM. Mr. Chairman, let me assure you that there was no intention whatsoever to conceal any of the facts or figures in connection with this proposed legislation.

This matter has been aired very thoroughly, I think, and I thought with all concerned, over a long period of time. A couple of years ago, the chairman, then chairman of this committee, asked us a series of questions and asked us to submit material to this committee, which was subsequently printed in committee print CB–1, and it covers all of the history thoroughly, including the limitations, the acreage increases, the cost increases, and so on.

On the House side, they held committee hearings for outside witnesses who came in here 2 years ago, and these things were discussed thoroughly. We have had hearings out on the project. The House committee has been out there and has held hearings on the project. We have gone over these figures with the Appropriations Committees annually. And had we gone into all of the background, we would have required a great deal of time of the committee.

So we submitted prepared statements, which summarized every point that has been brought up here—the removal of the limitation, the increase of the repayment period, all of the significant factors. And we were prepared to go into them in detail.

The questions were not put to us following the presentations, and it was purely a combination of circumstances, with no intention to conceal a thing.

The CHAIRMAN. I want to say we were very hurried that day. I had left the committee, and other people had to go on to further sessions, and we were hurried, and we did not spend probably as much time on it as we ordinarily might, probably due to the fact that there had been so many hearings through a long period of years. And I want to say to you that the statements you have made as to the speed with which you intend to permit this program to go ahead have satisfied me completely, and your other statements have satisfied me, and I am very appreciative that you have been here today.

Senator DWORSHAK. Mr. Chairman, before you leave that question, I asked you about the leasing operations. If we concede that there are leasing operations, then to a large extent any limitations which have been placed in legislation affecting this project are more or less nullified, because the leasing can go far beyond the original intent of the size of the farm units. Is that right?

Mr. STAMM. Yes. And, Senator Dworshak, I find I do have some figures on leasing up there, which I would be glad to put in the record now.

And let me say, however, that the matter of leasing is not a matter of reclamation law, has never been, and was not on this project.

Senator DWORSHAK. Then do you not think the Bureau should bestir itself and request Congress to take some action which would make it

possible for the Bureau to retain the recognized size of units, and not permit the large scale operations which in fact nullify the intent of the Reclamation Act?

Mr. STAMM. You are thinking of general legislation, now?

Senator DWORSHAK. Yes, I mean general legislation. Is that true? Has the Bureau made any such request in the past years?

Mr. STAMM. No, sir; we have not, because we did not think it was a major problem. Now, usually the leasing is greater in the early years of a project, and the leasing decreases as the project matures. I think that will be true here.

Senator DWORSHAK. You will recall that a few years ago, when, under the terms of the law, homesteaders on reclamation projects, Federal reclamation projects in other States, were authorized to come in and file on homesteads on the North Side project, and under that procedure the homesteaders would locate for a year or so and then sell their farm operation, which violated the spirit of the Reclamation Act. And I introduced a bill, which as I recall was not passed in its original form, to prevent that circumventing of the reclamation law.

Do you remember that?

Mr. STAMM. Yes, sir.

Senator DWORSHAK. Well, as I recall, there was no leasing. It was the outright sale of the farm unit.

Mr. STAMM. I am sure—and I will get the figures for you—that there is leasing on the North Side Minidoka project.

Senator DWORSHAK. And what do you have there?

Mr. STAMM. The figures I have pertain only to the Columbia Basin.

Senator DWORSHAK. Well, what are they?

Mr. STAMM. Well, it shows here that tenants who rent——

Senator JACKSON. You are reading from the report; are you not?

Mr. STAMM. No; I am reading from some material that we had available to us before the Appropriations Committee last February.

And it says here that farm units in the Columbia Basin project consist of tracts of land laid out by the Bureau containing sufficient acreage for the support of an average-sized family at a suitable level of living. The number of farm units so laid out on the Columbia Basin project totaled 4,361. The number of operators farming those units totaled 2,296.

Senator DWORSHAK. About half or less?

Mr. STAMM. Well, less than half. Less than half, whichever way you are looking at it. It means that we have more than half as many operators as we have units.

Senator DWORSHAK. Does that mean, then, that you have virtually submerged, if not completely ignored, this 160-acre limit?

Mr. STAMM. No, sir.

Senator DWORSHAK. Well, if you only have half as many operators as you originally envisioned, then it is natural that the size of the farm has doubled, is it not?

Mr. STAMM. But I also have this broken down to show how many of these owners rent only one additional unit, then I have the number who rent two units, three units, and so on. When you get down to those that rent more than one or two units, the number is very, very few.

Senator DWORSHAK. What is the largest number of units rented by one operator?

Mr. STAMM. Well, the largest category I have here are owners who——

Senator BURDICK. What is the average acreage per operator? That is the way to get at this.

Senator DWORSHAK. Let him answer that, first.

Mr. STAMM. We have four operators here who operate five or more units. Only four. When you get down to 1 unit, we have 960, nearly 1,000, who operate only the 1 unit. We have about 375 that operate only 1 and rent 1 more.

Senator JACKSON. Could you state what a unit is, so that the record will be clear?

Mr. STAMM. The farm units are laid out by the Bureau of Reclamation, and average today about 80 acres. So these folks that own one and rent one are still not what you would call large commercial farmers. Many of those that have to depend on a lease arrangement now would not have to depend on a lease arrangement if they were under the regular reclamation law and the 160-acre limitation.

Senator DWORSHAK. Are you repealing that in this bill?

Mr. STAMM. We are proposing to put this project under the provisions of the general reclamation law as to the acreage limitation.

Senator DWORSHAK. Did you answer his question?

Senator BURDICK. What is the average acreage per operator?

Mr. STAMM. Well, it would be roughly 160 acres. I would have to do a little figuring to get that for you.

Senator BURDICK. That is because of their prior 80-acre limitation?

Mr. STAMM. No, but due to Bureau policies for farm-unit sizes.

Senator JACKSON. Well, has full advantage been taken of the 1957 act? Many could not expand their farms, because they were already frozen into family size units.

Senator DWORSHAK. What is the average size of the units now?

Mr. STAMM. I would say the average size of units as laid out is between 80 and 90 acres, and the average size of operated unit is less than 200; in fact, it figures 190 acres.

Senator DWORSHAK. But, if the Bureau of Reclamation recognizes that 80 or 90 acres are inadequate to sustain a family type operation, are you not increasing the original size of these units, so that there will be more than 80 or 90 acres in each?

Mr. STAMM. It takes an amendment of the farm-unit plats to modify those units. We have amended many of them and enlarged the units laid out earlier, but because the entire area is laid out in farm units, you cannot expand one without adjusting some others. So you have to eliminate some units to expand those remaining, and that requires the cooperation of all concerned. It is quite a difficult job.

Senator DWORSHAK. If it is feasible from an economic standpoint, you could double the size of these units, could you not?

Mr. STAMM. Yes. And under this proposed legislation, the individual can do it. Under this legislation the individual can buy his neighbor out, where under the existing situation he has to lease it or get the farm unit plat amended.

Senator DWORSHAK. Now, did I understand you correctly to say you were eliminating or changing the provisions which made this a unique operation?

Mr. STAMM. Yes, sir.

Senator DWORSHAK. In the bill I see where sections are enumerated. Now, I think the Senator from North Dakota asked what was being done with section 5(a), which authorized the Secretary to make annual payments in lieu of taxes to the States and political subdivisions. Are you repealing that?

Mr. STAMM. Section 5(a) of the proposed act has nothing to do with payments in lieu of taxes.

Senator DWORSHAK. Of the 1943 act?

Mr. STAMM. Mr. Davis says we are not repealing 5(a) of the existing act.

Senator DWORSHAK. And what does that provide? If you are not repealing it, what does that section provide? 5(a) of 1943? What does section 5(a) of the 1943 act provide?

Mr. STAMM. Well, let us read it. It says:

> The Secretary may enter into agreements to pay annual sums in lieu of taxes to any State or political subdivision thereof with respect to any real property situated therein after it is acquired pursuant to the authority of this act, and before execution by the United States of a contract of sale covering it out of funds derived from the leasing of such lands. The amount so paid for any year for any such property shall not exceed the taxes that would have been paid to the State or subdivision.

Senator DWORSHAK. Under that authority, to what extent is the Federal Government making payments in lieu of taxes?

Mr. STAMM. I cannot give you the figures. This was intended, Senator, to provide payments to the counties during the interim between the time we acquired the land for settlement purposes and the time it was sold back again.

Now, again, the authority to acquire these lands, and the requirement that we lay them out in the units, was unique.

Senator DWORSHAK. And are you terminating that uniqueness now?

Mr. STAMM. We are not terminating the authority to acquire land. But policywise, we will make much less use of it in the future than we have in the past.

Senator DWORSHAK. Why would you not repeal that? You are repealing other provisions, so that in all equity and fairness, you are placing this operation in the same category as all other Federal reclamation projects, are you not?

Mr. STAMM. Well, not completely so. I said we are removing many of the unique features.

We are continuing to lay out the farm units. We are removing the feature that puts the more restrictive limit on the acreage they can own. We are removing the requirement that the entire unit must be conformed in area and boundary before the unit is eligible for water.

But because we have gone so far with the initial layout of units, all have agreed that we should continue the layout, but eliminate the requirements as to conformance before the unit is eligible for water.

Senator DWORSHAK. Now, do I understand properly that under this authority of the 1943 act where payments are made by the Federal Government to local tax units in lieu of taxes, that is a temporary situation?

Mr. STAMM. A temporary situation.

Senator DWORSHAK. And not permanent?

Mr. STAMM. Yes, sir. It is a temporary situation only, during the interim period that the land is in our ownership.

Senator DWORSHAK. And how long is that? Five years? Ten years?

Mr. STAMM. Well, it depends upon when we acquire and when we sell. Our policy, again, in the future, is that we are going to acquire to a much more limited extent, and just ahead of settlement. In the past, we had bought longer in advance.

Senator DWORSHAK. I do not know what procedure you are following, Mr. Chairman. I have a lot of questions, and I do not want to monopolize the time.

Senator BURDICK. I have another committee meeting I would like to get to, too.

Senator JACKSON (presiding). I will stay here as long as necessary.

Senator BURDICK. What kind of agriculture is practiced in this area?

Mr. STAMM. Well, it is general farming.

Senator BURDICK. Are there surplus crops raised?

Mr. STAMM. You mean before development, or afterward?

Senator BURDICK. Price supported today.

Mr. STAMM. Prior to development, much of this area is in wheat production. Subsequent to development, it moves into general irrigated farming type crops, and the acreage in wheat, for example, is significantly reduced.

Senator BURDICK. It has been a policy of the committee that when we bring land into irrigation, we put a limitation of 10 years after construction, or the prohibition on the raising of crops. What would you think about a limitation on the additional acreage in this project.

Mr. STAMM. Well, I think that limitation has been on the addition of production of price-supported crops. Is that not right? And in this case, let me give you an example.

We find, in shifting from dryland operation to irrigated operation up there, that almost immediately the acreage in wheat is reduced to about 44 percent of what was there before.

Senator BURDICK. I understand that, and that is generally the pattern that follows in most of these irrigation districts.

But my question is: Would you favor a prohibition for a period of 10 years on the additional acres brought in under this amendment?

Mr. STAMM. I do not think it would hurt.

If it went this route, and if a unit were laid out in an area that was a hundred percent in wheat before, and the wheat average was reduced in the very first years of irrigation to, say, 40 percent, and if the prohibition were not such that it would require him to go to zero, then the limit would not hurt us. As long as there was a reduction in what was there before, and no increase, it would not hurt us.

Senator BURDICK. Well, these amendments we are puttting in all of these bills now go to zero.

Mr. STAMM. That is for new lands?

Senator BURDICK. Not new lands. Lands brought under irrigation. Not virgin lands. New lands brought under irrigation.

Mr. STAMM. I wonder if we have the language of any of those limitations that you have reference to.

Senator BURDICK. It is here.

Mr. STAMM. I would like to check the language, to be sure. I really think the language we have been using would be all right, but I want to check it to be sure.

Senator BURDICK. Because I know that in the progress we have had, including the project I am interested in, Garrison, we put it into that one, too, and I still think Garrison is on almost the same footing as your bill, because both have the same authorizations, and both are now under amendment.

This is an amendment to the Columbia Basin Project Act, and on my legislation it was an amendment to the Flood Control Act of 1944, so I think these restrictions should apply equally.

Senator JACKSON. May I ask a question? Do I understand that under the Garrison Act, you have an open-ended authorization as to acreage?

Senator BURDICK. Yes, originally.

Senator JACKSON. Is that your understanding, too?

Senator BURDICK. It is a million acres.

Mr. STAMM. Yes, a million acres was the originally contemplated authorization, and if it were not for some of these other factors we mentioned earlier, we would still have authority to proceed with the million-acre project.

Senator BURDICK. And in the amendment we are voluntarily reducing that acreage, too.

But my point is: Should we be subject to this limitation on surplus crops if all projects are not limited as to these?

Senator JACKSON. In other words, when we bring up amendatory contracts, would the Department favor putting in a prohibition as to the serving of water to acreage that produces so-called price-supported crops?

Does the language refer to price supported, or to surplus crops?

Senator BURDICK. The language is found at the bottom of the page that you have there, section 6.

Mr. STAMM. It says for a period of 10 years from the date of enactment of this act no water from the project authorized by this act shall be delivered to any water user for the production on newly irrigated lands of any basic agricultural commodity, as defined in the Agricultural Act of 1949, or any amendment thereof, if the total supply of such commodity for the marketing year in which the bulk of the crop would normally be marketed is in excess of the normal supply as defined in section 301 of the Agricultural Adjustment Act.

Senator BURDICK. My only point in asking this question: Are you going to make all these projects alike and consistent in this regard?

Mr. STAMM. Well, I would not want to recommend that the Columbia Basin be an exception. If the policy of the Congress is to put in limitations of this type, I would not see any justification for making Columbia Basin an exception to the general policy.

Senator JACKSON. What is the nature of the agricultural production in the basin now, Mr. Stamm?

Mr. STAMM. Sir?

Senator JACKSON. What is the nature of the production in the basin now in that regard? Are they following this section now, for all practical purposes?

Mr. STAMM. Well, the only crop produced there that makes any contribution to surplus would be wheat.

Let me point out here that in the former dry land areas of the project, which were devoted entirely to the production of small grains, a substantial reduction has been made in the area planted to these crops. In two blocks, for example, 23,000 acres before irrigation provided 11,000 acres annually of small grains, because of the fallow system. In 1961, only 4,000 acres were in small grains.

The surplus of wheat nationally is hard wheat. The soft varieties, such as are grown in limited quantities under irrigation, are in high export demand and used for blending. Soft wheat varieties are grown almost exclusively on the Columbia Basin project.

So again, because it is a soft wheat variety there, rather than a hard wheat variety, we feel that it makes little contribution to the surplus problem.

Senator BURDICK. But until we get a legal classification of wheat, wheat is still wheat in this country. That is the trouble.

Mr. STAMM. Well, I think in the Department of Agriculture they do recognize a significant difference between hard and soft, the same as they do in long and short staple cotton.

Now, let me add to your comment about limitations. If there were a legislatively stipulated limitation on what crops could be produced, we would have to further amend the repayment contract with the Quincy District that is before you for approval, and we would have to negotiate language in the other two contracts along this line.

Senator BURDICK. This would not apply to existing contracts, would it? This language is only aimed to include the newly irrigated land.

Mr. WEINBERG. Senator Burdick, the problem to which Mr. Stamm alludes arises from the fact that the existing contracts also embrace the 1,029,000 acres if we were to build the works.

Now, what Mr. Stamm is saying is that in the amendatory contract we have no provision limiting the type of crop that could be grown. We would have to go back and renegotiate with them to get this into the contract covering presently unirrigated land.

Senator BURDICK. The reason I bring up this whole range of questions is because the one big objection we have to reclamation projects today is the idea that on one hand we have an agricultural program that takes grain out of production, and now you have a program to put more of the same stuff back into production. And I think this committee has wisely suggested that for a period of 10 years we will prohibit production of surplus crops. I think it is a wise provision.

Senator DWORSHAK. Mr. Stamm, do you produce beans on these units?

Mr. STAMM. Yes, to some extent.

Senator DWORSHAK. You said wheat is raised there. What else?

Mr. STAMM. Barley, corn, oats, rye, sorghums, wheat, alfalfa hay, other hay, irrigated pasture.

Yes, there are beans, peppermint, spearmint, sugarbeets.

Senator DWORSHAK. No potatoes?

Mr. STAMM. Well, we have an item here of other miscellaneous crops, and potatoes are included.

Senator DWORSHAK. A lot of potatoes. But they are not listed.

Mr. STAMM. Potatoes. We have here in 1961 25 acres of early potatoes and 128 acres of late potatoes.

Senator DWORSHAK. Oh, now! 128 acres of late potatoes?

Mr. STAMM. I am sorry. Let me back up, here. I have the wrong figure.

I agree with you. There are some large potato farms.

We have nearly 20,000 acres of late potatoes.

Senator DWORSHAK. Not 125?

Mr. STAMM. I stand corrected. I was reading from a breakdown by land classes. But for the total project, we have nearly 20,000 acres of late potatoes.

Senator DWORSHAK. That is better.

Mr. Chairman, there was one question that came up, and I do not want to, as I say, take much of the time. I do not want to ask many questions. I want other members of the committee to do that.

But I would like, Mr. Stamm, to call your attention to page 90 of the report on the Columbia Basin project, 1960. There is some testimony I think by Mr. Dominy, who was then the Commissioner, and I quote this:

> The 1958 analysis of payment capacity followed Bureau manualized procedure applicable to all projects in using prevailing land values for the Columbia Basin project. The study employed the family living approach and demonstrated an average unadjustment payment capacity of $15.82 per acre. The weighted average for class 1 land was found to be $20.82; class 2, $16.34; class 3, $14.50; and for a combination of classes 3 and 4, $11.43. The estimated operation and maintenance cost for the project is $6, exclusive of drainage, as O. & M., to which has been added 10 percent to cover district overhead, reserve fund, and other costs, making a total of $6.60. An adjustment of 25 percent is made in payment capacity as an incentive allowance. Comparison of payment capacity with estimated costs is made in the following tabulation of land classes furnished to the joint boards of Columbia Basin irrigation districts on January 6 and 7, 1959.

And I ask permission to put that brief table—it is very brief—in the record.

By an analysis of this testimony by the Bureau of Reclamation, we wind up with a $6.92 adjusted payment capacity. And if you multiply that by 50 years, which is the proposal you are making in this bill, we would have a repayment capability, I think, of $345.50 per acre.

Is that correct?

Mr. STAMM. You say we end up with a repayment contract?

Senator DWORSHAK. This testimony I read says:

> Making a total of $6.60 as a repayment capability for the irrigator, annually.

Now, if you multiplied that by 50 years, what would you have as the total repayment by the irrigator? You give me the figure. I will not give you one.

Mr. STAMM. Let me say this: The repayment obligation proposed is within the payment capacity of the farmers.

Senator DWORSHAK. I did not ask you that, Mr. Stamm. I said: According to the testimony of the Bureau, you say that $6.60 is the compatible repayment potential per acre of the irrigator. I say if that is true, and you multiply that by 50, what do you get?

Mr. STAMM. Well, you certainly get more than they are going to repay.

Senator DWORSHAK. Well, what would you get?

Mr. STAMM. We will have to multiply it out.

That would be around $330.

Senator DWORSHAK. $330 an acre?

Mr. STAMM. Yes, sir.

Senator DWORSHAK. Now, what is, under this proposal, the figure that you propose that the irrigator repay?

Mr. STAMM. $131.60.

Senator DWORSHAK. And that is a revision of the original $85?

Mr. STAMM. Yes. sir.

Senator DWORSHAK. Now, can you tell us how much of the difference between $85 and $131 is added by virtue of the increased costs of the drainage facilities on the project?

Mr. STAMM. Well, according to current estimates, the drainage costs will run approximately $44 million, instead of the $8 million that was capitalized. The increase would be $37 million. You add that, or roughly $36 an acre. You add that to the $85 an acre, and it brings you up to about $121.

Senator DWORSHAK. $121? Is that right?

Mr. STAMM. When you add the increase in current estimate of drainage costs——

Senator DWORSHAK. Which is $36.

Senator JACKSON. From $8 million to $44 million.

Senator DWORSHAK. That is $36.

Mr. STAMM. Yes, and you add that to the $85 in the current contract.

Senator DWORSHAK. Then you are actually adding about $10 an acre over the original figure of $85, on that basis.

Mr. STAMM. Yes, in addition to drainage increased costs.

Senator DWORSHAK. $10 per acre, although the costs have more than doubled. How much has been repaid by the irrigators in the Quincy District, or other districts, so far, on this repayment contract?

Mr. STAMM. Well, as in all projects, all recent projects, there is a development period. The development period on the Columbia Basin for all blocks is 10 years, and the first blocks to get into the repayment period were not in the Quincy District. The two blocks in the repayment period now are in the South District.

Senator DWORSHAK. How much per acre do you think has been repaid? Do you have a figure?

On page 92 of the hearings of March 15, 1960, you said that the returns to June 30, 1959, against construction costs were $72 million, as follows: From the water users, $77,445. Can you bring that figure up to date?

Mr. STAMM. Well, I do not have the figure with me, but I could obtain it. It is $2.12 an acre times the acreage that is in the payment category. And I can obtain those figures and bring these up to date for you.

Senator DWORSHAK. Well, but recognizing that you have this development period, and I want to be fair in emphasizing that, there was only a payment of about, well, $77,445, which you received on construction costs—that covered how many acres?

Mr. STAMM. When this figure was supplied, there was only one block in the repayment category, and it would have to have been about 35 thousand acres that were paying.

Senator DWORSHAK. And how much per acre would that be?

Mr. STAMM. $2.12.

Senator DWORSHAK. $2.12?

Mr. STAMM. Per acre.

Senator DWORSHAK. That has been repaid up to date?

Mr. STAMM. $2.12 per acre per year is the obligation under the existing contract.

Senator DWORSHAK. I did not say what the obligation was. I said: Actually how much money has been repaid by the irrigators on construction costs?

Mr. STAMM. I will have to bring that figure up to date, because I do not have current totals.

Senator DWORSHAK. Will you put that in the record at this point?

Mr. STAMM. I will be glad to.

(Information referred to follows:)

The total amount of construction charges water users had paid as of June 30, 1962, was $301,945.

Senator DWORSHAK. Now, it is true, according to some of the testimony, that some areas are rocky and not of the best agricultural type for reclamation. Is that right?

I hate to put that in the record, because I have always recognized, as the acting chairman of this subcommittee, who comes from the State of Washington, that the Grand Coulee project rated among the top irrigation projects of the country.

Is that true, largely?

Mr. STAMM. Yes, sir. And, Senator, the lands have been classified in detail. We classify them into four pay classes. We vary the charges by land classes. We have been varying both the operation and maintenance and the construction charges by land classes. We even vary the water delivery per acre by land class, so that water delivery is related to water requirement. We have done a better job here of relating costs and water to the land quality than on almost any other project.

Senator DWORSHAK. All right. When this original estimate of $85 to be repaid by the irrigator was set up, that was 1945, was it? Or 1944?

Mr. STAMM. 1945.

Senator DWORSHAK. And under this bill you are proposing to add about $10 to that, potential repayment capability? You said that a few moments ago. When you eliminate the repayment costs of drainage, it leaves about $10 additional, does it not?

Mr. STAMM. Yes. With that qualification, the answer is yes.

Senator DWORSHAK. All right. But the costs on this project for construction have more than doubled, and may triple in the future, or may quadruple. Who knows, if we have inflation? Is that right?

Mr. STAMM. They have more than doubled, and the future cost depends on what happens inflationwise.

Senator DWORSHAK. Then would it be logical to increase this figure of $85 to about $175, to comport with the current costs of bringing in additional acres?

Mr. STAMM. Well, there certainly would be no incentive on the part of the water users to agree to such a contract.

Senator DWORSHAK. I did not ask you that question. I said: Would it be logical, in view of the fact that the Government has to pay more than twice the original estimated cost, while you increase only about 12 percent of the repayment potential of the irrigators? Is that a compatible figure?

Mr. STAMM. The increase should not be related to cost increases. It should be related to water user ability to pay, as you, I am sure, are well acquainted.

Senator DWORSHAK. I agree with you wholeheartedly on that.

Now I should like to ask you what is the repayment charge for irrigators on other projects than the Columbia Basin. What is the repayment cost of the Greater Wenatchee Division of the Chief Joseph Dam?

Mr. STAMM. Well, I have some of those figures readily available. Let me take a look at some of them.

Senator JACKSON. The cost per acre is $1,262 on Greater Wenatchee—I do not know the amount of the allocation from Chief Joseph.

Senator DWORSHAK. He has it there.

What is the irrigator permitted to repay on the Greater Wentachee Division?

Mr. STAMM. I do not have that particular one, because the production there is not comparable to the Columbia Basin. But I am sure the figure there is about $30 an acre.

Senator DWORSHAK. To be repaid by the irrigator?

Mr. STAMM. No. Annual water charges, including operation and maintenance and construction.

Senator DWORSHAK. No. I mean the total construction.

Mr. STAMM. I am sorry. I do not have the figures here on Greater Wenatchee.

Senator DWORSHAK. Will you provide it?

Mr. STAMM. Yes, sir. I will be glad to.

(Information referred to follows:)

Annual charges for Greater Wenatchee Division

	Per acre
Operation and maintenance	$16.71
Construction	13.34
	30.05
Total cost of irrigation works	$8,455,000
Total to be reimbursed by irrigators	4,470,000
Irrigation investment per acre	1,262

Senator DWORSHAK. What is it on the Talent Division of the Rouge River?

Mr. STAMM. On the Talent Division, the Talent Irrigation District is obligated to pay $5,810,000 out of an irrigation allocation of $14 million, or about $324 an acre. And it will be repaid at the rate of $5.40 per acre per year, which, added to a $10.07 O. & M. cost, makes an annual total water payment of about $15.47 per acre.

Senator DWORSHAK. But the irrigator is obligated to repay, you said, about $350?

Mr. STAMM. About $324.

Senator DWORSHAK. That compares with $85 on this project?

Mr. STAMM. Yes. Under existing contracts.

Senator DWORSHAK. That is right.

Mr. STAMM. $131.60 per acre under the proposed contracts.

Senator DWORSHAK. No. No, you have to eliminate.

Mr. STAMM. No, you do not, for this reason, Senator: We are including drainage in the capitalized obligation of the Talent District.

The $131.60 for the Columbia Basin project includes drainage. We have included drainage in the Talent also.

Senator DWORSHAK. Then the comparison is between $324 and $131?

Mr. STAMM. Yes, sir.

Senator DWORSHAK. Do you have a lot of other repayment figures there on other Federal projects in the West?

Mr. STAMM. Yes. I might point out that the Talent Division includes higher value crops. The average gross crop value there is about $210 an acre. Columbia Basin is about $114 an acre.

Senator DWORSHAK. When was that $114 figure arrived at?

Mr. STAMM. These figures are not right up to date. This was as of February, 1960.

Senator DWORSHAK. All right. Now, do you have some other projects, where you have the payments listed to be made on the total construction by the irrigator?

Mr. STAMM. Well, of course, we have many of them where the irrigators are paying a hundred percent of irrigation costs.

Senator DWORSHAK. I do not mean the percentage. I mean the actual dollar figure.

Mr. STAMM. Actual dollars?

Senator DWORSHAK. Dollar obligation.

Mr. STAMM. The Arnold Irrigation District in Oregon is paying $56 an acre. The Avondale, $279. The Bitter Root, in Montana, $76. The Nampa Meridian-Boise project, in Idaho, $113. The Wilder——

Senator DWORSHAK. When was that set up? Nampa Meridian? What year?

Mr. STAMM. Well, the project is an old project, but it has been added to from time to time.

Senator DWORSHAK. But that figure was set up when? Last year? Or 10 years ago?

Mr. STAMM. No. This tabulation was set up 2 years ago.

Senator DWORSHAK. Two years ago?

Mr. STAMM. Yes, sir.

Senator DWORSHAK. What was it on the Minidoka-North Side?

Mr. STAMM. There has been no change in 2 years.

Senator DWORSHAK. What is it on the Minidoka-North Side extension, where war veterans are exclusively settled on the land?

Mr. STAMM. Minidoka-North Side—$161.54 is the figure I have as of 2 years ago. I think the current figure varies a few dollars from that, but it is very close to it.

Senator DWORSHAK. That is almost twice, then, what is being paid by these irrigators who are not veterans, many of whom are not veterans. In other words, the Grand Coulee project was not exclusively limited to settlement by veterans, was it?

Mr. STAMM. Oh, yes. It was under the same law as the North Side.

Senator DWORSHAK. Then why in one instance——

Is there any drainage involved in this $160 payment at Minidoka?

Mr. STAMM. Yes.

Senator DWORSHAK. How much drainage?

Mr. STAMM. I can supply the breakdown but do not have it now.

Senator DWORSHAK. About $2? A dollar and a half?

Mr. STAMM. It includes whatever project drainage we felt was required.

You said the North Side-Minidoka obligation is nearly double that of the Columbia Basin. It is just the difference between $131.60 and $160. It is not double. It is about 23 percent larger.

Senator DWORSHAK. What is it going to be on Mann Creek, which is currently before the Congress?

Mr. STAMM. Well, I do not have the proposed project figures here, Senator.

Senator HICKEY. Would the gentleman yield?

Senator DWORSHAK. Yes.

Senator HICKEY. Do you have the third division of the Riverton project? Could you give us the figures on that?

Mr. STAMM. We do not have a contract on the third division, so the figure has not yet been established.

Senator HICKEY. How about Eden Valley?

Mr. STAMM. I do not have Eden on this list, either. Eden would be substantially less than the Columbia Basin.

Senator DWORSHAK. You could not give me the Mann Creek figure? I have been advised by the Bureau that it is $200. Is that correct? You do not know?

Mr. STAMM. I would have to confirm that. I would be glad to do it. Yes, it is $200 an acre.

Senator DWORSHAK. Getting back to this $85 estimated repayment cost that was set up in 1945, over a 40-year period, how much annually would the irrigator pay, or repay?

Mr. STAMM. $2.12½ an acre average annually.

Senator DWORSHAK. $2.12. Now you are increasing the total repayment contract to $131.60 per acre, but extending it from 40 to 50 years. How much annually will the irrigator repay, if this bill is approved?

Mr. STAMM. Annual average of about $2.60.

Senator DWORSHAK. $2.60. So, then, what you are actually doing is increasing from $2.12 to $2.60 the annual repayment amount, or contract, and at the same time you are making a large increase to take care of the expanded drainage costs.

Mr. STAMM. We are capitalizing the drainage costs, where they were not covered in a previous contract.

Senator DWORSHAK. Now, there was just one more thing, Mr. Chairman, that bothered me.

When we started this hearing today, I asked you to give me the amount that would be paid annually, totally and annually, by the PBA from power revenues, and you said you did not have the document. Do you have it now?

Mr. WEINBERG. Yes, I have it now, Senator.

Referring to page vii of House Document 172, 79th Congress, 1st session, under the estimates there used for the 1,029,000-acre project, power revenues would have paid $244 million of the cost of irrigation works.

Senator DWORSHAK. Of the $281?

Mr. WEINBERG. $244.

Senator DWORSHAK. Of what cost? 342?

Mr. WEINBERG. Of the $341,949,000. Yes, sir. The $342 million and again using the shorthand of a million acres—because my mathematics is not good enough to make the division using 1,029,000 acres—it is approximately $244 an acre to be paid from power revenues.

Senator DWORSHAK. On your original estimates, $244, how much per year would be paid per acre?

Mr. WEINBERG. Well, on a straight-line basis, the payout period there was I think 40 years. It would be $240 divided by 40.

Senator DWORSHAK. Well, now, the Bureau has said that the costs would be 50. But instead of $342, what is the total amount now that would be repayable, instead of $342?

Mr. STAMM. About $750 an acre for irrigation facilities would be repaid by water users and power revenues.

Senator DWORSHAK. $750. That is on the same basis as the $342?

Mr. STAMM. Yes, Sir.

Senator DWORSHAK. What, then, will be repaid from power revenues per acre per year? Or the total; and then per year?

Mr. STAMM. Well, that would be—the difference there is about $620 an acre. Divided by 50 years, it would be about $4.75 an acre per year.

Senator DWORSHAK. How much? How much total, and how much per acre?

Mr. STAMM. Our rate and repayment study shows power revenues of $12,800,000 per year will repay the obligation against power.

Senator DWORSHAK. But you said on the basis of a cost of $342, power would pay $244 per acre. Now, on the increased cost from $342 to $750, what would be the increase from $244 to the anticipated repayment figure?

Do you not have a figure based on the increased cost? Will it be more than double?

Mr. STAMM. Well, it would be about $620 an acre for 1,029,000 acres.

Senator DWORSHAK. About $620. Now, on that basis, you have increased the obligation from power revenues from $244 to $620. Does that involve an extension of a number of years? What I am trying to develop is that it is easy to say that repayments beyond the capabilities of the irrigator to repay will be paid out of power revenues, but what bothers me is whether it will be paid in 40 years, 50, or a hundred years, or how many years? Can you tell us?

Mr. WEINBERG. I would like to correct the statement I made.

The $244 would have been paid in 50 years, not 40.

Senator DWORSHAK. All right.

Mr. STAMM. In answer to your question: As I indicated earlier, all of our program documents and budget documents have included the larger figure, and the allocations of power revenues that are currently being made to the Columbia Basin project are on the basis of these larger figures. Therefore, the passage of this legislation will not necessitate any modification or change of the rate and repayment study or the annual allocations that are currently being made.

Senator DWORSHAK. Where do you get these power revenues? From what dam? Grand Coulee?

Mr. STAMM. The system is all tied together in the Pacific Northwest.

Senator DWORSHAK. And the payment is made through Bonneville Power Administration?

Mr. STAMM. Yes.

Senator DWORSHAK. I am worried, because while it may be feasible to repay $244 an acre, when you increase that to $620, I want to know

upon what basis you contend that there will be available adequate power revenues to carry this load.

Mr. WEINBERG. Basically, this represents a mill a kilowatt-hour for the production of the commercial power produced at Grand Coulee Dam, Senator.

Senator DWORSHAK. It does not include the other dams?

Mr. WEINBERG. If you take the commercial power that is produced at Grand Coulee Dam, and divide it by the $12,800,000 a year which is paid from power revenues, you get a figure which represents approximately a mill a kilowatt-hour.

Senator DWORSHAK. So it does not increase the per-acre or annual obligation to repay from power revenues, even though you increase the costs from $342 to $750 per acre?

Mr. WEINBERG. Not if these current estimates hold.

Senator DWORSHAK. I see. You just increase the cost of bringing in 600,000 acres more than double the original estimate, but it is not going to take any longer to repay the amount beyond the original irrigator's capability to repay from power revenues?

Mr. STAMM. For this reason: The bookkeeping and the allocation of costs and revenues now already assume these higher costs, and have assumed them every year as they have developed.

Senator JACKSON. Have you been doing that since the project got underway, in 1946 or 1947?

Mr. STAMM. Yes. Every year when there is an increase in cost estimate, the books have been adjusted to include it.

Senator JACKSON. When will the power features on Grand Coulee be paid out? My recollection is 34 years.

Mr. WEINBERG. That is correct. The current average rate and repayment study shows that the interest bearing power investment is paid out, oh—this shows a balance to be repaid in year 31, of $2,250,000, which would be wiped out.

Senator JACKSON. No; just the power features. In what year would the commercial power features be repaid with interest?

Mr. WEINBERG. In the 31st year of the study, there shows a remaining balance of $2,252,000 to be paid out.

Mr. STAMM. 1978 is the year.

Senator JACKSON. 1944 was the year when you started.

Mr. STAMM. That is when repayment of commercial power features started. In 1978 it is paid out.

Senator JACKSON. 34 years from 1944; is that correct?

Mr. STAMM. That is correct.

Senator JACKSON. So the power portion of the project—that is Grand Coulee Dam; all elements that have been assigned to power will have been paid back with interest by that time?

Mr. STAMM. Yes, sir.

Senator DWORSHAK. I think when you made your original statement, you said the BPA would make an annual payment of $12,800,000, did you not?

Mr. WEINBERG. Correct. Yes, sir.

Senator DWORSHAK. What do you envision will be the annual payment in the years ahead? Will it be larger than $12,800,000 a year?

Mr. WEINBERG. No, sir.

Senator DWORSHAK. It will continue that way?

Mr. WEINBERG. Yes, sir.

Senator DWORSHAK. And it will only take the 50 years to pay it out?

Mr. WEINBERG. Correct.

Senator DWORSHAK. But you have more than doubled the cost of bringing in the land?

Mr. WEINBERG. Yes, sir.

Senator JACKSON. That is 50 years plus the 10 year development period.

Senator DWORSHAK. That is right. But the Government will be paying, instead of $342 to reclaim an acre in the past, a total in the future, on the basis that you have indicated, $750.

Mr. WEINBERG. That is right.

Senator DWORSHAK. But it will not take the Bonneville Power Administration any more years to continue to pay the same annual amount of $12,800,000, based on $342 an acre; but your costs are more than double?

Mr. STAMM. What we are saying here, Senator, is that the $12,800,000 will pay out the obligation under the higher figure. And that is the way the books are handled now, and the allocation is made.

Senator DWORSHAK. What has Bonneville Power been paying in the past 10 years?

Mr. STAMM. It has been increasing as time went on, as these cost estimates went up.

Senator DWORSHAK. What did it pay 10 years ago?

Mr. STAMM. In 1945, they allocated only $5 million. In 1946, they allocated $6 million. It continued at $6 million for several years, and then went to $10 million a year.

Senator DWORSHAK. And now it is $12 million?

Mr. STAMM. Now it is $12,800,000.

Senator DWORSHAK. And notwithstanding the increased costs, which have more than doubled, you think BPA can repay this from revenue, power revenues, at the rate of $12,800,000 per year, and within a 50-year period?

Mr. WEINBERG. Yes, sir.

Senator JACKSON. And after 1978, all of the power features will have been paid out, so all of the revenue is available.

Mr. STAMM. All of the allocated portion of the revenues will go then to the irrigation features.

Senator DWORSHAK. I understand that power revenues are used on Grand Coulee and other dams to repay the cost of building the generating facilities. That is not the entire commitment or responsibility, to repay the difference between what the irrigators pay and what it cost per acre. There are a lot of costs involved in building these dams. $100 million, $150 million, $175 million. What are those costs repaid from? Flood control?

Mr. WEINBERG. Those will have been repaid by 1978, with interest at 3 percent.

Senator DWORSHAK. Just one more question.

In 1943, the returned payment by water users was 25.6 percent. Can you verify that?

Mr. STAMM. Yes.

Senator DWORSHAK. But the 1959 estimate was 16.5 percent. Is that correct?

Mr. STAMM. I think that is approximately right.

Senator DWORSHAK. What is the present 1962 percentage?

Mr. STAMM. It is pretty close to that figure. I do not know precisely. I would have to figure it out. But it is approximately 17 percent.

Senator DWORSHAK. So that even under the terms of this new proposal, which would be authorized by this bill, the water user would not increase his capability. It would be 16.5 percent in 1959, and you say it will be approximately the same, or 17 percent, in future years?

Mr. STAMM. I would have to divide it out, to be sure, and we will do it in a few minutes, but the water users would be paying $131.60 times 1,029,000 acres, divided by $785 million.

Senator DWORSHAK. All right. I will continue and ask something else.

Mr. STAMM. It would be 17.7 percent of the costs allocated to irrigation.

Senator DWORSHAK. So while you were telling us that a new contract has been tentatively negotiated by the water users, their individual obligations to pay have increased, their own obligations have increased, only from $85 to $95 per acre, and the additional amounts which will be required will come out of power revenues?

Mr. STAMM. Yes, sir.

Senator DWORSHAK. And it will cost the Government, on the current basis, $750 per acre to bring in each acre?

Mr. STAMM. That is the total cost of irrigation facilities, yes.

Senator DWORSHAK. Does that include drainage?

Mr. STAMM. Yes, sir.

Senator DWORSHEK. And then if you deduct $131 from $750 what do you have?

Mr. STAMM. About $620.

Senator DWORSHAK. And so while constantly, because of increased costs of bringing in these acres, the Federal Government's share of repayment is greatly increased, the water user's share remains almost constant? You said it was 16.5 in 1959. It will be about the same as 17.7 percent 3 years later?

Mr. STAMM. Yes. What you are saying is approximately right. Are you suggesting that there would be opportunity to do something significantly different from this?

Senator DWORSHAK. Well, no. No, I am just questioning upon what basis you rationalize that if the costs of bringing in acres on this project in 1945 involved a repayment capability of $85 per acre, currently it is about $95, and you say 25 or 30 years from now, you testified a little while ago, when Chairman Anderson asked you the figure, that you are bringing in about 20,000 acres a year, you think?

Mr. STAMM. Yes sir.

Senator DWORSHAK. And you have 600,000 acres authorized? How many years would that cover in the future?

Mr. STAMM. Well, as Senator Jackson has brought out, we are not talking authorization.

Senator DWORSHAK. 20,000 a year?

Mr. STAMM. Yes, 20,000 acres a year for 25 years would be 500,000 acres.

Senator DWORSHAK. For how many years?

Mr. STAMM. For 25 years.

Senator DWORSHAK. But you want 600,000 in this?

Mr. STAMM. No, sir, we were not saying that precisely. We are saying that under existing contract ceilings we can develop facilities to serve 481,000, and if you add 500,000 to that, that is 981,000, and we are talking about a million-acre project.

Senator DWORSHAK. So you are projecting this on a 25-year basis?

Mr. STAMM. Yes, sir.

Senator DWORSHAK. And you want us to authorize an amendatory repayment contract, which visualizes developments for 25 years; and under an inflationary trend the cost may be two or three times what it is today, but notwithstanding that possibility, the water user 25 years from now will be repaying individually only $95 per acre. Is that true?

Mr. STAMM. $131.60 an acre.

Senator DWORSHAK. Well, yes; but when you take into consideration the increased cost of the drainage facilities, which you did not have in the $85 figure, you said a little while ago the $85 figure becomes $95, does it not?

Mr. STAMM. Yes, when you remove the increased drainage facilities, but the current basis of contracting is to include drainage. So under the present policy basis, this is $131.60.

Senator DWORSHAK. What was the figure for drainage 10 or 12 years ago? About $6 million?

Mr. STAMM. In 1945, it was estimated at $8,176,000.

Senator DWORSHAK. Now it is $48 million?

Mr. STAMM. $44 million.

Senator DWORSHAK. It might increase greatly in the future, as you bring in more land?

Mr. STAMM. We cannot control inflation.

Senator DWORSHAK. Well, now, wait a minute. Drainage is not controlled by inflation, is it?

Mr. STAMM. No. I mean if inflation causes drainage costs to go up, we would have no control over that.

Senator DWORSHAK. If you had $48 million worth of drainage on these acres, how much drainage would you require to cover 500,000 or 600,000? No more than presently?

Senator JACKSON. May I clarify one thing?

The drainage estimate made in 1945 was precisely that. It was an estimate as to the amount of construction that would be needed to provide drainage on the project. Later—you correct me, Mr. Stamm—they ran into more problems involving drainage than had been anticipated. But they have projected it forward on the $44 million figure, based on the experience that they had to date.

Senator DWORSHAK. If we bring in 500,000 more acres, you will not go beyond the figure of the $44 million for drainage?

Mr. STAMM. The $44 million figure is based on supplying the necessary drainage work for a million-acre project.

Senator DWORSHAK. And it has increased in the past years from $8 million to $44 million?

Mr. STAMM. Yes, sir.

Senator JACKSON. Not on acreage brought in?

Mr. STAMM. Not on acreage brought in. Estimates we are talking about are for the million-acre project.

Senator JACKSON. You have gone just slightly over the $8 million figure, based on the current acreage that you have completed. Is that correct?

Mr. STAMM. Yes, sir. To date we have exceeded slightly the $8 million ceiling.

Senator JACKSON. So on 400,000 acres a little over $8 million has been expended.

And the increase you are talking about relates to increased construction and increased drainage.

Senator DWORSHAK. Well, but as you bring in 500,000 acres more land, you may encounter some difficult drainage problems. If you do, will the entire cost still be $44 million?

Mr. STAMM. We are anticipating some difficult problems, but the $44 million is intended to cover all of the project drainage required for a million-acre project.

Senator DWORSHAK. How much have you spent up to date?

Mr. STAMM. About $8 million.

Senator MILLER. Why is it that it only takes $8 million for 441,000 acres, and $36 million more for the balance?

Mr. STAMM. Because drainage works are not built simultaneously with irrigation works. It is more economical to partially delay the drainage system until experience reveals where the drainage problems are going to occur, then remedy them rapidly, rather than try to anticipate them and build all the drainage facilities in advance. So we build the major backbone drains initially, and then we extend laterals and refine and extend the system as experience dictates it should be done.

Senator MILLER. May I say I can understand why you would do that and come up with $8 million for the first 481,000, but I cannot see how you can take another $36 million to bring in the balance. What are the other factors that enter into that quadrupling of cost?

Mr. STAMM. We have not yet built all of the drainage facilities required for the 481,000 acres. We have expended $8 million to date on drainage facilities within the 481,000-acre project, but we have not completed the drainage facilities.

Senator MILLER. But are the 481,000 acres adequately taken care of in the drainage now?

Mr. STAMM. No, sir.

Senator MILLER. In other words, this extra $36 million is going to be attributable not only to additional acres, but to the existing acres?

Mr. STAMM. That is exactly right.

Senator MILLER. That is the point I wanted to bring out.

Mr. WEINBERG. I might add, if I may, that the original contract contained a very important provision to protect the United States against the drainage costs going out of sight, and that was that the contract clearly provided that if drainage costs exceeded $8 an acre, the addition would be charged as operation and maintenance costs.

Senator ALLOTT. Would you repeat that again?

Mr. WEINBERG. The original contracts provide that in the event the drainage costs exceed $8 per acre average, the additional cost of drainage will be charged as operation and maintenance.

Senator DWORSHAK. But you are not doing that under this contract?

Mr. STAMM. We are doing it.

Mr. WEINBERG. We are doing it under the existing contract. This is one of the reasons for the amendatory contract.

Senator DWORSHAK. But you said when you increased the repayment from $85 to $131, a lot of that embraces the costs of drainage facilities.

Mr. WEINBERG. Under the amendatory contract, that is correct.

Senator DWORSHAK. It would not be in annual operation and maintenance payments; it would be included in the annual construction?

Mr. WEINBERG. That is correct.

Mr. STAMM. Let me attempt to explain it.

Under the existing contracts, we have a limit on drainage expenditures of $8 million. That is all we can expend as a capitalized cost for construction of drainage works. The contract provides that any drainage facilities required that would run costs beyond the $8 million will be charged to the water users annually as operation and maintenance, as built.

Under that arrangement, we have reached the contract ceiling and are now billing the districts annually for drainage construction. It adds about $2.50 an acre annually to the water users' payments. It puts the added burden on the water user when he is least able to pay. Most of the lands are still in the development period, and only a few blocks are in the construction period. That is one of the principal reasons for the amendatory contract—to capitalize the drainage costs as we are now doing on other projects, and to merge that cost with the irrigation distribution system, to be paid over the long-term repayment period.

Senator DWORSHAK. Are drainage facilities on all other Federal reclamation projects repayable through the construction charge, or on operation and maintenance basis?

Mr. STAMM. This is the only case I know of where we build original project drainage works and bill the cost as operation and maintenance. On other projects such costs are capitalized.

Senator DWORSHAK. Mr. Chairman, one final question, now.

If the costs of $750 per acre to bring in an irrigated acre now, double or triple in the future, before this project is completed, if this amendatory contract is adopted, is it true that the irrigators will never be required to repay more than $131 per acre?

Mr. WEINBERG. The answer would be yes, if we carried through the construction. However, I would like to point out that the amendatory contracts contain a provision authorizing the Secretary of the Interior to terminate the construction if at any time he concludes that under generally applicable economic and financial feasibility standards the works cannot be completed within feasible pay-out limits.

Senator DWORSHAK. This charge of $131.60 is based upon current costs that you have computed. Is that right?

Mr. WEINBERG. Correct.

Senator DWORSHAK. Why, if you are putting this in the category with other Federal projects, and if I know anything about them, is the repayment commitment based on the current cost of bringing in acres annually rather than projecting for 10, 20, 30, or 40 years,

without knowing what the cost per acre will be in the future? Is that a provision that is followed on all other projects, or is it unique in this case?

Mr. STAMM. No; this is the policy followed on other projects. The districts under their State laws have to vote on a specific repayment obligation, and in all contracts of this type, the contracts carry a specific repayment obligation. Unless the contract is amended, the specified limit is all the water users have to pay.

Also, in many contracts we have some provision whereby we can stop construction if we find it is no longer feasible to continue, and we have such a provision here.

Senator DWORSHAK. But from a political standpoint, that is never done. It has not been done in the last 10 years, here.

Mr. STAMM. It was done here, yes

Mr. WEINBERG. It has been done here.

Senator DWORSHAK. Only because you ran into the $280 million roadblock.

Mr. STAMM. But that was not a legislative ceiling. It was administratively decided that we would stop at those ceilings.

Senator DWORSHAK. Well, you could not do anything else until you got an authorization beyond that figure.

Senator JACKSON. No. The $280 million figure is a contractual figure.

Senator DWORSHAK. Yes.

Senator JACKSON. And if the Department of Interior wanted to raise that figure by contract alone they could do it.

I think the point is, that year after year the Department assured the Appropriations Committee that it was going to stick to this figure, and when it gets beyond that, it will come in for amendatory contracts.

Am I correct in this?

Mr. STAMM. That is correct.

Senator DWORSHAK. I yield to the Senator from Iowa.

Senator MILLER. I had just three or four questions, but before getting to those, I would like to follow on to Senator Dworshak's last question.

Perhaps what Senator Dworshak is getting at—I would like to get the response, or your thinking on this—is that in addition to the provision you read in the amendatory contract, perhaps we should have an escalation clause to protect the Government's interests against inflationary cost increases.

Now, has this been done, or is there any reason why this could not be done in the amendatory contract?

Mr. STAMM. If we had a dollar ceiling in the new contract, then an escalation clause would be very appropriate. Without the dollar ceiling, it is not necessary, because it is up to the Secretary each year to determine whether continuation of the project continues to be economically and financially feasible under the policies laid down by the Congress and those that apply to our operations.

Senator MILLER. But if you have the escalation clause in the contract, it would make it easier for the Secretary to make that determination, would it not?

Mr. STAMM. The determinations he has to make are these: Can the reimbursable costs still be met under the requirements of law? Do the benefits still exceed the costs?

If the costs would ever get to the point that they can no longer be met from power revenues, and we could not show repayment within the requirements of law, we would have to stop construction. Those are the kinds of things——

Senator MILLER. But that puts the Secretary in a rather difficult position, to make such a determination, whereas, if you had an escalation clause in there, it might preclude the necessity for him making such a deterination, might it not?

Mr. STAMM. I still think we would be required, in any case where we have a combination of water user and power revenues, to make rate and repayment and other studies each year to determine whether we are still in compliance with the law under the situation as it then prevails. We do that for many projects.

Senator MILLER. I am sure you do. What I am merely suggesting is that an added factor might be cranked in in the form of an escalation clause in these contracts, which would make it easier for you people to operate.

Mr. STAMM. I think we could say that an escalation clause certainly would not do us any harm. That could be another reason, if the cost had gone up, which would justify the increased cost estimates and would be another factor to look at in determining whether to continue the project.

Senator MILLER. All right. Thank you.

Now, I want to ask three or four questions of a different nature. I am sorry that I was absent for a short while, and if you covered this, please tell me.

But laying the groundwork for this question: As I understand, you have 481,000 acres that you can, under the present——

Mr. STAMM. Within the contract ceilings.

Senator MILLER. Under the contract ceilings, you can increase the acres, too. What is the present acreage now?

Mr. STAMM. We have facilities completed to serve about 450,000 acres.

Senator MILLER. And you have the facilities. And then how many acres are there now?

Mr. STAMM. About 400,000 acres are irrigated at present.

Senator MILLER. About 400,000. Can you tell me, or do you have the figures there of the breakdown of those acres by type of crops produced?

Senator JACKSON. That is all in the record.

Senator MILLER. That is in the record. Well, that came out.

Senator JACKSON. Go ahead and read it back.

Senator MILLER. I do not want to clutter up the record. Could we suspend the reporter's work so that he could just bring me up to date on that?

(Discussion off the record.)

Mr. STAMM. 36,000 acres of vegetable crops.

Senator JACKSON. 36,000 acres of vegetable crops, all right.

Mr. STAMM. And about 32,000 acres of seed crops.

Senator MILLER. What kind of crops?

Mr. STAMM. The principal one there is pea seed. The next most important is alfalfa seed and then clover seed. About a thousand acres of fruits.

Senator MILLER. May I suggest—do not bother going into the smaller ones. Just the top five or six or seven major ones.

Mr. STAMM. Cereal crops, about 79,000 acres. Forage crops, about 109,000 acres.

Senator MILLER. How much?

Mr. STAMM. 109,000.

Senator MILLER. What do you mean by forage crops?

Mr. STAMM. Hay, pasture, silage, things like that. Those are the principal subdivisions.

Senator JACKSON. Sugarbeets?

Mr. STAMM. Sugarbeets comes in a miscellaneous category. There are over 27,000 acres of sugarbeets.

Senator MILLER. What about wheat and corn and barley?

Mr. STAMM. Those are in the cereal crop figure. I gave you 79,000 acres of cereal crops. Within that, wheat is the largest one, nearly 45,000 acres.

Senator MILLER. I see.

Senator JACKSON. May I make another suggestion?

Would you supply, for the record if you do not have it, the number of acres of wheat, especially on the east side of the project, that was taken out of the project?

Mr. STAMM. A very large part of the best wheat area of the project, the dryland wheat area, was withdrawn from the project in the early days of development. Those lands may eventually come back in.

Senator MILLER. How many acres would that be?

Mr. STAMM. Well, I think in the realm of at least 200,000, maybe 300,000.

Senator MILLER. When you go from the 400,000, which is what you have been breaking down now, up to 450,000, up to 481,000 and then at the rate of 20,000 a year, roughly, in the future, do you have any scheduling of the types of crops that would be brought into production by that?

Mr. STAMM. Well, normally, 30 to 40 percent of the area goes into forage crops initially. The amount that goes into sugarbeets, for example, depends upon what our national sugarbeet quotas are. We would have had a much larger acreage in sugarbeets had the acreage allotment been available. The general agricultural situation and control programs will also have an influence. But I think we can say that the type of production here would be comparable to the usual diversified irrigated farming area.

Senator MILLER. In other words, crop distribution would be about the same as it is on the present 400,000 acres.

Mr. STAMM. Yes, and I think as time goes on it is going to shift to a greater extent to cash crops, row crops, as opportunity becomes available, because the area is well suited to a diversity of crop production.

Senator MILLER. Well now, in the scheduling of or in your plans to raise this, to what extent is your schedule based on coordination with the Department of Agriculture?

Mr. STAMM. We do not have any formal schedule. We have always worked very closely with the Department of Agriculture. The State university continually makes studies of the project and what is devel-

oping, and they were keping records of the rates of development and the degree of success that is being attained.

The college is cooperating with us in helping to stimulate processing industries and marketing arrangements. They have provided help to the farmers in leveling their ground, laying out the farm irrigation systems, and so on. We have had very close cooperation on many related factors.

For a good many years we have had a tremendous demand for farm units. There have been as many as 150 to 200 applications per farm. As the demand diminishes, I am sure that we would, and we do, consider this in scheduling project development to coincide with demand and what can be logically absorbed.

Senator MILLER. Then you have testified that with respect to sugarbeet acreage that would be brought in, this is something that you would have limited by law based upon the Department of Agriculture's administration. So you would naturally not only coordinate, but in effect be told by USDA what you could do on sugarbeets.

Mr. STAMM. Such controls apply to individuals, not the Bureau.

Senator MILLER. Now, to what extent do you follow a similar procedure with respect to crops that are in surplus? For example, the feed grains problem, which USDA now has, to what extent do you take guidance on them with respect to bringing in additional acres in your schedule?

Mr. STAMM. Well, if there is any crop that requires an allotment under the agricultural program, and if an acreage allotment is not available, obviously nobody can produce that crop under the Agriculture Department's support program.

Senator MILLER. That is correct. But when you do not have an allotment, which we do not have in the case of feed grains?

Mr. STAMM. Where there is no allotment there is no attempt to dictate to the individual farmer what he can produce on his farm.

Senator MILLER. But have you, in your scheduling, or would you, in your scheduling, of bringing these new acres into production, take your guidance from the USDA in trying to see that their policies of reducing surpluses are not frustrated by your bringing in acres which would go the other way?

Mr. STAMM. We have worked closely with Agriculture and are interested in the surplus problem. The Secretary of Agriculture, Secretary Freeman, has made public statements in recent months which have indicated the relationship of the irrigation program to the total agricultural program. He specifically has endorsed the irrigation and reclamation program in the West in a general way and has also done it specifically in the case of certain projects.

He has made the statement that irrigation development generally does not contribute to the surplus problems that have been plaguing the nation.

Senator MILLER. Has he made such a statement with respect to this specific project?

Mr. STAMM. Not to this specific project, no, sir.

Senator MILLER. Thank you very much.

Let me ask you just one more question. Would you be disposed to take your guidance from the Department of Agriculture regarding the crops that could be grown on these new acres as they are brought in in the future.

Mr. STAMM. We have no authority, in the Department of Interior or in Reclamation, to specify what a man may grow in a reclamation project.

Any control of that type I think would more properly be handled under the authorities and obligations of the Department of Agriculture.

Senator MILLER. Well, you are the ones who are negotiating these projects; are you not?

Mr. STAMM. Yes.

Senator MILLER. Could you not, by contract, specify—let us say we go from 400,000 to 450,000. And I am someone who wants to get a block of this land for irrigation purposes. Could you not, in that contract, specify, based upon guidance received from the USDA, that I shall in no event grow any crops that are presently in surplus? Could you not do that?

Mr. WEINBERG. Well, this would require some very complex contractual requirements. You see, we do not contract with the individual farmer under the reclamation law. We contract with the individual farmer under the reclamation law. We contract with the district.

Senator MILLER. Yes.

Mr. WEINBERG. This would have to take the form, then, of our requiring the district to agree in turn not to deliver water for the production of certain crops.

Senator MILLER. Could you not do so?

Mr. WEINBERG. This might be done as a matter of contract. This has not been done, except to the extent that the Congress, in authorizing certain new projects, has imposed a limitation upon the delivery of water for 10 years.

Senator MILLER. Well, suppose the Secretary of Agriculture came to you and said, "I have a serious problem on surplus of forage crops. Additional production of forage crops would aggravate the feed grain surplus that I am now trying to take care of. Therefore, while I cannot tell you to do so, my guidance to you, for what it is worth, would be to negotiate contracts with the district for future acres to provide that until such time as I make a determination that we are not in a surplus situation, these new acres will not produce crops that will aggravate my problem."

Now, could you not take the guidance from the Department of Agriculture, and carry through with that policy in your contracts?

Mr. WEINBERG. If we were requested to do that, if the Congress so instructed, I think a better way to accomplish your objective would be to control future development. In other words, if it were decided either legislatively or policywise between Interior and Agriculture, that because of this surplus that you mentioned in forage crops, we would then be able to postpone the development of these next blocks of land. We could do that entirely between our agencies, because we are not committed to a development program with the water user.

Senator MILLER. You would not need legislation from Congress on that?

Mr. WEINBERG. No, we would not need legislation from Congress to do that.

Senator MILLER. But suppose it might be entirely feasible to bring in more acres for vegetables, possibly for sugarbeets, you would not

need legislation from Congress to take guidance from the USDA on that, would you?

Mr. WEINBERG. That would bring a third party into it. If we were to say then, "We will provide water for this block of land provided the owners of it produce only certain crops," then we would have to bring the third party into it, the irrigation district and the owners, to agree also that water is made available contingent upon these things.

Senator MILLER. Would that not be feasible? I am trying to be practical about this, because I know that Mr. Freeman is deeply concerned with the surplus situation and trying to do something about it. And we have got to have the right hand and the left hand working together on this.

And if the right hand and the USDA is saying, "We have got to cut down surpluses," and the left hand cannot help further that policy in its contracts with the districts, it would seem to me that you people ought to say, "We will take our guidance from the U.S. Department of Agriculture in this respect." That is what I am trying to elicit from you.

Senator JACKSON. If you will answer that question, we will then recess until 2 o'clock.

Mr. STAMM. I think this is a matter of high policy that should be resolved by the Congress itself, and certainly we will be governed by anything that the Congress lays down for us to do.

Mr. MILLER. I am sure you will be guided by Congress, but I find it difficult to understand why it is necessary for Congress, which has already expressed its concern in the beginning clauses of the current emergency feed grains legislation, about surpluses—why in the face of that, the United States Department of Agriculture and the Interior Department cannot get together with the USDA, giving guidance on this matter, to you, in the development of your contracts. And if you do not think you can, or you do not think you will, I want to have that answer.

Mr. STAMM. We certainly can, between the agencies. If we make it a matter of contract involving the operation of the individual water user, it brings in a lot of complication as Mr. Weinberg has said. We have not gotten into this kind of detail in these circumstances, where we, through our contract, control the farming operations of individual farmers. Those controls have been handled through the responsibilities, authority and administration of the Department of Agriculture. And I think it would be better for the Department of Agriculture to continue those controls, rather than to get us into their business of controlling production.

Senator MILLER. But you can still negotiate these contracts under your present authority along the lines I have mentioned, could you not?

Mr. STAMM. I think, getting into the legal phases, from a legal posture, it is not impossible. We can put anything in the contract that the water users agree to and that the Congress will approve, because this contract is before the Congress. Even if it is outside of existing law, we can put anything in the contract that the parties agree to and the Congress would approve. But we would be plowing new ground in this respect.

Senator MILLER. I appreciate that. But I am just trying to find out whether you have the authority. Assuming Mr. Udall said, "I

want you to negotiate these contracts this way," would you have to have further legislation from Congress to do so?

Senator JACKSON. I do not want to be unfair, but all the others have left. They should have the benefit of this, if you do not mind.

Senator MILLER. All right.

Mr. Chairman, could I ask this. I understood the other day from Senator Anderson that we would have some Agriculture people up here. Was it your anticipation to have them up this afternoon?

Mr. VERKLER. We have requested their comments on this bill, Senator, and they have not come in yet. They told us they would give us information. But this amendatory contract is not something that we would normally refer to them, anyway. But we will be glad to have their comments.

Senator MILLER. I would like to ask some questions regarding their comments. Are they prepared to come up with their comments, this afternoon?

Senator JACKSON. I know there was some discussion about it. I did not know there were to be any witnesses.

Senator MILLER. We asked Senator Anderson to say that we would have some people up from the Department of Agriculture.

Senator JACKSON. All right. Let us be back at 2 o'clock, and let us get them up here, whoever they are.

(Whereupon, at 12:45 p.m., a recess was taken until 2 p.m.)

AFTER RECESS

(The committee reconvened at 2 p.m., Senator Henry M. Jackson, presiding.)

Senator JACKSON. The committee will come to order.

At the close of the morning session, Senator Miller had requested—which had been discussed in the previous meeting of the committee in executive session—the representatives of the Department of Agriculture be present to discuss the problem of farm surpluses and other related agricultural matters in connection with this project.

Will you gentlemen that are here from the Department of Agriculture identify yourselves, please? State your name and identify yourself.

STATEMENTS OF CARL P. HEISIG, DEPUTY ADMINISTRATOR, ECONOMIC RESEARCH SERVICE, AND WILLIAM GREEN, RIVER BASIN DEVELOPMENT INVESTIGATIONS, ECONOMIC RESEARCH SERVICE, DEPARTMENT OF AGRICULTURE; AND G. G. STAMM, CHIEF, DIVISION OF IRRIGATION AND LAND USE OF THE BUREAU OF RECLAMATION; EDWARD WEINBERG, ASSOCIATE SOLICITOR FOR WATER AND POWER; AND EDWIN C. DAVIS, ATTORNEY, BRANCH OF RECLAMATION, OFFICE OF SOLICITOR, DEPARTMENT OF THE INTERIOR

Mr. HEISIG. I am Carl P. Heisig, Deputy Administrator of the Economic Research Service, USDA.

Senator MILLER. The last name, please?

Mr. HEISIG. Heisig, H-e-i-s-i-g.

Mr. GREEN. I am William Green, also of the Economic Research Service, in charge of River Basin Development Investigations.

Mr. WEINBERG. Mr. Chairman, might we complete our answer to Senator Miller's question that was pending at the noon recess.

Senator MILLER. I would appreciate it and I would appreciate it if we could have the question read.

Mr. WEINBERG. The question was to the extent to which the Secretary might by contract be able to limit the delivery of water for particular crops in surplus.

Senator MILLER. May I rephrase that, since we are starting over?

Senator JACKSON. Surely.

Senator MILLER. I am happy the Department of Agriculture people are here because I wanted to ask them a few questions in the setting of this questioning that I had been conducting with the Interior people. My question was would it not be feasible for the Secretary of Agriculture to establish guidance for the Secretary of the Interior to follow in negotiating these contracts with the view to having the contracts with the irrigation districts provide that no crops in surplus as determined by the Secretary of Agriculture should be grown thereon during the time that such a determination was present?

Would that not be feasible?

Mr. WEINBERG. I wanted to observe, Senator Miller, that irrigation districts are creatures of State law and have limited powers under State law and, absent a specific provision of Federal law requiring the Secretary of the Interior to so contract, there might be a very serious question of the extent to which an irrigation district under State law could impose such a limitation on the delivery of water to landowners in the district who are assessable for all district charges and who ordinarily under State law have a right to an allocable share of the district's water supply. I wanted to raise that caveat in connection with the answer to the question of what the Secretary of the Interior might be able to do by contract with the irrigation districts.

Senator MILLER. May I say on that point, of course, my question has nothing to do with the law. I am talking about an arrangement between the two departments, no congressional law, but even there you already have that problem. I believe Mr. Stamm pointed out the situation which would give rise to the same problem on sugarbeet quotas.

You have to make an arrangement with your district now so that no additional sugarbeet acreage would be brought in, as I understand it.

Mr. WEINBERG. No, Senator, we make no such arrangement with the districts. The sugarbeet allotment is handled under the Sugar Act and this is a matter that is between the Department of Agriculture and the farmers. This is not a matter which is carried out through the contracts of the Interior Department with the irrigation districts.

Senator MILLER. Are you saying that if a farmer persisted, regardless of the sugarbeet acreage allotment, in growing sugarbeets you would continue to deliver water to him?

Mr. WEINBERG. Well, any limitations upon such farmer would be under the provisions of the sugar legislation. It would not be under the provisions of the reclamation law and under our contract.

Senator JACKSON. Do you have any provision in the contract where the farmer receiving water is in violation of any other agreement with the Federal Government relating to the project?

Mr. WEINBERG. No, sir.

Senator JACKSON. You can terminate the delivery of water?

Mr. WEINBERG. No, sir.

Senator JACKSON. That is the answer.

Senator MILLER. Would that not be feasible?

Mr. WEINBERG. Well, as I indicated earlier, we deal with the irrigation districts.

Senator MILLER. I mean in the contracts with the irrigation districts.

Mr. WEINBERG. Again you get into the area of what the irrigation district may be authorized to agree to under State law, absence a specific provisions of Federal law.

Senator MILLER. Do you know what the situation is on this particular project in that respect?

Mr. WEINBERG. Under the law of Washington?

Senator MILLER. Yes.

Mr. WEINBERG. No, sir; I do not.

Senator MILLER. I wonder if it would be possible for you to check that point. That should not be too difficult to check to see whether or not there would be a roadblock to having this arrangement made. In other words, I assume that if you found a roadblock due to State law insofar as a Federal law is concerned, there would be a roadblock insofar as the Secretary of Agriculture and the Secretary of the Interior trying to work that out on an administrative basis too.

I wonder if we might have them check that point and incorporate that in the record, Mr. Chairman.

Senator JACKSON. Will you supply that information?

Mr. WEINBERG. Yes, we will.

(Mr. Weinberg subsequently supplied the following statement:)

Section 87.03.115, R.C.W., provides that all water, the right to the use of which is acquired by an irrigation district under any contract with the United States, shall be distributed and apportioned by the district in accordance with the acts of Congress and rules and regulations of the Secretary of the Interior until full reimbursement has been made to the United States, and in accordance with the provisions of the contract with the United States in relation thereto. The question, therefore, reverts to one of whether the Secretary of the Interior is authorized to prohibit a district from delivering water to be used to grow certain crops in the absence of specific provision in an act of Congress authorizing such a limitation.

Absent specific congressional action, it is doubtful whether the Secretary possesses such authority under the Federal reclamation laws.

Section 8 of the act of June 17, 1902 (43 U.S.C. 372), provides, among other things, that the right to the use of water acquired under the provisions of the reclamation law shall be appurtenant to the land irrigated and beneficial use shall be the basis, the measure, and the limit of the right. The growing of crops is, of course, a beneficial use of water and a restriction upon the nature of the crop for which water may be used would appear to be inconsistent with the right to beneficial use and the concept of the water right as being appurtenant to the land.

That the Congress may authorize limitations upon the use of water from a Federal reclamation project notwithstanding section 8 of the 1902 act is clear. *Ivanhoe Irrigation District* v. *McCracken*, 357 U.S.C. 275. However, absent specific authorization for a limitation on the delivery of water for particular crops, it is doubtful that authority in the Secretary could be implied in the face of section 8.

Section 6 of the Reclamation Project Act of 1939 (53 Stat. 1187) authorizes the Secretary, in connection with any repayment contract, to require such provisions as he deems proper to secure the adoption of proper accounting, to protect the condition of project works, and to provide for the proper use thereof and to protect project lands against deterioration due to improper use of water. This provision, however, cannot be said to authorize the Secretary to impose limitations with respect to the nature of the crops for which water may be delivered.

The conclusion that authority to impose a limitation of the nature under discussion probably cannot be read into the Federal reclamation laws by implication finds support in the express provisions of the act of July 2, 1956 (70 Stat. 483). Section 1 of that act provides, among other things, that in administering subsections 9 (d) and (e) of the Reclamation Project Act of 1939, parties contracting with the United States under long term repayment of water service contracts shall during the term of the contract and subject to fulfillment of obligations thereunder, have a first right to a stated share or quantity of the project's water supply for beneficial use on the irrigable lands within the boundaries of the contractor and a permanent right to such water supply upon completion of payments of an appropriate share of the construction costs. Limitations upon the nature of crops for which water may be supplied would appear to be inconsistent with the contractor's right, under the statute, to a share of the project's water supply for beneficial use.

The Congress has expressly required limitations on the delivery of water in the case of surplus crops on the Colorado River storage project (act of April 11, 1956, 70 Stat. 105) ; the Ainsworth unit of the Missouri River Basin project (act of May 18, 1956, 70 Stat. 160) ; the San Angelo project (act of August 16, 1957, 71 Stat. 372) ; the Greater Wenatchee Division, Chief Joseph project (act of May 5, 1958, 72 Stat. 104) ; the San Luis Act of the Central Valley project (act of June 3, 1960, 74 Stat. 156) ; and the San Juan-Chama and Navajo projects (act of June 13, 1962, 76 Stat. 96). In view of the foregoing, it would appear that if application of similar limitations to the Columbia Basin project are deemed desirable, they should be supported by express statutory authorization.

Mr. STAMM. I wonder if it would be appropriate to point out here that many Federal agencies have their own responsibilities on reclamation projects such as credit agencies. We have never considered including a provision whereby a water user would be denied water if he became delinquent in payment of a loan to the Farmers Home Administration, for example.

They have their own courses of action against the individual if he becomes delinquent. We have provisions under our law whereby if a water user does not pay his O. & M. charge, in advance we do not deliver water. If he is more than 12 months in arrears in payment of construction charges we withhold water. But each agency has its own requirements and its own assessment of penalties if an individual becomes delinquent.

Senator MILLER. On that let me just carry that point one step further. I can well understand this. My question, though, is not quite on that set of facts, because with the surplus in feed grains we don't have any violation of USDA regulations or contracts.

This is a matter of policy and, as I pointed out earlier, I know that Mr. Freeman is concerned about the surplus situation and wants to do something about it, and I find it almost indefiable to think that the right hand in the form of the USDA would be trying to cut down on surpluses, and the left hand in the form of the Interior Department is going ahead on contracts which give rise to frustration of that policy, so don't you think we have a little different situation there, Mr. Stamm, than these other cases that you mentioned where you have actual regulations which would be in violation if there was a growing of certain crops, where there are allotments, for example?

Senator JACKSON. When you respond to this I would appreciate your thinking of it in terms of universal applicability, because as I see it if we want to offer such amendment it ought to apply to all projects that are similarly situated.

Of course, we are going to be at this a long time because all of these people will want to come in and be heard, but the questions that are being raised now of course apply to every project that we have had up here, including the large one we acted on the other day, Arkansas-Fryingpan. Although we never applied these rules to supplementary water, I think we may want to consider that, and I do think that if we are going into this thing, we want to think of it in terms of all projects.

I have no objection. Don't misunderstand me. I think we have to do something about this surplus problem.

Mr. STAMM. The chairman of this committee asked Secretary of Agriculture Freeman some time ago about this question and whether these two programs were incompatible. I don't have with me a copy of the response, but it was essentially to the effect that——

Senator MILLER (presiding). Pardon me. Which two programs now?

Mr. STAMM. The surplus problem on the one hand and the continued development of irrigation on the other.

Senator MILLER. In general?

Mr. STAMM. In general, yes. The Secretary of Agriculture answered Senator Anderson specifically by letter and he also has made some public speeches in that regard. I do have two statements here from the Secretary of Agriculture that speak to this question. One says:

> Most of the farm products coming from irrigated land are not the ones for which there are overproduction problems.

And further he stated:

> To attempt to balance production with market needs by eliminating sound reclamation and irrigation projects would be tantamount to deliberately promoting inefficient use of agricultural resources.

Senator MILLER. I would like to carry that a step further. I can understand such a statement as a general statement, but when we get into this particular project where out of 400,000 acres in production we have 79,000 I believe in cereal grains and 109,000 in forage crops, you have about half of it going into crops that seem to me to be generally recognized as the kind which would tend to frustrate the policy with respect to feed grain surpluses. That is why I wanted particularly to have you people down here, Mr. Heisig, so that we could have an expression of opinion from the Department of Agriculture with respect to this specific project.

Have you people had an opportunity to study this project and its scheduled expansion from the standpoint of analyzing the crop production that will be coming in and how this will tie in with the policy of the Secretary of Agriculture?

Mr. HEISIG. I might comment, Senator, that we just got a call about 10 minutes ago to come up here and, as I got it, to give information that we might have on the Columbia Basin area, unaware that we were getting into this kind of a problem. I am not really prepared to speak on what attitude the Department might take on this kind of thing because I wasn't aware that this was even under discussion.

Senator MILLER. Do you know whether or not the Department has analyzed this project at all?

Mr. HEISIG. The Department some years ago did work very closely with the Bureau of Reclamation in carrying on some studies on the Columbia Basin in terms of the kinds of crops, the size of farms, the probable income prospects, and this sort of thing, but so far as I am aware we have not made any special study in the last 10 years or so of this particular project. Is that right?

Mr. GREEN. That is right.

Senator MILLER. Does the Department of Agriculture make any effort to analyze these irrigation projects on a current basis in light of the surplus crop problem?

Mr. HEISIG. Well, I think the Department is aware and does keep informed on the general production situation in these irrigation projects. So far as surplus crop production, of course, is concerned, in terms of the crops on which there have been or are allotment programs, the irrigation projects usually do not produce any large amounts of a crop like wheat.

Senator MILLER. I am not so concerned about those crops on which there is allotment. I am concerned about this which have an open or an unlimited production feature in them such as the emergency feed grains bill was designed to cope with, and this last farm program which the House defeated by a narrow margin was designed to cope with that. Those are the crops that I am concerned about, and I am wondering whether we have a situation, and if we do what we can do about it, where the right hand in the form of the Department of Agriculture is trying to cut down the surplusses and the left hand in the form of some other administrative agency is actually in its work aggravating the surplus situation.

I recognize that back in the days where some of these irrigation projects were authorized we didn't have a surplus problem. I doubt if we had one back in 1944 or 1945 or whenever this Columbia Basin project was born, but times have changed and we have to roll with the punch.

I am sure that the Interior Department would look to you people for guidance on these things. At least I think they should. Do you know whether or not you are making such a current survey of these irrigation projects, particularly those that are being phased in, in further development, and if you are not, whether it is feasible for you to do so?

Mr. HEISIG. I am not aware that there is any specific attention being given to this particular problem of production of feed grains on reclamation projects. The Department, of course, does analyze the feed situation every year in terms of the likely needs for feeds grain and the need for programs, but my own personal opinion would be that because of the reclamation projects being primarily located in the West, in feed grain deficit areas and not devoting a very significant part of the acreage to feed grain production as such, this would be such a small factor in the whole feed grain production picture that probably it was not brought into the analysis specifically.

Senator ALLOTT. I would like to ask my colleague to yield to me at this point, because we have galloped over three or four big points here which I think need some clarification. I would like to go back

to the original point which was discussed with the Interior gentlemen about the allotment.

I would like to suggest, and this comes from someone who has lived in an irrigated acreage area all his life, what you would do if you get into the areas of allotment. You would simply substitute the Department of the Interior for the Department of Agriculture, the people who are charged with the enforcement, whether it be sugarbeets, or whether it be wheat, or whether it be cotton, and I would like to state and make it very clear in my own opinion, because I don't want this testimony to go unchallenged while I am sitting here, it is completely impractical and unworkable to substitute another agency which is neither qualified by reason of its staffing, by reason of its tradition, by reason of its regulations, to handle the matter of allotments.

I felt I had to make this statement. Then I would like to take up the second point, which is with respect to the statement just made by Mr. Heisig. We have included in several of our recent reclamation projects, such as the Garrison, the San Juan-Chama-Navajo, the Nebraska Mid-State I believe it is called, and perhaps others, specific productions.

Each one of those bills carried a provision in it, and I am sure others too, that there would be no crops grown, a prohibition against the growing of crops, which had been declared to be in surplus by the Secretary of Agriculture. I would like the gentlemen from Interior to confirm this fact. This is so, is it not?

Mr. STAMM. Yes. It has been generally a 10-year limitation.

Senator ALLOTT. Generally a 10-year limitation and we have been doing this for several years in this committee.

Senator MILLER. Would you yield at that point?

Senator ALLOTT. Yes, I will be happy to yield.

Senator MILLER. I understand such a provision has been placed in some of these bills, but I understand further that that provision is not quite adequate to cover the requirements of the Department of Agriculture because there are substitute crops that can be grown which are not in surplus, but the usage of them precludes the necessity of using the crops that are in surplus and so you do have an effective frustration of the surplus problem by not defining these surplus crops to be not only the crops that are in surplus, but substitutes that can be used in lieu of them.

Senator ALLOTT. Let me read into the record from report No. 833 of the Senate here in this session of the Congress on the Garrison diversion unit:

> SEC. 6. For a period of ten years from the date of enactment of this Act no water from the project authorized by this Act shall be delivered to any water user for the production on newly irrigated lands of any basic agricultural commodity as defined in the Agricultural Act of 1949, or any amendment thereof, if the total supply of such commodity for the marketing year in which the bulk of the crop would normally be marketed is in excess of the normal supply as defined in section 301(B)(10) of the Agricultural Adjustment Act of 1938, as amended, unless the Secretary of Agricutlture calls for an increase in production of such commodity in the interest of national security.

This is not the identical language that has been used in others. The San Juan-Navajo provides for a 10-year period from the completion of the construction. This is 10 years from the enactment of this act. This is not a new question. It has been thrashed over several times.

We have been trying in this committee by such an appropriation to face up to this problem of not creating irrigated acreage under reclamation which would contribute to the agricultural surplus.

I would say to these two gentlemen if the language of these recent acts—the last 3 or 4 years I believe we have been inserting them—does not suit the general intent for which they are provided, then I for one would like to have a letter addressed to the chairman of this subcommittee and copies to us so that we know wherein it is deficient. Would the chairman think that is appropriate?

Senator JACKSON (presiding). The acting chairman certainly would entertain that suggestion and we then would be in a position to get the facts and to find out how it actually would work from a practical point of view.

(The information referred to follows:)

Legislative enactments of recent years which contain provisos concerning the delivery of water for the production on newly irrigated lands of basic agricultural commodities in surplus supply generally fall under three broad categories as follows:

1. For the period ending 10 years after completion of construction of the———project, no water from the project shall be delivered to any water user for the production on newly irrigated lands of any basic agricultural commodity, as defined in section 408(c) of the Agricultural Act of 1949 (63 Stat. 1056, 7 U.S.C. 1428), or any amendment thereof, if the total supply of such commodity for the marketing year in which the bulk of the crop would normally be marketed is in excess of the normal supply as defined in section 301(b)(10) of the Agricultural Adjustment Act of 1938 (52 Stat. 41), as amended (7 U.S.C. 1281), unless the Secretary of Agriculture calls for an increase in production of such commodity in the interest of national security.

2. Provided, That for a period of 10 years from the date of enactment of this act, no water from the project shall be delivered to any water user for the production on newly irrigated lands of any basic agricultural commodity, as defined in the Agricultural Act of 1949 (63 Stat. 1051; 7 U.S.C. 1421 note), or any amendment thereof, if the total supply of such commodity for the marketing year in which the bulk of the crop would normally be marketed is in excess of the normal supply as defined in section 301(b)(10) of the Agricultural Adjustment Act of 1938 (52 Stat. 41. 7 U.S.C. 1301), as amended, unless the Secretary of Agriculture calls for an increase in production of such commodity in the interest of national security.

3. No water provided by the Federal San Luis unit shall be delivered in the Federal San Luis service area to any water user for the production on newly irrigated lands of any basic agricultural commodity, as defined in the Agricultural Act of 1949, or any amendment thereof, if the total supply of such commodity as estimated by the Secretary of Agriculture for the marketing year in which the bulk of the crop would normally be marketed and which will be in excess of the normal supply as defined in section 301(b)(10) of the Agricultural Adjustment Act of 1938, as amended, unless the Secretary calls for an increase in production of such commodities in the interest of national security.

It is recognized that the treatment given projects under the three above categories is inconsistent. Under item 1, the limitation on delivery of water to newly irrigated lands for the production of crops declared to be in surplus relates to a period of 10 years after completion of construction whereas under item 2 the restriction applies to a period of 10 years from date of enactment. Item 3 applies to the San Luis unit of Central Valley project and is without regard to any time period.

Senator ALLOTT. Then, Mr. Chairman, just before you had to step out a moment ago you mention the Fryingpan-Arkansas project. On June 2, 1962, Mr. Aspinall, the chairman of the Committee on Interior and Insular Affairs in the House, wrote a letter to the Secretary of Agriculture in which he set up the statements which I believe you, Mr. Stamm, quoted from.

I will commence in the middle of the paragraph to keep from repeating. He also stated:

> Reclamation and irrigation have a highly necessary role to play in the wise present and future use of natural land and water resources.

And also, he said:

> Sound reclamation irrigation projects in the land adjustment proposals of the food and agricultural program for the 1960's are compatible with each other.

Then he goes on in his letter to say:

> After going over these and other statements which you have made relative to the position of the Department of Agriculture I believe that the Frying Pan-Arkansas project is strictly exactly the kind of project that would go forward in line with your statements. The Arkansas Valley is an area of course, where irrigated acreage has been developed under private financing.

And I think this is very important to remember:

> The problem is overdevelopment of the available water supply.

Senator JACKSON. I am not critical of the project. I just want to say to the Senator that my reason for raising this question is that if the objective is to have some kind of control over the new lands that are coming in or the lands that are aided by Federal moneys, then just let us apply it straight across the board, because we will be establishing a precedent here.

Senator ALLOTT. I simply want to point out there is a distinct difference in this particular act of the Fryingpan; and it should be separated from the general problem here because of the very, very small amount of supplementary water that would be applied to irrigation uses. The only thing it will possibly do is to increase the intensification of crops, and a man isn't going to grow wheat paying $5 an acre-foot for water if he can grow onions, or tomatoes, or asparagus, or peas or something of this sort.

Senator JACKSON. He should not object to the language then because the same thing is true in the Columbia Basin. I doubt that there are any, or hardly any, crops in surplus that are being produced there now.

Senator MILLER. May I make this point, Mr. Chairman?

Senator JACKSON. Yes.

Senator MILLER. I believe you were absent. I just pointed out, on the basis of the testimony from Mr. Stamm, that of the 400,000 acres now in production, about half represents cereal crops and forage crops, which are the kind which either are in surplus or certainly they are substitutes for those that are in surplus.

Senator JACKSON. We can hear from the Agriculture people on that a little later. I don't mean to interrupt.

Senator ALLOTT. That is all right. I just wanted to make it clear because this Frying Pan-Arkansas project poses a completely different problem from that which is under consideration here.

Senator MILLER. The Senator from Colorado brought out this clause that has been used in some of these more recent acts. To my knowledge a similar clause is not present in the one authorized in the Columbia Basin project, is it?

Mr. STAMM. No, sir.

Senator MILLER. It is not. I would like to, Mr. Chairman, ask the agriculture people if they would be good enough to check this out and

give a recommendation to the committee as to whether or not such a provision, or perhaps one a little more comprehensive along the lines I pointed out, if this is deemed to be deficient, would be recommended for inclusion in this particular act, inasmuch as we have them included in some other reclamation acts.

That is one thing I would like to get from them.

Senator JACKSON. Have we done this in amendatory contracts is what I want to ask.

Mr. WEINBERG. No, sir.

Senator JACKSON. This is a question that we want to answer here and this is what is involved because this is not a bill reauthorizing a project or providing for further authorization. I have no objection, you understand, putting this in, but I would like at the same time to make it general and apply hereafter to any amendatory contract or any other project similarly situated and make it general law.

That is my point, if our objective is to really keep our hand on the control of these crops, so I don't think anybody could complain about that. The only thing is that it is going to bring in a lot of projects right away.

Senator MILLER. The point I was making was that if we are going to use a universal approach to this, that if some of these other reclamation projects have this clause in them, perhaps this one ought to also, but I would like to get the recommendation from the Department of Agriculture.

Then there was another thing and that is I do think we ought to have an analysis from the Department of Agriculture, plus their comments, on how the scheduling of bringing acreage into production in this project which Mr. Stamm outlined for us this morning, which you understand is only tentative, but it is a schedule, would affect the surplus situation and whether or not the Department would recommend any particular approach to meeting a problem of surplus.

In other words, if 5 or 10 years from now we have no surplus problem there is no need for any particular action, but if the schedule calls for bringing another 20,000 acres into production, of which half is going to be, let's say, of wheat which would be in surplus, or of corn, or of some forage crops which could be used as a substitute, how can this be handled without having to run into Congress all the time for some kind of change in the law?

Is there some type of provision or some administrative act that can be taken by the Department of Agriculture which can cope with this? Would that be agreeable to the chairman to have those comments and that analysis?

Senator JACKSON. Whatever the Senator requests. I think they are all reasonable. I assume the Department can supply that information.

Mr. HEISIG. We could attempt to do that, Mr. Chairman.

(The information referred to appears on pp. 3 and 4 of S. Rept. 1872, 87th Cong., 2d sess.)

Senator JACKSON. I am sorry I have had to be on the long distance phone, but I would like to suggest that we have a general statement from the Department as to the Department's approach to this kind of situation.

Senator MILLER. The Senator from Colorado and I have both requested some answers to questions and I think an overall memorandum or letter to the committee stating those questions which both the Sena-

tor from Colorado and myself and the chairman have asked and the answers of the Department and then perhaps their overall comments would be very helpful.

I know it certainly would be to me to guide me in my thinking on this and other projects.

Senator JACKSON. Very well. I think we should have a statement of policy sent up to the committee in concert with the Department of the Interior indicating the general current policy and the future policy as the Departments see it in handling this question of farm surplus, the development of newly irrigated land.

In order to be equitable about this, Mr. Stamm, I want to ask you what are your reactions on imposing some general limitation in this particular project and at the same time make sure that it applies with equal force and effect to other projects? Can you give some general comments on this?

Mr. STAMM. As I indicated before lunch, I believe that the responsibility for this type of thing; that is, the control of crop production, has historically been with the Department of Agriculture and I think that is where it ought to continue to be.

They are qualified by experience, authority, and responsibility to do this sort of thing, and I believe it might open Pandora's box if we began to put provisions in the repayment contracts that would in effect be policing the responsibilities and functions of other agencies and departments.

I believe whatever authority Agriculture has or would get in the future could be carried out, applied, and policed just as well through their usual procedures as it could be through our contractual arrangements.

Senator MILLER. May I ask a question?

Senator JACKSON. Certainly. Go ahead.

Senator MILLER. I was wondering on that point how your agency now operates with respect to the clause which Senator Allott referred to that is now present in some of these reclamation projects.

Mr. STAMM. He mentioned specifically the Garrison, the San Juan-Chama, and the Nebraska Midstate, and in none of these cases have we yet executed repayment contracts.

Senator MILLER. Are there any projects in which you have executed repayment contracts in which that language appeared in the authorization that you know of?

Mr. STAMM. I think there are some. I think the San Angelo project legislation has some limitations as did the legislation for the Colorado River storage project. Maybe Mr. Weinberg can fill you in on that.

(Mr. Stamm subsequently advised the committee that the reference to the Tule Lake Irrigation District was in error.)

Senator MILLER. That will suffice for my purpose. The point I want to make though is if you are doing that, are you not now doing, as you put it, policing work for the Department of Agriculture?

Mr. WEINBERG. What we are dealing with there is an absolute prohibition on the delivery of water for particular crops, the basic agricultural commodities, for a specific period of years. This is not a matter which requires complicated policing. It is not a matter which would require the Secretary of the Interior in effect to establish an annual variable quota.

We are constantly experiencing protests over the contractual controls that we find necessary to write into our contracts to implement specific congressional requirements. I can see this kind of a protest ballooning endlessly if the Secretary of the Interior and the Secretary of Agriculture attempt as a matter of policy, without a basic statute announcing such a policy, to implement a policy of control of other agricultural products which are not subject by law to agricultural controls.

Senator MILLER. Are you not already policing this right now on this Tule Lake project if you have somebody who wants water and he says, "I'm not going to grow feed grains. I am going to grow potatoes." Are you not going to have it checked up to see whether or not he carries through and grows potatoes instead of feed grains if you are going to comply with the law?

Mr. WEINBERG. To the extent that there is a fixed and specific limitation.

Senator MILLER. And you write that into the contract?

Mr. WEINBERG. As required by the law, but there are practical limits to the extent to which we could implement a variable program through the medium of the Interior Department devising contractual and inspection controls.

Senator JACKSON. Let me just summarize this part of it if I may from my point of view. I would like to see a statement sent up here by both Departments on this subject and indicate the effect, if any, on this project and in the interest of equity how it should be applied as to other projects, because, while I am not familiar with all the others, I do think we have the fundamental question here of whether we impose mandatory nondiscretionary controls on the Department in connection with the submission of an amendatory contract.

If we want to do this I just want to find out what the effect will be from here on out and what effect it would have if we make this general on other projects, so I think if we can get this all together then we will have a picture of it.

Would you do that?

Mr. STAMM. Yes.

Mr. HEISIG. Yes.

Senator JACKSON. We have been handling this thing piecemeal.

The amendment is offered, and I think it is in general a sound approach. The question in my mind is whether or not we should not have some uniform policy so that we treat all projects alike.

I have supported the crop limitation amendments in all these projects, including other projects in the State of Washington. It does appear to me, however, that what we have involved here is not a new project, but an amendment to an existing project that is already going. It would mean, as I understand it, that part of the project would have limitations imposed on it because the amendment would be prospective and not retroactive.

Other parts of the project would not have such a limitation. I would like to know whether that has been done before and whether it is wise. I don't know. Now, if I may go back to where I yielded early this morning, I asked some questions regarding the history of the acreage limitation in the Columbia Basin Project Act.

As I recall, we had passed in 1937, in connection with the Anti-speculation Act, a provision for a 40-acre limitation as to one owner

and an 80-acre limitation for a husband and wife. That was the ceiling. Is this correct?

Mr. STAMM. Yes, I think we agreed it was.

Senator JACKSON. That is right. I am asking these questions over again so I can get some continuity in connection with the history of the acreage limitation.

Mr. STAMM. Yes, sir.

Senator JACKSON. Then in 1943 the Columbia Basin Project Act was amended providing for the development of irrigation blocks under the Reclamation Project Act of 1939. In this connection a farm unit, I believe, was defined as being a unit not less than 10 acres and not in excess of 160. Is that correct?

Mr. STAMM. That is correct.

Senator JACKSON. So the change from 1937 to 1943 was in effect to give to the Bureau of Reclamation, the Department of the Interior, discretionary authority to raise the overall limitation from 80 acres up to 160, I suppose depending on the soil classification and so on. Is that generally the situation?

Mr. STAMM. Yes.

Senator JACKSON. We passed in 1957 an amendment to the act again to increase the limitation for a family to 320 acres, the point being that the State of Washington is a community property State and the husband is entitled to 160 acres and the wife 160, and this is true of all the community property States.

Now, I refer to section 3 of the bill, page 2. What does section 3 of the pending bill do to the present law as to acreage limitations? Then I will come to the next question as to the other changes that would occur in this project by reason of the applicability under the proposed bill of the 1902 Reclamation Act, as amended.

Mr. STAMM. Going back to the 1957 amendment, and also the 1943 act, the eligibility for water was expressed in terms of farm units. Under the 1957 amendment an individual could own more than one farm unit as long as the aggregate irrigable acreage in his two or more units did not exceed 160 acres, but he still had to conform each unit in area and boundary to a single ownership before the unit could get water.

In the proposed modification an individual could own and obtain water for 160 acres of irrigable land regardless of whether it is all included in totally conformed farm units or not.

Senator JACKSON. What do you mean by a totally conformed farm unit? Contiguous units?

Mr. STAMM. No. We laid out the boundaries of farm units and frequently in so doing included land that had previously been in the ownership of two people. Sometimes we would find that in an 85-acre unit, say, 80 acres was owned by one individual and 5 acres was owned by another.

Under the law we could not deliver——

Senator JACKSON. Under the present law?

Mr. STAMM. Under the present law we could not deliver water to the 85-acre unit until one or the other of those owners bought out the other one so that the entire unit was all in a single ownership.

Senator JACKSON. That is the law now?

Mr. STAMM. That is the law now and that has been the law since 1943.

Senator JACKSON. How do situations like that develop? Is that an extensive problem in the basin?

Mr. STAMM. Yes. That has been a major problem. Where one person has what is called a "toehold" in a farm unit, he owns only a small acreage. When water is available for that or any other unit, water charges are levied against it whether it takes water or not, but water can't be delivered until the ownership is conformed into a single ownership. The man that owns only 5 acres, for example, can afford to pay his annual water charges, even though he doesn't get water, trying to force the man who owns the 80 acres to sell out to him. The man with the 80-acre portion has a very large annual water assessment which he can ill afford to pay since we cannot deliver him water under the law because he doesn't own the full 85 acres of the unit.

That has created a serious problem in many cases. Under the modification proposed here we could deliver water to lands for which payment had been made whether the ownership is conformed to the unit boundaries or not.

Senator JACKSON. As long as the total units did not exceed 160 acres for any one individual?

Mr. STAMM. That is right. An individual might own two units, for example, or, say, one unit that included 100 acres and an interest in a couple of more units, and so long as his total irrigable acreage did not exceed 160 acres we could deliver him water wherever his land was if the water bill was paid.

Senator JACKSON. Or in our State, of course, it is held by husband and wife equally so that as long as it does not exceed 320 acres in that case?

Mr. STAMM. For man and wife; yes, sir.

Senator JACKSON. But for a single person the limitation would be 160?

Mr. STAMM. Yes, sir.

Senator JACKSON. Is there any other change in section 3? Excuse me. Are there any other questions now for the agricultural representatives? I understand, Senator Miller, you do not have any further questions. Is Senator Allott coming back?

Senator MILLER. I don't believe he had anything further.

Senator JACKSON. Senator Allott advises that he has no further questions on the agricultural side of this problem. You gentlemen are excused.

We appreciate your coming up here and I know you will proceed on the requests that were made. The full committee is meeting next week so we would like to get something up the first of the week. We will be meeting Tuesday, so if we could have it up Monday we would appreciate it.

Mr. HEISIG. Thank you.

Mr. STAMM. There are some other changes that would result. I have a detailed comparison of the 1943 act and the 1957 act as it relates to this particular question. I have a few extra copies. I would be glad to make them available.

Mr. JACKSON. We will include that in the record at this point.

(The document referred to follows:)

Comparison of acreage limitation provisions of original and amended Columbia Basin Project Act

	Columbia Basin Project Act of Mar. 19, 1943 (57 Stat. 14)	As amended by act of Sept. 2, 1957 (71 Stat. 590)
Sec. 2(b)(i)	1. Farm units to be not more than 160 or less than 10 irrigable acres, except that nominal quarter section may be included in one farm unit (U.S.-owned lands can be laid out as part-time units lesser in size than 10 acres).	1. No change.
Sec. 2(b)(iii)	1. Units must be conformed in size and boundary to receive water. 2. Water delivered to only one farm unit held by any one landowner, except that a pre-1937 owner may receive water for not to exceed 160 irrigable acres.	1. No change. 2. Water may be delivered to one or more farm units— (*a*) Which in case of a single owner do not aggregate more than 160 irrigable acres, or a nominal quarter section, comprising more than 160 irrigable acres; (*b*) Which in the case of a family do not aggregate more than 320 irrigable acres. 3. In the case of a single owner or family which held the land on or prior to Sept. 1, 1957, water will be delivered to only one such farm unit unless the ownership was eligible as a pre-1937 ownership for delivery to 160 irrigable acres or a nominal quarter section. 4. Excess lands disposed of subsequent to Sept. 1, 1957, will be ineligible to receive water if reacquired, other than by inheritance, foreclosure, etc., by the former owner, within 5 years of date of disposition, or if reacquired at any time pursuant to contract, agreement, etc. (other than bona fide security interest) made in connection with disposition or, if after disposition, former owner or his family derives any profit or advantage from unit disposed of.
Sec. 2(b)(iv)	1. Land in excess of one farm unit held by any one landowner deemed excess. 2. Excess land ineligible to receive water unless acquired by inheritance, foreclosure, etc., in which case water may be delivered for 5 years following effective date of acquisition.	1. Land in excess of farm units eligible under 2(b)(iii) above in case of individual or family deemed excess. 2. No change.
Sec. 2(b)(v)	1. "Owner," "landowner," and "any one landowner" denotes any person, corporation, joint-stock association, or family. "Family" denotes husband and wife, either or both, and all their children under 18 years of age. 2. Lands deemed held by family if held as separate property of husband or wife, or constitute a part of their community property, or if property of any or all of their children under 18 years of age. 3. (Not included in original act.)	1. No change. 2. No change. 3. Lands held in trust deemed held by beneficiary and additionally by trustee if trustee derives any benefit other than moderate management fee.
Sec. 4(b)	1. (Not included in original act.) 2. Do.	1. Each purchaser of farm unit from United States agrees will not sell, assign, lease, or otherwise dispose of unit without approval of Secretary for 5 years following date of purchase. 2. No farm unit sold to any applicant (*a*) who has outstanding application to purchase another unit; (*b*) to whom, on date of application, a farm unit could not lawfully be sold; (*c*) who has theretofore purchased a farm unit under the act; or (*d*) who then owns a farm unit within the project.

Senator JACKSON. Do you have a comparison between the 1957 act and the proposal that we are now considering?

Mr. STAMM. Not in this detail. It has been explained in the departmental report that came to the committee.

Senator JACKSON. Let's proceed.

Mr. STAMM. In the 1957 act there were some qualifications included. The committee didn't want a man who had just purchased additional land prior to the passage of that act to have full advantage of the liberalization of the ownership limitation, so the committee put in some restrictions affecting individuals who had purchased land between 1937 and the date of the 1957 act.

Those limitations were to run for 5 years. Any man who had acquired his excess land during the 1937–57 period was not eligible for this liberalized legislation.

Senator JACKSON. The additional acreage?

Mr. STAMM. That is right. He could buy a second unit somewhere else. Subsequent to the 1957 act he could buy a second unit and obtain water for it but he couldn't get water for a second unit laid out on land he owned prior to September 1, 1957, unless he had owned it prior to 1937. Also if he sold excess land subsequent to the 1957 act, he couldn't reacquire it as a second unit for a period of 5 years and be eligible for water.

A period of 5 years has virtually run out on these restrictions which have been referred to locally as the antiwindfall provisions in the 1957 act. You have heard that term many times.

Senator JACKSON. Yes.

Mr. STAMM. The so-called antiwindfall provisions would also be removed. Their effectiveness would be removed, anyway, very shortly because they only ran for a 5-year period.

Senator JACKSON. Why is that language in there? I don't see the need for it. We passed the act in September 1957. I believe the law was effective——

Mr. STAMM. September 1, 1957.

Senator JACKSON. Therefore wouldn't the provisions of that act as it applies to the antiwindfall situation run its course on September 1 of this year?

Mr. STAMM. Yes, that is right.

Senator JACKSON. I assume the agreement was made sometime prior to that with the water users and therefore the amendment was included in the bill to accelerate it, is that it?

Mr. STAMM. Mr. Weinberg corrects me. He said this 5-year period ran from the date of disposition of the excess lands rather than the date of the 1957 act. Most of those who wanted a second unit and were not eligible for it under the 1957 act, acquired other lands in order to qualify for the second unit.

Senator JACKSON. Let us get that clear. You say there is a 5-year period?

Mr. STAMM. Let me just read you the language. It might be more clear.

Mr. STAMM (reading):

> In the case of a single owner or family which held the land on or prior to September 1, 1957, water will be delivered to only one such farm unit unless the ownership was eligible as a pre-1937 ownership for delivery to 160 irrigable acres or a nominal quarter section.

Excess lands disposed of subsequent to September 1, 1957, will be ineligible to receive water if reacquired, other than by inheritance, foreclosure, and so forth, by the former owner, within 5 years of the date of disposition, or if reacquired at any time pursuant to contract, agreement, etc., made in connection with disposition or, if after disposition, former owner or his family derives any profit or advantage from unit disposed of.

This developed because many people had acquired additional land in anticipation of a modification of the law and the committee felt that the relaxation granted by the September 2, 1957 act shouldn't permit those individuals to capitalize on their actions in this regard. If they sold those lands, however, and reacquired other lands, they could have full benefit of the law.

There has been much complaint locally about the so-called anti-windfall provision. We are proposing to repeal this provision of the Columbia Basin Act.

Senator JACKSON. What has happened since September 1, 1957, as to the excess lands? Have these people held on to them or have they disposed of them.

Mr. STAMM. In many cases they sold the land soon after that date and acquired other land in lieu of it.

Mr. DAVIS. They told us on the project that most of those lands were disposed of shortly after the passage of the act, so that the 5-year reacquisition limitation wouldn't be effective much longer than this fall, anyway.

Senator JACKSON. I think we ought to have that information because if the Congress was following a wise course at that time, I am not so sure there is a need to change the law on that point. If it does involve only a small amount of land, that is something else, but I was curious to know the factual situation with reference to the disposition of excess lands.

If we could get that information it would be very helpful.

Mr. STAMM. I think we can get that. We will supply for the record at least a good estimate of the extent to which the excess lands were disposed of and other lands acquired in order to comply with this limitation.

Senator JACKSON. Yes. In other words, I understand the 5 years starts to run from the time the lands have been disposed of.

Mr. STAMM. Yes.

Senator JACKSON. And I take it that most of the disposition was made shortly after September 1, 1957?

Mr. STAMM. Yes.

Senator JACKSON. It also presupposes that there was no side agreement or contract to circumvent this, is that correct?

Mr. STAMM. That is exactly right, and if there was any, then the owner is not eligible to receive water for the units involved.

Senator JACKSON. Why shouldn't the side agreement provision still apply? If they made a clean disposal I am more sympathetic, but why shouldn't the side agreement provision still apply if there was an attempt to circumvent the act?

Mr. DAVIS. We can get that information as to whether any lands have been acquired within a 5-year period which would indicate whether there was any side agreement or not.

Mr. STAMM. It is very difficult to determine whether there were any side agreements. We felt rather strongly that there have been

violations of the land limitation heretofore on the Columbia Basin project.

Senator JACKSON. There have been a number of indictments and trials.

Mr. STAMM. There have been a number of indictments.

Senator JACKSON. They were not very successful as far as prosecution.

Mr. STAMM. A few convictions were obtained and a few fines paid but in one of the most obvious and most flagrant cases the penalty assessed by the court was so minor that the individual was really well paid for his efforts if he didn't object to having a blemish on his record.

Senator JACKSON. What would be wrong in providing that we will terminate this penalty, provided that each owner that seeks relief under it shall sign a statement under oath that there has been no circumvention of the act by trick, or device, or side agreement? This places the burden—it is a serious one and it involves perjury—right on the doorstep of the individual who is asking the relief.

Mr. STAMM. We would have no objection to that.

Senator JACKSON. I think this is the sensible proposal. I don't know whether my colleague agrees with me or not.

Senator MILLER. That sounds like a good suggestion to me. Would that be contained in each contract?

Senator JACKSON. How many farm families are involved in this particular provision of the bill?

Mr. STAMM. We will have to supply that for the record. I think a good many disposed of their excess farm units. I think there are very few who did not. You are interested in knowing how many did dispose, because those are the ones that might have had side agreements and might eventually reacquire.

Senator JACKSON. Yes.

Mr. STAMM. I'll have to get that and supply it for the record and I will be glad to do so.

(The information referred to follows:)

When Public Law 85–264 was enacted in September 1957, there were 306 excess farm units of platted land. On July 31, 1959, there were 79 excess units remaining. At the present time, July 1962, there are 35 excess units. A total of 270 units, or about 88 percent of the excess units, have been conveyed to nonexcess holders. Of the 35 existing excess units, 8 are in block 23 for which water is not yet available. Most of the remainder are portions of large holdings and are excess regardless of the antiwindfall amendment.

According to project records, only one excess farm unit was sold and later reacquired. This reacquired farm unit cannot receive water delivery under Public Law 85–264 until it has been disposed of to an eligible owner.

In the East High Canal area, which is being considered for future development, a sample survey in 1957 indicated that of 482 ownerships 240 were eligible as pre-1937 owners. Of these 240 pre-1937 ownerships, 140 amounted to more than 320 acres with an average size for all such ownerships of 860 acres. Although a comparable study has not been made of other unplatted project lands the foregoing figures may probably be considered to be reasonably indicative of the situation in these areas where the present owners are holding lands originally acquired for dryland farming purposes rather than as speculative acquisitions in anticipation of irrigation.

Senator ALLOTT. Mr. Chairman, someone mentioned to me that a large amount of this acreage is actually farmed by lease.

Senator JACKSON. Yes; he supplied that.

Senator ALLOTT. By a small group. Are these figures in or will they be?

Mr. STAMM. They are in the record now.

Senator JACKSON. Senator Dworshak asked those questions.

Senator MILLER. May I ask a question regarding the way you would implement this proposal? Suppose the person refuses to sign the affidavit? What would happen then?

Senator JACKSON. That is a good point, would he be eligible, regardless, in 5 years? Is that right?

Mr. WEINBERG. Yes.

Senator JACKSON. Or would he?

Mr. STAMM. Wait a minute. If he had a side agreement, then he is not eligible for water if he reacquires at any time. The act in part said:

> Or if reacquired at any time pursuant to a contract agreement * * *

Senator MILLER. Suppose they refuse?

Mr. WEINBERG. They couldn't get water for the reacquired unit.

Senator JACKSON. I think it is simply a question of good faith.

Senator MILLER. I think you have to tie this in with the consequences if they refuse to sign, because if they sign falsely they perjure themselves, but suppose they just refuse to sign?

Mr. WEINBERG. It would have to be so written that it would condition the delivery of water upon signing the affidavit.

Senator JACKSON. As condition precedent to the obtainment of additional water?

Mr. WEINBERG. Yes.

Senator JACKSON. If you will examine this suggestion and check it out so that we will have that information before the next meeting we will appreciate it. What are the other changes under the acreage limitation as contained in this bill?

Mr. STAMM. There are no other real significant ones. The 1957 act provided that even though a man or a family in certain circumstances was eligible to acquire a second farm unit, he, nevertheless, could not obtain the second one from the United States if he had acquired his first one from the United States. This would be modified to the extent that if we have certain units that we have not been able to dispose of because of inadequacy in size or land class, in order to get those units in the hands of the people that are willing and able to develop and farm them, we could nevertheless sell all or a part of a U.S. unit to a man who previously had gotten one from the United States.

Senator JACKSON. And section 3 would grant that authority?

Mr. STAMM. Yes. This would simplify our administration and help us to get the land into production as rapidly as possible.

Senator JACKSON. All right. Are there any others?

Mr. STAMM. No.

Senator JACKSON. Is there anything else in section 3 that would change any other provision of applicable law in this project?

Mr. DAVIS. There was a provision, section 4(b) of the original act, that no farm unit shall be sold to a person——

Senator JACKSON. Where are you reading from? Are you reading from 4(b)?

Mr. DAVIS. I am reading from 4(b) of the original act.

Senator JACKSON. 1943 act?

Mr. DAVIS. Yes, as amended by the 1957 act.

Senator JACKSON. You are reading from which amendment?

Mr. DAVIS. The 1957 amendment.

Senator JACKSON. The 1957 amendment?

Mr. DAVIS. Yes.

Senator ALLOTT. Before we start on that I would like to say one thing. Mr. Chairman, I am at a little bit of a disagreement with a lot of people. It isn't the first time I have found myself out of step with a lot of people. I want to say that when I first started practicing law in 1929 I went down to the Arkansas Valley and at that time there was a transition in effect on irrigated land from 40 to 80 acres and just going into the 80 acres as a family size unit. I have seen in the transition period the transition completely from 80 up to 160 and now I don't believe there is anyone in that area who really considers 160 acres of irrigated land a family size unit.

Nearer would probably be 240 as the minimum. This comes about, of course, from the increased cost of tractors, and increased cost of production, and all these things.

Senator JACKSON. And the variation in the fertility of land enters the picture, too.

Senator ALLOTT. That is right.

Senator JACKSON. Primarily it is a matter of great change in technology that requires a farmer to have greater acreage in order to amortize his equipment.

Senator ALLOTT. There is a lot of difference between $1,400 for a tractor and paying $6,500 or $7,000 for a tractor as he did in 1948 and as he does now. I just wanted to make this clear for the record because I am not wedded to and I don't want to be wedded to the 160-acre tract.

I think that the answer has to lie more in what is a minimum family unit, and this talk about 160 acres and 320 in here I don't want to be wedded to because to me it has to be based upon the economic facts of life as they exist in this project.

Senator JACKSON. I would not disagree with my colleague. I think that the basis of the 160-acre limitation rests on the premises that this was truly the ideal size farm to maintain the American farm family. If things have changed since this concept was laid down so that the average American farm family can't operate on 160 acres, then, of course, we do violence to the very principle of the 160-acre limitation when we don't make adjustments to achieve the original objective.

I couldn't agree with my colleague more. I think that decision as made then is not sacrosanct and they can't fly in the face of science, technology, and the whole revolution of the American farm.

Senator ALLOTT. Didn't we have to increase the acreage under the Minidoka project here 3 or 4 years ago in Idaho?

Mr. STAMM. We did on the north side pumping division of the Minidoka project. That division was all public land. We laid out smaller farm units initially, but later laid out larger farm units.

Senator ALLOTT. This is sort of a collateral issue but since it has come up I want to make my own feelings clear. I don't think it is sacrosanct at all and that we have to keep continually reviewing it in the light of each case.

Senator JACKSON. I think you are mentioning section—was it 4(b)?

Mr. DAVIS. 4(b). Maybe I can paraphrase it.

Senator JACKSON. Of the act of 1957?

Mr. DAVIS. 1957. The 1943 act, as amended by the 1957 act, prohibited a person from purchasing a farm unit from the United States if he had previously purchased one or if he owned a farm unit on the project. The proposed legislation will eliminate the last condition. In other words, he can own a farm unit on the project and still be eligible to purchase one from the United States.

The prohibition would only go to whether he had previously purchased a farm unit from the United States.

Senator JACKSON. What if he had previously purchased a farm unit from the United States?

Mr. DAVIS. Still prohibited.

Senator JACKSON. He was prohibited from purchasing a second unit?

Mr. DAVIS. From the United States.

Senator JACKSON. Public lands, in other words.

Mr. DAVIS. Yes.

Senator JACKSON. From United States?

Mr. DAVIS. Yes.

Senator JACKSON. That is in the 1957 act. This act and the amendatory contract would eliminate that provision?

Mr. DAVIS. No.

Mr. STAMM. It does this.

Section 3 also amends this section 4 to permit farm units owned by the United States which the Secretary determines are not suitable for settlement purposes to be sold to resident project landowners as supplemental units, subject to the applicable acreage limitations. It also permits portions of farm units owned by the United States to be sold to project landowners, subject to applicable acreage limitations.

In other words, the applicant who had previously purchased a settlement unit from the United States would not be eligible to purchase another settlement unit but he would be eligible to purchase a nonsettlement unit or a portion of a farm unit, subject to the limitations mentioned.

Senator JACKSON. What is the nonsettlement unit?

Mr. STAMM. That is a unit which we determine as not being suitable for support of a family.

Senator JACKSON. Not suitable as a unit?

Mr. STAMM. As a unit in itself.

Senator JACKSON. And they could receive water for it?

Mr. STAMM. Yes.

Senator JACKSON. So that to restate it, the 1957 act prohibits a farm owner who had already held or purchased from the United States a farm unit from acquiring another farm unit, a farm unit being one that is suitable for agricultural development.

That still is in this proposed bill, except that the prohibition is diluted as to a second or subsequent unit as long as that unit is not a farm-sustaining unit in itself. Is that it?

Mr. STAMM. That is right.

Senator JACKSON. As long as it is not a sustainable farm unit or a settlement unit.

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Mr. STAMM. This comes about from experience. When we have available, say, 100 farm units, we find that there are some within that group that are not selected by individuals, possibly some that the Farmers Home Administration is not willing to make a loan on, and the easiest way for us to dispose of those is to add them to adjacent units if they fit into the picture.

Senator JACKSON. In other words, there are marginal units that you cannot sell as a farm unit for a farm family as such and you still have the 160 acre limitation?

Mr. STAMM. Yes.

Senator JACKSON. But these units could be acquired notwithstanding the provisions of the 1957 act?

Mr. STAMM. That is right.

Senator JACKSON. As long as such units in themselves do not represent a capability of sustaining a farm family or as a farmable unit as such?

Mr. STAMM. That is right.

Senator JACKSON. Does that cover section 3 of the bill?

Mr. STAMM. That covers it; yes.

Senator JACKSON. What is the effect of section 4?

Mr. STAMM. Section 4 of the bill authorizes and directs the Secretary to amend or modify all existing documents, rules, regulations, forms, and procedures entered into or issued under the Columbia Basin Act prior to the date of enactment of this bill. There are a number of documents, rules, regulations, forms, policies, and procedures which will have to be changed or eliminated in order to make section 3 of this bill fully effective and in keeping with the proposal and recommendations of the Secretary's framework memorandum of August 31, 1961.

Senator JACKSON. I don't quite understand that. The Secretary is authorized to do all these things prior to the enactment of this act.

Mr. STAMM. This authorizes and directs him to do it.

Senator JACKSON. To do what?

Mr. WEINBERG. Perhaps I can clarify this. There are extensive regulations in effect under the provisions of the law as it stands now. Those regulations implement the present provisions of law. Those provisions of law would be changed. Some of them would be repealed. This merely directs the Secretary to conform his regulations to the law as it would be amended by the proposed bill.

Senator JACKSON. They are authorized to issue these prior to the date of the enactment of this act. Is this to make it retroactive?

Mr. WEINBERG. No, no. It directs him to amend all existing rules, et cetera, which he had issued prior to the date of this act.

Senator JACKSON. Oh. In other words, this is merely an implementing provision.

Mr. WEINBERG. A housekeeping implementing provision.

Senator ALLOTT. There is one thing about it, Mr. Chairman, I don't think is just housekeeping at all and that is to amend or modify existing documents. If you are going to amend rules, regulations, forms, and procedures, this is one, but to amend and modify existing documents is a power——

Senator JACKSON. Contract.

Senator ALLOTT. Well, not just limited to contract. It could be limited to original fundings with respect to what constituted a farm

unit, what constituted a workable unit, classifications of land, all of these things, the permanent documents, the permanent investigations, are documents of the case and I can't see that these need to be changed.

I agree that the other is consistent, perhaps necessary, but when it comes to voting to give them the power to modify or change existing documents, I have to draw the line.

Mr. DAVIS. The main purpose of that, Senator Allott, is to take care of what we call recordable contracts.

Senator ALLOTT. What?

Mr. DAVIS. The recordable contract that every landowner has to sign. There are provisions in it that will be changed pursuant to this legislation if it is enacted, and that directs him to make the changes in those documents.

Senator JACKSON. What do you mean by documents?

Mr. DAVIS. The recordable contracts is what they had in mind in drafting this.

Senator ALLOTT. How could the Secretary change a recordable contract, anyway, if it is recorded?

Mr. DAVIS. The way they work it on the project is they have a long-form contract. It is many pages long and it is recorded in each county. Then each landowner signs a short-form contract that incorporates this long-form contract so he isn't subject to paying a recorded fee for the long document. It is proposed that he will file a new long-form recordable contract taking into account the changes in this act. Then, each landowner will change his recordable contract on the short form.

Senator ALLOTT. I wouldn't object to that, but I surely don't want to get into such an all-inclusive statement as "documents."

Mr. WEINBERG. Perhaps it would be helpful to provide in this that "to the extent necessary to conform to the provisions of this act, the Secretary will be directed to amend or modify."

Senator JACKSON. It seems to me that the right of the Secretary set out in section 4 should be limited to the provisions contained in this act.

Mr. WEINBERG. Those changes necessary to give effect to the provisions of this act.

Senator JACKSON. That is right, and not to change any historical facts.

Senator ALLOTT. That is right.

Senator JACKSON. Would you work that out with the gentlemen here on the staff?

Mr. WEINBERG. Yes, sir.

Senator JACKSON. I think this is a sound suggestion and then there won't be any question about it. You can simply stipulate that to carry out the provisions of this act the Secretary is authorized to do so and so. I wonder if we can turn to section 5. What is the effect of section 5?

Senator ALLOTT. Mr. Chairman, I don't want to leave this on this basis with the idea that I am going to acquiesce in it because I am going to object to the word "documents" in there in any respect. If they want to put, "recordable contracts" in there, if that is what they mean, fine, but "documents" just covers too much land.

Senator JACKSON. I think what you are really talking about are contracts and instruments——

Senator ALLOTT. Contracts and instruments, that's fine. I think this is perfectly logical.

Senator JACKSON. Senator Bottum, we are very happy to welcome you to the committee. I believe this is your first meeting. We are very happy to welcome you to the committee. We are sorry that not more members are present but we have been going since early this morning and a number of the Senators have other obligations.

Mr. WEINBERG. Subject to taking a further check on this, striking "documents" and inserting "contracts and instruments" and prefacing the whole thing by the phrase "to the extent necessary to the provisions of this Act," would seem to do the job, but we would like an opportunity to check this language again. Then we will check with the staff.

Senator JACKSON. All right.

Senator Allott?

Senator ALLOTT. That is all right.

Senator JACKSON. Now we will turn to section 5(a).

Mr. STAMM. Section 5(a) retains the nominal quarter section where it exceeds 160 irrigable acres. We discussed that earlier today.

Senator JACKSON. This section 5(a) ties in with section 3 then?

Mr. STAMM. Yes, in retaining the nominal quarter section concept. The nominal quarter section concept was in the previous Columbia Basin project legislation.

Senator JACKSON. Define what you mean by nominal quarter section.

Mr. STAMM. Well in carrying out the cadastral surveys of the United States there frequently are errors along the line and the procedure is to make all sections regular except those along the west side of a township, and they compensate for such errors by adjusting the acreages in the sections along the west side of the township. In compensating for such errors, the adjusted sections may be long or short by a few acres.

If a man has such a quarter section, he is entitled to receive water for it even though it might be 163 acres instead of 160.

Senator JACKSON. This is a provision that you need for proper administration of the act where there has obviously been no intent to evade the 160-acre limitation, but where the particular landowner happens to be the victim, favorably or unfavorably, of the cadastral survey?

Mr. STAMM. Yes, sir.

Senator JACKSON. Is that correct?

Mr. STAMM. Yes, sir.

Senator JACKSON. That is it then?

Mr. STAMM. Then section (b) preserves to the vendee or grantee the right to sue for an overpayment which might have been made under the Columbia Basin Project Act before this amendment was made.

Senator JACKSON. Do you mean an overpayment on water charges?

Mr. STAMM. An overpayment in purchase of the land.

Senator JACKSON. From the United States?

Mr. STAMM. No; from another individual.

Senator JACKSON. Why do you have that provision?

Mr. DAVIS. There is a 2-year period in which he can do it.

Mr. STAMM. Previously, we have had limitations on the prices that land could be sold for, even the nonexcess land. Generally, in reclamation law any price control applies to excess land only, but on this project even the nonexcess land, during the first 5-year period that water was available, was subject to sales price limitations established by appraisal. If a buyer paid too much for a unit and he discovered afterward that he had paid more than the appraised value, he had a right under law to sue for recovery. This merely preserves to him that right to do so.

Senator JACKSON. Within a 2-year period?

Mr. DAVIS. Two years.

Senator JACKSON. So this just continues the law as it is. This is no change, then, in the existing law?

Mr. STAMM. That is right. It just preserves the right to sue for a 2-year period.

Senator JACKSON. All right. Section 6.

Mr. STAMM. Section 6 eliminates language unnecessary in the remaining provisions of the Columbia Basin Project Act after the enactment of this bill.

Senator JACKSON. Does it make any substantive change?

Mr. STAMM. No. With these other changes there is certain language in the existing act that is no longer of any force and effect.

Senator JACKSON. This is an amendment to make the 1943 act conform to this bill—is that right, essentially?

Mr. STAMM. Yes.

Senator JACKSON. Section 7 looks like a restatement of the law as it is now and makes certain that in amending the 1943 act that you are not changing the act of June 23, 1959. Is that right?

Mr. WEINBERG. That is correct, Senator.

Senator JACKSON. In other words, we did pass legislation which gave to the State of Washington a right to receive water for 640 acres of irrigable land in connection with the agricultural research being conducted by the then Washington State College.

Mr. WEINBERG. Yes, sir.

Senator JACKSON. It is still the same institution, except that the legislature has changed the title; we will amend it to conform to the existing law.

Mr. WEINBERG. That was done by the act of June 23, 1959.

Senator JACKSON. Section 1 of the bill. We will go backward here, but I want to make a complete record. This is a ratification of the contract approved by the Quincy District; is it not?

Mr. WEINBERG. Yes, sir.

Senator JACKSON. And it gives you authority to also negotiate with the South and East Columbia Districts. That is about the substance of it?

Mr. WEINBERG. Yes, sir.

Senator JACKSON. Did we cover section 2?

Let's turn to section 2. What is the effect of section 2?

Mr. STAMM. This provides that when the amendatory payment contract with the Quincy-Columbia Basin district or any other Columbia Basin district approved or authorized by this act or approved by other acts of Congress becomes effective to bind the United States,

the contracting district's share of the operation and maintenance funds expended or obligated for the construction of project drainage works during calendar years 1960, 1961, and 1962, will be capitalized and charged as a part of the construction cost of the project works assigned directly to irrigation.

Then section 2 would also authorize the Secretary to give that district appropriate refund or credit, as the district may elect, of all operation and maintenance payments made by the district for the construction of drainage works during those years, and such credit, if elected by the district, to be applied against future development period and/or construction charges of the district as they come due.

Senator JACKSON. On the capital costs of the project, or the capital costs of the drainage?

Mr. STAMM. Well, these would be merged into one obligation and it would just be against the construction charge due for the current year. Prior to the end of the development period they could take this credit on development period charges.

Senator JACKSON. The districts levied the assessments and paid them in 1961. They were paid from reserves in 1960.

Mr. STAMM. Specifically, all districts paid in 1960 an amount of $1.65 an acre for all land then receiving water.

Senator JACKSON. Drainage.

Mr. STAMM. Yes, for drainage. They paid this $1.65 specifically for drainage construction in addition to their other charges. In 1961, all districts paid $2.30 an acre for all assessed irrigable land for the same purpose, that is, to pay for drainage construction currently carried on.

Senator JACKSON. That is this year, 1962?

Mr. STAMM. By act of the Congress the charge for 1962 was deferred so the districts were not obligated to make that payment in May of this year, but unless we have amendatory contracts in the interim, the 1962 charge that came due May 1 of this year will have to be paid on May 1 of 1963, with interest, along with the new charge for 1963.

Senator JACKSON. And with the amendatory contract, what do they have?

Mr. STAMM. All three districts have actually paid us the drainage charge for the years 1960 and 1961. With the amendatory contract effective prior to next May 1, the districts could elect to have those amounts paid either returned to them as a refund, or credited to them on future charges due.

Senator JACKSON. You are pushing forward the effective date of the contract. Instead of starting from 1960 the amortization of the drainage cost starts in 1963. Isn't that the effect of this?

Mr. STAMM. No. I think it is the other way around.

Senator JACKSON. You give them the credit for those payments?

Mr. STAMM. Yes, sir. We also do this: At the moment the books show that some drainage works were constructed with operation and maintenance money. Under the proposal, we would transfer that cost from the operation and maintenance account and put it over against the capitalized construction account. We would make a bookkeeping adjustment and capitalize all construction of project drainage works.

Senator JACKSON. Effective from 1960?

Mr. STAMM. Yes, sir.

Senator JACSKON. I understand. In other words you change them from operation and maintenance, which is the way they would be carried in absence of this amendatory contract, to the capital account effective as of 1960?

Mr. STAMM. Yes, as though this has been in effect since 1960; yes, sir.

Senator JACKSON. The staff of the House committee has proposed certain amendments to the House bill which we might look at here now. Page 2, lines 16 to 19, delete the words, and I quote—

and the Secretary shall give that district appropriate refund or credit including interest paid as it may elect, of all operation and maintenance payments made by it—

and insert in lieu thereof the words—

and the Secretary shall either refund to it or give it credit for (as it may elect) all operation and maintenance payments (including interest paid by it in connection therewtih) which it has made.

What are you comments on that?

Mr. WEINBERG. No objection. It is merely a matter of draftsmanship and choice of words.

Senator JACKSON. There is no substantive change involved?

Mr. WEINBERG. No, sir; no change.

Senator ALLOTT. What is the effect of this provision in the bill. I am frank to say that I cannot understand the basic reason for refunding the operation and maintenance payment or giving credit for it.

Mr. WEINBERG. Beginning in 1960, Senator Allott, was when the $8 million drainage limitation was reached under the existing contracts. It was required that all additional drainage costs be paid for as operation and maintenance costs on an annual basis. The amount we spent for drainage that year was billed as a part of the operation and maintenance. That prevailed for 1960 and 1961. For 1962 the Congress has deferred the payment of those charges as operation and maintenance for 1 year on the assumption that this permanent legislation would be disposed of before another year is out.

The effect of the language is to capitalize the payments for drainage beginning with 1960 rather than waiting until 1963.

Senator ALLOTT. Simply to capitalize it then?

Mr. WEINBERG. Yes. And therefore the districts that did pay it as operation and maintenance for 1960 and 1961 would then get either a credit or a refund of that amount.

Senator ALLOTT. This simply puts them on an equal basis with the other districts. Am I correct?

Mr. WEINBERG. It would put them on a basis of this legislation having become effective as of 1960 for that purpose.

Senator ALLOTT. Which would be on the same basis as those districts which did not pay?

Mr. STAMM. They are all in the same boat. They all paid in 1960 and 1961. Let me review this again very briefly. It is the same thing Mr. Weinberg has already said, but they are all in the same boat. All three districts in 1960 paid, in addition to their other charges, $1.65 an acre for drainage construction. They paid it as part of O. & M. and added to their O. & M. bill.

They did not assess the water users for that. The districts paid this out of their reserve funds which they are required to accumulate under the contracts.

In 1961 the districts were assessed and paid $2.30 an acre for this same purpose, for construction of drainage works, in addition to the other payments they owed the United States. In 1961 the districts assessed the water users, collected it from the farmers, and paid the United States. So all three districts have paid $1.65 an acre in one year, and $2.30 per acre the next, 1960 and 1961. In 1962, the charge of $2.50 an acre was deferred in anticipation of some legislation this year.

This proposed bill would provide that those payments made in 1960 and 1961 could be refunded or credited to the districts.

Mr. WEINBERG. The reason being that the $1.65 and the other amount will now be added to their capital cost to be repaid over the 50-year period.

Senator JACKSON. The next amendment proposed by the House staff is on page 3, line 14. Delete the "interest" and insert in lieu thereof the word "interests."

Senator ALLOTT. That is line 13, I think, on the Senate bill.

Senator JACKSON. Yes, that is what it is. They are identical, but the lines turn out differently. It should be page 3, line 13, instead of line 14 of the House bill.

Mr. STAMM. Fourteen of the House bill.

Senator JACKSON. Thirteen of the Senate bill, isn't it? Please compare the two.

Mr. WEINBERG. I do not have the Senate bill.

Senator JACKSON. Give him a copy.

Senator ALLOTT. Mr. Chairman, this is very easy. The idea is to acquire in the name of the United States at a price satisfactory to him such lands or interests in lands within or adjacent to the project area as he deems appropriate for the protection, development, or improvement of the project. Now the question here is simply making plural the word "interest."

Senator JACKSON. That is correct.

Mr. WEINBERG. This is line 13 in the Senate bill.

Senator JACKSON. Change the singular to plural. Any objection?

Mr. WEINBERG. No objection.

Senator JACKSON. The next amendment is on page 4. Page 4, line 24, of the House bill, delete the period and add the words, "to conform to the provisions of this act."

Mr. WEINBERG. It is line 23 in the Senate bill and this gets at the same point that you and Senator Allott were discussing with me, and that is the limitation of the authorization to modify everything only as necessary to conform to the provisions of this act.

Senator JACKSON. I think your language is a little better, frankly. We can work that out. The point is that it is to restrict all of section 4 to the provisions of the proposed bill.

Mr. WEINBERG. Yes, sir.

Senator JACKSON. And together with the changes on "documents." That is to be stricken out, so why don't we keep that, if you have no objection, to the adjusted language that Mr. Weinberg mentioned earlier. Is that all right?

Mr. WEINBERG. Yes, sir.

Senator JACKSON. Now page 5, line 9.

Mr. WEINBERG. Line 8 in the Senate bill.

Senator JACKSON. It is line 8 in the Senate bill. Delete the word "herein" and insert in lieu thereof the word "hereby."

Mr. WEINBERG. The change is absolutely correct.

Senator ALLOTT. I think that is pretty obvious.

Senator JACKSON. All right. We will make that change.

On page 5, line 10, delete the words—it would be line 8, I suppose—"its repeal," and insert in lieu thereof the words "repeal of said section 3."

Mr. WEINBERG. No objection.

Senator JACKSON. These are all perfecting amendments.

Mr. WEINBERG. Yes.

Senator JACKSON. Page 5, line 14 of the House bill, delete "section 5(b)," and insert in lieu thereof, "section (b)."

Any objection to that?

Mr. WEINBERG. No, sir.

Senator JACKSON. Page 5, strike all of line 15. I suppose it is line 14 in the Senate bill. Strike out all of the line 14 and insert the following: (b) Section 6. Delete "under section 2 hereof," and insert in lieu thereof the words "for the repayment thereof."

Mr. WEINBERG. No objection.

Senator ALLOTT. Delete "the repayment hereof"?

Senator JACKSON. We should have the Project Act of 1943 in order for you to do that. That would be section 6 which you are affecting, isn't it?

Senator ALLOTT. Section 6?

Senator JACKSON. Section 6 (b).

Senator ALLOTT. Can you tell me where this is in here, Mr. French?

Senator JACKSON. Section 6 on the bottom of page 19. You are amending the 1943 act here.

Senator ALLOTT. I have the 1943 act and section 6. Now, where do we go from there?

Mr. WEINBERG. It is the last line of the section.

Senator ALLOTT. It is on page 20 then.

Mr. WEINBERG. That would delete "under section 2 hereof" and insert——

Senator JACKSON. And insert "for the repayment thereof." That is what it would do, "entering into contracts for the repayment thereof." That is the way it would read on page 20 of the 1943 act. Now, on page 5, lines 16 and 17. I suppose that should be lines 15 and 16. Insert the following: (c) Section 8, delete, and now I quote, "and to include in the contracts hereinbefore provided for," and insert in lieu thereof the words, "and to include in contracts relating to the Columbia Basin project."

Mr. WEINBERG. No objection.

Senator JACKSON. That is just a perfecting amendment. I have no further questions of it at the moment, myself.

Senator Dworshak?

Senator DWORSHAK. I yield to Senator Allott.

Senator ALLOTT. I have just one or two questions and I would have asked these this morning and I would have delayed other

questioning, but I didn't want to get into it. I have in my hands the Columbia Basin irrigation project hearing before this committee in 1960 and Mr. Dominy said at that time in response to a question from the chairman, who said, "When did that happen?"

Mr. DOMINY. We put out the drainage assessments last October, but they had known that this was inevitable and that we could not just contract without approval of Congress. As I say, we started negotiations following determination by the Secretary as required by section 7, which was made in 1953.

Then here comes the pertinent part—

It is inevitable, too, that where reclamation law says we shall write contracts according to the ability to pay and there is a large powerplant with revenues available, the water users obviously are interested in loading as large a portion of the total on the revenue-producing elements other than irrigation.

Isn't that true in this whole situation here?

Mr. STAMM. Yes. In my opening remarks I indicated that the principal issue over these 8 or 9 years has been that many water users, including the officials of the districts, felt that the project should be completed with no change in the $85 figure, that all drainage work should be capitalized, all additional work required should be completed, and there should be no change or increase in the water users' obligation. We felt that there should be an increase, recognizing the very things that you made reference to and the ability to pay. That has been one of the principal items at issue over the years.

There have been some side issues but that has been the principal one—how to finance and repay the drainage costs.

Senator ALLOTT. When did construction actually begin? In 1946?

Mr. STAMM. I think the first water was delivered in about 1948 or 1949. Just when irrigation construction started I am not sure, but that is not far wrong.

Senator JACKSON. That is about right.

Senator ALLOTT. Now, I am referring to the document that has been referred to here before, Committee Print CB–1, of this committee, March 15, 1960, page 90. In 1958 you found that this had an average unadjusted payment capacity of $15.82 per acre. Would you agree that it still has that capacity?

Mr. STAMM. Yes, I think so.

Senator ALLOTT. At least that?

Mr. STAMM. Customarily, however, we do make the adjustment that is referred to here, and with the 25-percent adjustment it reduces to $11.88, I believe.

Senator ALLOTT. If you take off $6.60 from that for O. & M. and district overhead that would leave you $9.22 unadjusted payment capacity. If you take off the 25-percent contingency, $2.40, my figure comes out to $6.82 adjusted payment capacity per acre.

Mr. STAMM. Our standard procedure is to take the 25 percent off first, which reduces it to $11.88 and then you would deduct the estimated O. & M. costs of $6.60 and it leaves about $5.28.

Senator ALLOTT. And yet with $5.28 and the expanded features of the act these people will be assessed on the basis of about $2 an acre?

Mr. STAMM. Under the proposal they would pay their O. & M. cost and they would pay an average of about $2.63 an acre toward construction.

Senator ALLOTT. And based upon your figures that is $2.63 against a $5.40 adjusted payment?

Mr. STAMM. $5.28; yes, sir.

Senator ALLOTT. $5.28. This is the thing I can't understand. I realize that we are perhaps going into an area that is new to me in my experience on this committee.

Mr. STAMM. Maybe I could shed a little light on that. We have the 1945 contracts which are valid contracts and this is an amendatory contract. Obviously the water users and the irrigation districts are not going to be willing to enter into an amendatory contract if it is greatly to their disadvantage to do so.

In other words, they have to evaluate this. "Is it better for me to continue with my existing contract, or to enter into an amendatory contract?"

Senator ALLOTT. This is what I am trying to find out, of course. Either you are doing something, the principles with which I do not agree, or I do not have the facts clearly in mind, and this is what I want to find out.

If the present acreage is somewhere in the neighborhood of less than 500,000 acres—400-and-what-is-it?

Mr. STAMM. 481,000 is the figure we can complete within existing contract ceilings.

Senator ALLOTT. Let us use the figure 481,000 because the differences will be not making the illustration any different, and you have something in the neighborhood of one million.

Now, the costs have gone up over this. Will the increased cost inure to the benefit of the present acreage holder, the present water rights people?

Mr. STAMM. I missed part of that question. Will the increase cost what?

Senator ALLOTT. What I am trying to get at is, you have almost 500,000 acres here. These people are entitled and are procuring delivery of a certain specified amount of water. Now, it is proposed to expand this project an additional 400 million, at greatly increased cost. These people will not increase their cost at all over here, the original people.

Mr. STAMM. They have increased them somewhat.

Senator ALLOTT. They have only increased it to a very minor proportion. Most of it is taken up by drainage——

Senator JACKSON. It increases it from $121 an acre.

Senator ALLOTT. To $131.

Senator JACKSON. From $121 to roughly $131.

Senator ALLOTT. $131. So you have an increase of $10 over a 50-year period which is 10 cents a year, so they really are paying insignificantly nothing more. In the enlargement of the project do these people gain certain definite assets, and certain water stability, or anything of this sort, or additional water which makes their position more favorable than it was before?

Mr. STAMM. Only in part. Each of these districts is large enough now to operate efficiently and I do not think adding extra acreage is going to permit them to operate more efficiently and thereby reduce the O. & M. cost per acre. There is nothing to be gained there. I think there might be something to be gained in the field of marketing arrangements and processing plants, because these lands now, even though they are large in numbers of acres, still are scattered to some

extent and the processing industries have not moved in as rapidly as we had anticipated.

We think when the total production is increased and the project is blocked out that we will in time have additional processing industries and better marketing arrangements, and the farmers would benefit from that primarily.

Senator ALLOTT. If you go ahead with this other 500,000 acres, on what basis will these people pay? On the basis of the increased cost, or on the basis of $85?

Mr. STAMM. The new obligation would apply across the board to all of the lands in the Columbia Basin project, the old lands as well as the new.

Senator ALLOTT. It would be added on to the $131.60?

Mr. STAMM. No, sir. This $131.60 would apply to all irrigable lands—the full million acres—of the Columbia Basin project, about half of which is developed now to receive water and will pay out at that rate. As the project is expanded the new lands will also pick up the obligation to repay $131.60 per acre.

Senator ALLOTT. And this is without respect to cost? This is without respect to expanded costs of the new portion of the project?

Mr. STAMM. Only to this extent. The contract provides that the Secretary of the Interior will review the financial and economic feasibility of this project and at any time that it is no longer feasible to continue construction under the prevailing policies established by the Congress and the Department, construction can be stopped and will be stopped.

Senator ALLOTT. Honestly, do you think it would ever be stopped if we pass this legislation?

Mr. STAMM. Well, I am sure that when we go to the Appropriations Committees and ask for additional appropriations if we do not have financial documents there that show favorable benefit-cost ratios and reimbursibility of the amount that is required to be repaid under law, they would not appropriate the money.

We make those showings to the Appropriations Committees every year.

Senator ALLOTT. I think that the point that has bothered the Senator from Idaho—and I came around to it through a completely different course of reasoning—is this fact: Simply that here you have an additional group of 500,000 acres coming in with greatly expanded costs and they pick up the rights at exactly the same cost that these people picked it up in 1946 at a much more valuable dollar than they pick it up in 1962. This is the thing that has bothered the Senator from Idaho. It bothers me.

In other words, these people don't pay for their land upon the basis of, No. 1, the increased cost; No. 2, the devaluated dollar, which everyone else in the United States is doing at this time; and No. 3—perhaps I should add this in here—they are doing it at a cost of less than 50 percent of what you have found to be the adjusted payment capacity of the land. These things bother me.

Senator DWORSHAK. Would you yield at that point?

Senator ALLOTT. That is all I have to say.

Senator DWORSHAK. Isn't it possible that your concern and apprehension stem from the fact that as the reclamation program advances

in the Missouri Valley and is initiated in the Colorado River Basin, in which the Senator from Colorado is vitally affected, we may face the possibility of a dual system of appraisal and evaluation of reimbursability capability? Is that right?

Senator ALLOTT. I do not think it is possible.

Senator DWORSHAK. Well, on what basis will the Colorado reclamation program be evaluated? When did you start talking about it? When was it first authorized?

Senator ALLOTT. The Upper Colorado?

Senator DWORSHAK. Yes. About 10 years ago?

Senator ALLOTT. 1956.

Senator DWORSHAK. Six years ago. Were you using the standards at that time, or will they proceed on the basis that if in 3 or 4 years a project is authorized, the current costs of the claiming lands will be applied to the reimbursability of responsibility rather than the 1956 standards?

Senator ALLOTT. Well, I think these gentlemen will have to answer that. But I presume they will have to pay upon the basis of the cost of the project, will they not?

Mr. WEINBERG. The contracts that have been written and are being written for the Colorado River Storage project are fixed-cost contracts, in which the Government agrees to put in the participating units and the water users agree to pay a fixed amount, and the Government does not, save for failure of Congress to appropriate, retain the right to stop if it cannot complete the participating unit within the cost estimates.

Senator DWORSHAK. How many years will it take to complete the reclamation features in the Colorado River Basin? Ten? Twenty? Thirty?

Mr. WEINBERG. Well, the Colorado River storage project is a long-range project.

Senator DWORSHAK. I mean the reclamation project.

Senator ALLOTT. If I may answer, I believe it is going to depend a lot on the power revenues of the Upper Colorado River project.

Senator JACKSON. As long as this question has been raised I might ask a couple of questions on this. Do I understand that the Government, the Bureau of Reclamation, has a fixed-price contract agreement with the water users?

Mr. WEINBERG. Those projects that have been entered into under the storage project for irrigation; yes, sir.

Senator JACKSON. Over how long a period of time does that run?

Mr. WEINBERG. Fifty years.

Senator JACKSON. If the price costs increase, which I assume they will, just as they will on this project, if this is in conformance with American history, who picks up the tab then?

Mr. WEINBERG. The purchasers of power from the Colorado River storage project.

Senator JACKSON. And what is the situation on the Columbia Basin project?

Mr. WEINBERG. On the Columbia Basin project, under the amendatory contract, the water users would pick up a part of the increases in cost.

Senator JACKSON. And the power users indirectly would pick up the rest?

Mr. WEINBERG. Yes, sir. Subject, however, to a contractual right reserved by the Secretary to terminate construction and determine the works completed and institute repayments in the event he concludes it is no longer economically feasible to complete the work.

Senator JACKSON. Does that same amendment apply to the Colorado River Project Act?

Mr. WEINBERG. Not on those contracts that have been written on the storage project, no.

Senator JACKSON. If I may just go back and give my friend a little of the history, this project started in 1919, by way of discussion and various hearings.

Then the State of Washington set up a Columbia Basin Commission. Late in 1921, a consulting engineer was employed by the State of Washington at that time to reinvestigate the Grand Coulee Dam and pumping plant. There was another plan that was entirely different from this.

All during the 1920's there was great discussion and not just about producing power. Actually, power was a minor part of the consideration. The main objective was to irrigate the million acres that we have talked about. This is the history of the project. So while the public has the idea that the Grand Coulee Dam was solely a power project, this is not the inception of the project at all. Grand Coulee Dam was merely a segment of the Columbia Basin Project Act as it was later to be known. It was a part of this entire development.

It was the feeling of the people who sponsored this, and it has been understood and recognized by the Department, that power revenues from Grand Coulee would be used to take care of a substantial part of the cost. I think the cost was about the lowest of any dam in the entire United States. It is something like $8 and some odd cents a kilowatt year, which of course is a fantastically low cost.

And it was the revenues of this project that would take care of the cost in excess of $85 an acre. I believe I am stating this history correctly. And the trouble that arose in connection with what we are now considering stems from the fact that the Bureau had hoped that all of the grainage costs would not exceed $8 million. When the costs exceeded $8 million, they then of course became a charge against operation and maintenance, and this forced the question of the adoption of the amendatory contract.

So the provisions that we have in this bill stem from a negotiation between the Bureau of Reclamation and the districts involved, keeping in mind that the whole approach of this project had been one of taking care of the substantial part of the cost out of power revenues from a dam that is the lowest cost power project in all of North America.

Mr. WEINBERG. May I make a comment, Senator?

I do not want to disagree, and I do not disagree with your recitation of history, but as a lawyer I feel I must protect the legal position of the United States at this time. We do not agree that the statutes committed Grand Coulee Dam power unconditionally to continuous meeting of the irrigation costs, in view of the contracts that were written. Nor do we agree that it was beyond the authority of Secretary Ickes in 1945 to write those contracts.

Senator JACKSON. What I was trying to say is that the philosophy underlying this project was that a substantial part of the power revenues from Grand Coulee Dam would be used to take care of the cost.

Mr. WEINBERG. That is correct.

Senator JACKSON. The project was, of course, always considered to be handled on a solely reimbursible basis. There was never any thought that it would not be done. What has happened, in the meantime, of course, is that all these costs have gone up. Just like on the Colorado, you do not know whether your power revenues will be able to take care of these excess costs that may arise in the future.

Mr. STAMM. Do not overlook Idaho. Costs went up in Idaho, also.

Senator DWORSHAK. And the commitments of the irrigators went up with it on the north side projects, at Ruppert.

Mr. STAMM. On the Black Canyon project, with which you are familiar, the cost went up also. When the amendatory contract was written, I believe the entire amount of the increase was assigned to Boise project power revenues, and the water users' obligation was not increased on the Black Canyon. In fact, I think it was decreased slightly.

Senator DWORSHAK. Well, that was built back 15 years ago.

Mr. STAMM. The amendatory contract was 1954.

Senator DWORSHAK. Well, the project was built on the basis of cost 12 or 15 years ago, was it not?

Mr. STAMM. Yes, but even then the costs went up tremendously, and about 40 percent of the total cost was assigned to Boise project power revenues.

Senator DWORSHAK. May I ask this question, to get some perspective? When was the north side-Minidoka extension of about 78,000 acres authorized?

Mr. STAMM. About 1950, Mr. Davis says.

Senator DWORSHAK. But it was considered long before that—1924. But you say the actual authorization was in the Palisades Act.

Mr. DAVIS. It is a part of the Palisades Authorizing Act. I think it was in 1950.

Senator DWORSHAK. In 1950. The latest segments of that 78,000 acres has just been completed, that is, as far as construction is concerned. Now, did you use the 1950 standard of cost in computing the reimbursibility by the irrigator of his share of the costs, or did you use the standards which prevailed in 1957, 1958, 1959, and 1960?

Mr. STAMM. That project is different in that it is a public land project. We did not have a repayment contract previously, and the contract recently negotiated and executed was the first and original contract on the project. We used, I feel sure, our earlier repayment capacity studies updated to the current situation.

Senator DWORSHAK. Now, you told us this morning that the irrigator is obligated to repay about $160 per acre.

Mr. STAMM. Yes, sir; $160 an acre.

Senator DWORSHAK. Is that land any better, or its production capability any better, than the land in the Quincy district?

Mr. STAMM. Yes, sir; I think it is. I think that north side division is one of the best projects in the Pacific Northwest, and virtually all of the land is class I and II.

Senator DWORSHAK. It produces the same crops as they do over in the Grand Coulee?

Mr. STAMM. Yes, the general crops, but it has a higher production, and it shows a higher gross crop value. It is an excellent project. It really is.

Senator DWORSHAK. That would justify, then, almost doubling——

Mr. STAMM. Not doubling. From $130 to $160, a $30 increase.

Senator DWORSHAK. I was figuring the $85 or $95, but you stated this morning that you have to include the drainage facilities.

Mr. STAMM. Yes, sir.

Senator DWORSHAK. Now, this bothers me, along the line of the questioning from the Senator from Colorado. Say 20 years from now you bring in 20,000 acres and the costs are not $780, but they are $1,500 per acre. Will you still have the $131 repayment for the irrigator then in face of the doubling of the costs of bringing in the land? Or will you double the obligation of the irrigator to pay not $131 but $262?

Mr. STAMM. To answer that, we need to make some assumptions. We cannot unilaterally increase the water users' obligation. So long as we continue to operate under the existing contracts, they pay what only they are obligated to pay under those contracts. If the costs in this case go to the point that it is no longer feasible to continue construction under then prevailing policies, then we would stop construction. Then if at sometime subsequent to that it was desired nevertheless to go ahead and complete that project, we would have to look at the remaining land as part of a new project and make a new repayment capacity study and new analyses. The landowners that had not been served theretofore would have to negotiate with us under whatever policies at that time prevailed, and within the economic and feasible limits.

Senator DWORSHAK. But that would all be contingent upon a determination by the then Secretary of the Interior that the existing contract was not justifiable or adequate.

Mr. STAMM. Well, he would make the calculations under the policies laid down by the Congress.

Senator JACKSON. May I just mention what you said earlier? Each year you go before the Appropriations Committee?

Mr. STAMM. Yes, sir.

Senator JACKSON. And you in requesting your funds for the increment for the following fiscal year, have to make a finding of feasibility that the amount requested can be repaid and will be repaid in conformance with the reclamation law, is that correct?

Mr. STAMM. That is right.

Senator DWORSHAK. But is it true that the Appropriations Committee would have the right to deny any and all appropriations for the then current installment of reclamation that the Bureau had?

Mr. STAMM. Yes, sir.

Senator DWORSHAK. I would like to ask Mr. Weinberg, recalling that the other day I listened to his testimony when Director Charles Luce of Bonneville Power Administration, was before the Joint Committee on Atomic Energy, I raised some points about the cost of power and the current $15 million deficit that Bonneville Power Administration is operating under. And Mr. Luce testified that every 5 years

it was incumbent upon the Secretary of the Interior to make a computation to determine whether the rates are too low and should be increased. Is that correct?

Mr. WEINBERG. That is correct.

Senator DWORSHAK. And when was the rate of $17.50 established?

Mr. WEINBERG. The rate of $17.50 was established at the time power sales began from Bonneville Dam.

Senator DWORSHAK. What year?

Mr. WEINBERG. Which was, I think, oh, 1938–39, somewhere in there.

Senator DWORSHAK. Have there been any increases since that time?

Mr. WEINBERG. No, sir.

Senator DWORSHAK. The same rate is in existence?

Mr. WEINBERG. Yes, sir.

Senator DWORSHAK. Notwithstanding the fact that Bonneville Power Administration is operating at a $15 million deficit and has the past 2 years, with prospects of additional deficits

Mr. WEINBERG. Well, there has been a substantial surplus piled up in the previous years, and we are relying on that cushion at the present time, Senator Dworshak.

Senator DWORSHAK. But is it not a fact that based on the present operations of power distribution and the present rate, Bonneville Power Administration has a $15 million operating deficit annually?

Mr. WEINBERG. For a single year, yes.

I believe your figure is correct.

Senator DWORSHAK. For the last two, at least.

Mr. WEINBERG. For the last few years, yes. I am not sure that I recollect the exact figure, but I would not quarrel with yours.

Senator JACKSON. The surplus was up as high as $70 million or $80 million.

Mr. WEINBERG. The surplus was in the area of $70 million to $80 million.

Senator DWORSHAK. What is it now?

Mr. WEINBERG. It is down around $40 million, $35 or $40 million.

Senator DWORSHAK. But the point I am making is this, you talk goodly and sincerely, about the authority of the Secretary of the Interior at some future time to determine that this repayment cost of 131 is inadequate. But as we compare that authority with the authority which the Secretaries had on BPA rates, you testified that since 1938 there has been no increase in the rates, is that correct?

Mr. WEINBERG. That is correct. The matter had been reviewed. We had a $75 million to $80 million surplus, Senator Dworshak. If it is appropriate, or if it is necessary, to immediately raise the rate the first time we run into a deficit, then it is equally arguable that our rate was too high in the first place and we should never have piled up the surplus. I think either argument is not a business-like approach.

Senator DWORSHAK. I just point out that when you theorize about the authority which the Secretary of the Interior has to make determinations, the fact is that no Secretary, whether he be a Republican or a Democrat, has made any computation which justifies an increase in the BPA power rates which have existed since 1938. Is that right?

Mr. WEINBERG. That is correct. I would have to add that cer-

tainly no Secretary of the Interior approaches the prospect of an increase with relish.

Senator DWORSHAK. And neither would the Secretary in the future relish the opportunity to increase the repayment to be made by the irrigator.

Mr. WEINBERG. Well, the Secretary—and I think Mr. Luce testified to this—in the event the Department is continued in the straitjacket in which it now finds itself, with large amounts of secondary energy which for one reason or another cannot be firmed, the situation is going to have to be faced.

Senator DWORSHAK. And the House took action yesterday which focuses attention on that possibility.

Mr. WEINBERG. Well, the action of the House yesterday—and I do no discredit to the House; I merely state a fact—the action of the House yesterday precludes one area in which it might have been possible to increase the salability of the Bonneville product.

Senator DWORSHAK. And makes likely the fact that BPA will have another $15 million deficit next year.

Mr. WEINBERG. The action of the House yesterday did not help the deficit situation any. I say that without at all controverting the right of the House to take whatever action it wishes. But the fact is the fact.

Senator JACKSON. And the Department of the Interior has requested legislation which this committee has reported out, to make it possible to sell power outside of the region and maintain the contractual relationships that exist with its customers.

Mr. WEINBERG. That is correct, Senator Jackson.

Senator JACKSON. So that the Bonneville Administration is attempting to deal with this current deficit.

Mr. WEINBERG. Yes, sir, and that legislation, if I may add, was requested by this committee.

Senator DWORSHAK. Mr. Weinberg, it seems peculiar to me that in the case of the use of the Hanford heat, the Congress does seem to have authority to establish policy; whereas in the consideration of this bill the Congress would directly be denied any authority to increase the repayments by the irrigator in the next 20, 30, or 40 years.

Mr. WEINBERG. Well, these are policy decisions for the Congress to make. There is a proposal here.

Senator DWORSHAK. If it has the authority in the case of BPA power, why should not Congress have some authority to readjust the terms of contracts in this proposal, in view of the fact that as we bring in 500,000 more acres with the possibility of greatly increased costs, there may be some very urgent need of readjusting the contract.

Senator JACKSON. I am for that. Let us go back and do this on all contracts. The Senator has contracts in Idaho that are not subject to change by reason of the fact that they are firm contracts.

Senator DWORSHAK. But they are not adding acreage to their projects now. They are completed and have been completed for years; whereas the difference in this case is——

Senator JACKSON. We are not adding. This project has been authorized.

Senator DWORSHAK. Oh, but you still have 500,000 acres to develop.

Senator JACKSON. Of course, the project is still going. It is still under construction, but the project has been authorized.

Now, I just wanted to mention one other matter in connection with the Bonneville rates, as long as it has been brought up.

Senator DWORSHAK. Well, it is pertinent, is it not?

Senator JACKSON. Sure it is. I just want to get the full picture, as you do, as we all do.

Senator DWORSHAK. I did not want it thought that I just brought it into this project.

Mr. WEINBERG. There is a direct relationship here.

Senator JACKSON. We are giving this bill, you know, unusual treatment, and I think we should do this in all other bills that come before the committee, and at least one of us is going to see that it is done.

As long as we go into this thing, let us get all the facts out. At the time Bonneville started to deliver power, back in 1938 and 1939, the power was coming from Bonneville Dam, to begin with, right?

There were just two projects?

Mr. WEINBERG. Yes, originally, Bonneville Dam.

Senator JACKSON. Bonneville Dam was first. And then the second one to come on the line was Grand Coulee, which started about the time war broke out.

Now, the point I want to make is this, if you will supply for the record what the cost per kilowatt-year was for those two projects, and then place that alongside the $17.50 rates, I think you will find that the $17.50 rate at the outset was roughly double the cost of those original projects. J. D. Ross, of Seattle City Light, was one of the great power executives of this country, for years an outstanding manager—I think the Senator from Idaho will remember him; he was a great man. He was the first Administrator of the Bonneville Power Administration, and he was looking ahead, realizing that future dams would cost more. So he started out at double the going rate, and if we will place in the record the costs as they have increased, on each new dam coming in, I think we will get this entire matter of the rate structure in proper perspective.

Mr. WEINBERG. We will be happy to do that, Senator.

Senator JACKSON. Would you put that in the record.

(The information referred to follows:)

The cost per kilowatt-year for Coulee power is $6.21; for Bonneville power, $6.35.

Senator DWORSHAK. Well, we had that the other day. Mr. Luce testified that the costs now are $22, $24, and $26 per kilowatt.

Senator JACKSON. But we are considering a different bill. Let us keep it in this record.

Mr. WEINBERG. We do not have any more of those $8 projects in sight.

Senator JACKSON. Hanford nuclear powerplant would have helped to keep the lid down. As a matter of fact, it was the cheapest of all projects, assuming we kept it on a dual-purpose basis. It would be cheaper than any new hydroelectric power project that could be developed in the Northwest, and therefore be about the cheapest of any in the country.

Senator DWORSHAK. Mr. Weinberg, when you testified, or Mr. Stamm, a little while ago, that if the costs increased greatly in the next 10 or 15 years, and go up to $1,200 or $1,500, the Secretary can make a computation and determine whether it is feasible to proceed

with reclamation at that point. But is it not a fact that the Secretary could only conclude that it would not be advisable to proceed with future reclamation development, and that his hands would be tied, and he would have absolutely no authority to readjust the $131 repayment contract.

Mr. WEINBERG. Yes, that is correct. Let me add, however, that the situation would be not unlike that in which we are now, and that is he could still go back to the water users and say, "If you want the project completed, the price is going to have to go up." And how much he could increase the charge would be a matter of negotiation. This is then a matter of 8 years of very difficult negotiation.

Senator DWORSHAK. I was just going to ask you, how long has it been since the proceedings were initiated in this current recontract?

Mr. WEINBERG. Eight years.

Senator DWORSHAK. But there has been no retardation of any kind in the bringing in of new acreage. We can go ahead with the program as originally planned.

Mr. WEINBERG. No, we did not stop construction in 1950, but we have announced—by "we" I mean the Commissioner of Reclamation has announced—that the limit is within sight under the contract, and he is going to have to stop it. And he did announce in 1960 that the limit had been reached on the drainage.

Senator DWORSHAK. But at any time during this 8-year period, was there a determination by the Secretary of the Interior that no more land should be brought under irrigation in that area until and unless the contract was renegotiated?

Mr. STAMM. Yes, sir. Let me answer that, Senator Dworshak. The determination was made several years ago as to how we could best spend the remaining money we had under the ceilings of the 1945 contracts, in order to bring the construction to a close when we had reached the ceiling, and not have some work half completed that would not serve any useful purpose. The whole construction program has been reoriented in the last few years to make the best use of the remaining amount under the ceiling.

Senator DWORSHAK. But did you materially cut down the annual new acreage.

Mr. STAMM. Well, we were using the funds most efficiently to bring the project to a close and of course one of the criteria is, how can you best wind this up with full use of the constructed facilities and maximize the acreage that can be served within the ceiling?

Senator DWORSHAK. Can you tell us how many acres were brought under irrigation in each of the past 8 years?

Mr. STAMM. We certainly can. I do not have them before me, but we certainly can supply them. The appropriations have been reduced, the staff has been reduced, and the whole program has been geared to the 481,000 acre program.

Senator DWORSHAK. And you can show what your original plan was of bringing in new acreage annually and what actually was done, so that we can see.

Senator BOTTUM. Mr. Chairman, there is something I would like to have cleared up in my own mind, having come in rather late. Do I understand you have some 400,000 acres now under irrigation?

Mr. WEINBERG. Yes, sir.

Senator BOTTUM. And on those acreages you have a firm contract, at a fixed amount. Now, do I also understand that it is the policy of the Department and of the law that it is impossible to set up contracts on the new acreage coming in at a higher cost than those original acres, a higher repayment, or is it your policy to keep that at a level as you now have under your firm contract?

Mr. STAMM. The contracts which we now have contemplate the construction of facilities to serve a million acres. And we have a firm contract with the three districts involved, to build a project to serve those million acres, and to have a firm repayment obligation. To increase that obligation requires the concurrence of those districts. I am sure that these gentlemen all know that all of our repayment contracts of this type have a firm stipulated repayment obligation of the water users to repay. And we cannot unilaterally increase that. It can only be modified by agreement with the Board, and in most States, it has to go to an election of the water users.

Senator BOTTUM. I understand now. I was trying to get it clear in my mind. Thank you.

Senator JACKSON. I have not asked very many questions.

Senator ALLOTT. Neither have I.

Senator JACKSON. But my friends on the other side have been asking them since this morning, which is of course proper.

Senator ALLOTT. I have not, Mr. Chairman.

Senator JACKSON. It is perfectly all right. I just wanted to comment. I do not think you were here, Senator Allott, at the time. You may have been. But I think there is an unusual feature about this project, which is very important collaterally, and that is that the entire cost of the power features, of the project, Grand Coulee Dam, will be paid off by 1978, 34 years from 1944.

Now, in the future, as Mr. Weinberg has pointed out, there is the basic policy consideration, as to how far we will want to go later on in using the revenues on this project to support additional future costs that will be incurred. I mention this, because this collateral—I may use that term—is pretty valuable collateral, that supports and guarantees that the Government will get its money, because all of the power revenue starting in 1978, except as allocated to this project, by reason of the bill here, will go to the Treasury free and clear.

Senator DWORSHAK. Well, do I not understand that until 1978, there will be no surplus revenue coming from the operation of Grand Coulee to help compensate for irrigation?

Mr. WEINBERG. You are right.

Senator JACKSON. You do not need to take the total revenue from Grand Coulee to pay for the project within this period of amortization. Am I not correct in that?

Mr. WEINBERG. I beg your pardon?

Mr. STAMM. I think I can answer that. I think what you are saying is this: That if you took the kilowatt-hours produced at Grand Coulee and applied the prevailing rate to those kilowatt hours, it would yield many more dollars per year than the amount that is allocated to the Columbia Basin project from power to pay off that obligation.

Senator DWORSHAK. But is it not also true that until 1978, not a dollar of surplus revenues from the Grand Coulee operation will be applied to help repay or subsidize the acreage that has been brought under cultivation.

Mr. STAMM. That is the way the books are kept. That is so because revenues are pooled in one account, and there is assigned to this project only what it takes to meet the obligation of the law.

Senator DWORSHAK. But until we reach 1978, there will not be a nickel taken from surplus revenues of Grand Coulee to help repay the cost of irrigating the Grand Coulee areas.

Mr. STAMM. Let me say this. The annual allocation pays the power cost with interest, first, then the irrigation cost assigned to power, all within the 50 years required by law.

Senator DWORSHAK. Beginning in 1978?

Mr. STAMM. No, it started paying this in 1944.

Mr. WEINBERG. We are applying roughly $12,800,000 a year to the payout of the Columbia Basin project. That $12,800,000 a year is applied first to the operation and maintenance cost of the dam, and the powerplant. Second, to amortize the investment allocated to commercial power with interest at 3 percent per annum.

Like any prudent business operation, we are retiring the interest-bearing debt first. The payments of $12,800,000 a year will continue. The interest-bearing debt will be retired in 1978. Thereafter, the $12,800,000 will be applied to meet the irrigation costs which the water users do not pay. And on the basis of the present estimates of the project, the irrigation costs to be retired by power revenues will be repaid in 50 years from the time the irrigation facilities go into operation.

Senator ALLOTT. Mr. Chairman, I hope the chairman does not think I have taken too much time.

Senator JACKSON. No.

Senator ALLOTT. Actually, I should not have made the statement a while ago. I would only take 2 or 3 minutes, because that is all I got, but I just call attention that we all received a letter from Mr. Willis T. Batchelder, objecting to this thing, and I note here it was he, Mr. Chairman, who carried on the first investigation for the State of Washington in 1921; at least, that is what the contract review document said.

Senator DWORSHAK. Why does he say it is a crazy operation?

Senator ALLOTT. He did not say it was crazy. He just said he was opposed to it.

Mr. WEINBERG. May we go off the record.

(Discussion off the record.)

Senator JACKSON. Back on the record.

Senator ALLOTT. Now, if I may get my 2 minutes in, I will simply say this: Mr. Chairman, I realize you have a very difficult thing here and I think that the trouble, the real thing with which we are wrestling, is unique, in my experience in this committee and arises simply because of the fact that while you had an authorization for the million acres in round figures back in 1946, you have a construction——

Senator JACKSON. In 1943.

Senator ALLOTT. Or 1943. You have a construction which began then and a use of 400-some-odd thousand or nearly 500,000 acres.

And then the question really arises—and this is really the problem that we are concerned with here—are we treating this or shall we treat it as a continuing act, or in the lapse of time, should we consider the new construction as the new authorization?

Now, this is really the problem I have to decide for myself, and it seems to me that this is the problem. Mr. Weinberg hit upon a very interesting thing, which touches this. He said:

I will have to make certain positions clear, differing with what I understand the statements of the chairman to be.

And then the chairman agreed with him. But to the extent that you deplete the revenues to take up the added burden of these additional acres, you also deplete the interest, the vested interest, the Government has in those revenues at the present time, do you not?

Mr. WEINBERG. I cannot disagree with that statement.

Senator JACKSON. I think it is a question of degree.

Mr. WEINBERG. These are questions of degree.

Senator ALLOTT. So you still have to get back to what I think is the fundamental question in this case. Do we treat this as a continuing project, or do we treat it as a project which comes into existence now, some 19 years later, for the completion of the other acreage? And I am completely sympathetic with the chairman's problems. I am glad that I do not have this particular problem in my State. I will tell him that. And I hope that we can find a way of working it out. I do not know what my own final decision on it will be, as to how I will look at it, but I am certainly sympathetic to the problem itself. It is a tough one.

That is all I have to say, Mr. Chairman.

Senator JACKSON. Thank you. Any further questions?

Senator DWORSHAK. One question. What do the irrigators on the Grand Coulee project pay for power that they need in their own operation?

Mr. WEINBERG. One-half mill per kilowatt-hour.

Senator DWORSHAK. How does that compare with what irrigators pay in other Federal districts?

Mr. STAMM. It is probably the lowest rate applied to any Federal irrigation project in the West. However, we provided in the old contract and carry it over into the new one that at any time the rate does not cover the costs of producing power for the district, the rate will be raised.

Senator DWORSHAK. But even though the Secretary of Interior at that time happens to be a Democrat, and one of the influential members of this committee happens to be a former National Democratic Chairman, you still are optimistic enough to believe that a new determination may be made by the then Secretary?

Senator JACKSON. Is there something partisan about this? I am surprised.

Mr. STAMM. It is the general policy to provide irrigation pumping power at cost.

Senator JACKSON. May I just make an observation that might be useful?

We have been talking about power that is secondary or dump power. What kind of power for the most part are you using in connection with the pumping?

Mr. STAMM. Secondary or dump.

Senator JACKSON. And we are dumping down the river, of this power, Mr. Weinberg, approximately how much this year?

Mr. WEINBERG. Oh, several billion kilowatt-hours.

Senator JACKSON. I mean in dollars. I think it will run $30 million.

Mr. WEINBERG. $30 million, yes.

Senator JACKSON. So the half-mill rate you are referring to relates not to firm power, but to dump power we are wasting this year.

Mr. WEINBERG. Those beautiful colored pictures of Grand Coulee Dam lighted up at night with the water going over the spillway are just pictures of dollars going down the river.

Senator DWORSHAK. Mr. Stamm, is it not also true that most of the power on other Federal projects is likewise dump power?

Mr. STAMM. On the North Side we have less opportunity, because those folks run their pumps 24 hours a day.

Senator DWORSHAK. But just during the irrigation season.

Mr. STAMM. Just during the irrigation season.

Senator DWORSHAK. And that is when you get dump power, more or less.

Mr. STAMM. Yes, certain seasons.

Senator JACKSON. I do know that in connection with the pending bill that we have, California is in dire need of the secondary power for pumping, and they do not have it.

Mr. STAMM. My point is on Columbia Basin, you pump into the equalizing reservoir, and you can fill that during the seasons and times when you have the dump power.

Senator DWORSHAK. Mr. Chairman, are you about to conclude this hearing?

Senator JACKSON. That is right.

Senator DWORSHAK. I want the record to show that my interest displayed last Friday in the full committee meeting and today at the hearing is not motivated by any hostility or unfriendliness which may be reflected against the development of the Grand Coulee project. I have followed it with intense interest for 20 years.

I can recall when this discussion took place in the House 20 years ago. I was a member of the Appropriations Committee in the House and the Reclamation Committee, and I did take a profound interest. Now, I am not so much concerned about what has transpired during the past 20 years, but we have reached the middle station or the middle point, you may say, in this development, with 481,000 acres behind us and about the same amount ahead of us. As I said, as I sit on these committees, I think my main consideration is that we deal with all the Federal projects in an equitable and fair manner. Because we encounter much criticism of our reclamation program from people who live outside of the arid West. And I believe that if we are to maintain solidarity and a sympathetic understanding among those who serve in the House and in the Senate, from these States which have Federal reclamation development, then we must recognize the basic principle of fair play.

And I certainly think it would be completely inimical and adverse to the future development of the Grand Coulee project and all of our reclamation development if we were to continue, or first to set up, and to continue, preferential treatment for any project, whether it be

Grand Coulee or one in Idaho. I would take the same position if it involved an Idaho project. And on that basis, I think that it devolved upon this committee and upon the Congress, and upon the Appropriations Committees which provide the funds for these projects, to see that we proceed in an orderly manner and not encourage the setting up of policies which will cause embarrassment and difficulty in the future, and I want all projects to be operated on the same basis.

On that score, I think that none of my colleagues on this committee will disagree with me.

Senator JACKSON. I will certainly agree. No one disagrees on that. Certain projects have assets and collateral resources that are better than others. I think we have to look at it in that light. Actually, it is a question of how far one should go in utilizing power revenues to support reclamation projects.

This is the heart of the problem, and we all have to make our own individual judgments. We have not followed any consistent policy on any one project in the use of power revenues to support a given reclamation project. It has varied with each project.

Senator DWORSHAK. And I indicated from the hearing, Mr. Chairman, that as we ratified the Canadian Treaty involving the use of water on the main Columbia River——

Senator JACKSON. Storage.

Senator DWORSHAK. We have guaranteed certain credits and I think they go as far as 5, 6, and 7 million dollars a year, in payment for the water that Canada delivers to the lower basin development. If you apply that same principle to the Columbia Basin, then Idaho, which furnishes a large amount of water through the Snake River watershed, the Salmon River watershed, the Clear River watershed, and to a lesser extent, on the Kootenai River, then we might recognize the desirability of recognizing that while these developments are in the lower basin, actually some of the benefits from the generation and distribution of power should accrue and be credited to the upper basin States, which make a valuable contribution to the overall development.

Senator JACKSON. And they can all get it at the postage stamp rate. Some areas have decided they do not want it, for reasons of local consideration. But the point is the location of the dam, or the project, has not been the determining point of the marketing of that power. The power is available throughout the whole river basin area, and this principle that you have referred to, Senator Dworshak, I think is being followed. So that the people in the upper basin areas can get it at the same rate as people in any other part of the area, even close to the dam; the only exception being that there is a $14.50 rate—that is the busbar rate—within 10 miles of a dam.

That is based on the premise that the permission cost is that much less.

Senator DWORSHAK. But Mr. Stamm, the Bureau of Reclamation, in Idaho and the upper basin States, does not sell power at a $17.50 rate like BPA.

Mr. WEINBERG. No, it does not. However, the Department has for many years been striving to establish the Columbia Basin payout for the basin as a whole in the same manner that we have in the Missouri Basin, the Central Valley project of California, and the Colorado River storage project.

It has long been an objective of the Department, under every Secretary of the Interior, with whom I have served—and my service began near the end of Secretary Ickes' tenure as Secretary—to pool the power and irrigation developments in the Columbia River Basin.

Senator DWORSHAK. But Congress has taken no action to approve such.

Mr. WEINBERG. The matter has not moved as rapidly as the Department and the people in the Northwest had hoped.

Senator JACKSON. Thank you, gentlemen. We appreciate your attendance here today.

The committee will stand adjourned.

(Whereupon, at 5:10 p.m., the committee adjourned.)