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CONSTRUCTION OF IRRIGATION
DISTRIBUTION SYSTEMS

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HEARING

BEFORE THE

SUBCOMMITTEE ON
WATER AND POWER RESOURCES

OF THE

COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS

UNITED STATES SENATE

NINETY-SECOND CONGRESS

SECOND SESSION

ON

H.R. 9198

AN ACT TO AMEND THE ACT OF JULY 4, 1955, AS AMENDED,
RELATING TO THE CONSTRUCTION OF IRRIGATION
DISTRIBUTION SYSTEMS

SEPTEMBER 18, 1972



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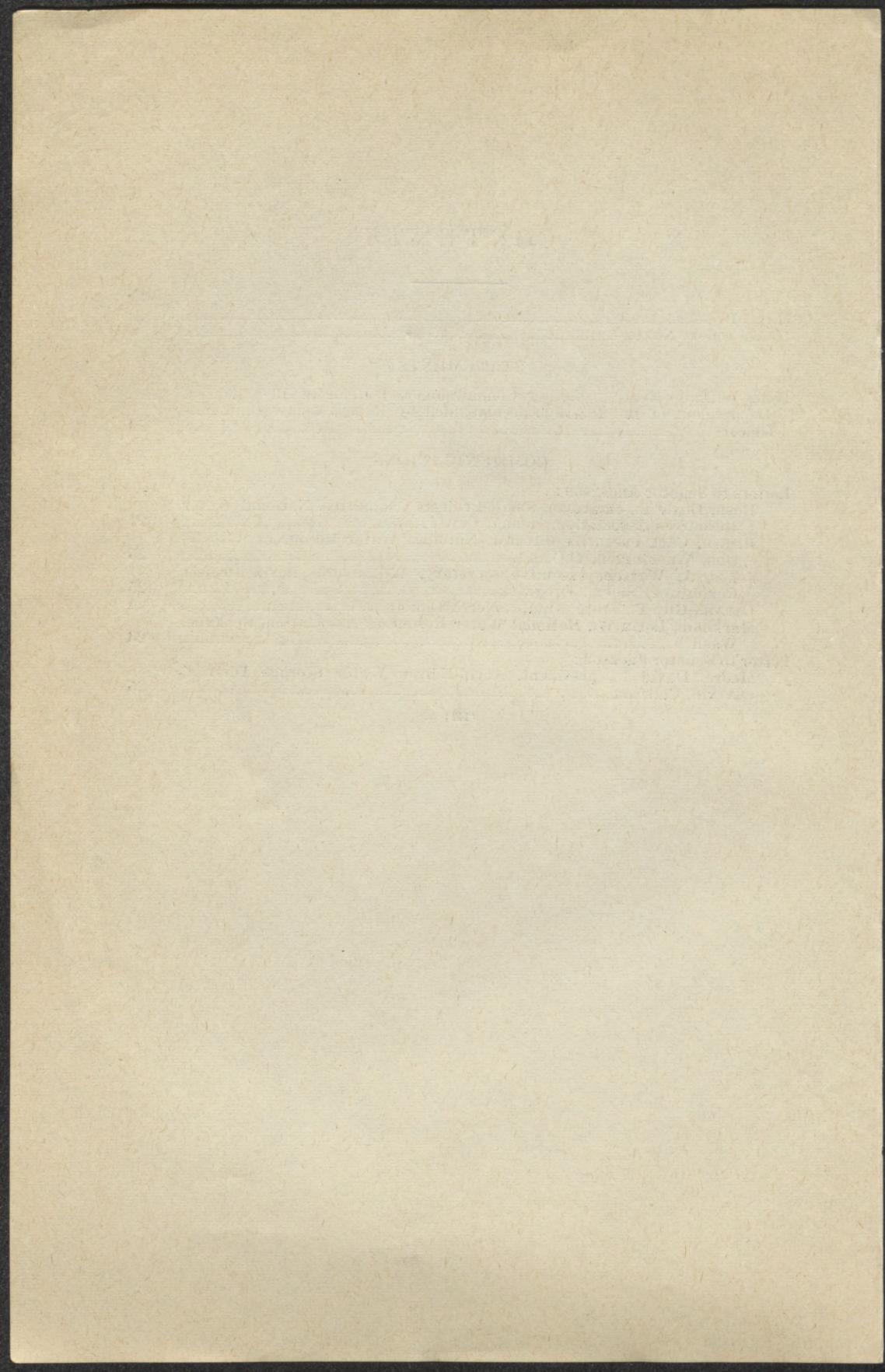
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CONSTRUCTION OF IRRIGATION DISTRIBUTION SYSTEMS

MONDAY, SEPTEMBER 18, 1972

U.S. SENATE,
SUBCOMMITTEE ON WATER AND POWER RESOURCES OF THE
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 3110, New Senate Office Building, pursuant to notice, Hon. Clinton P. Anderson, presiding.

Present: Senators Anderson (presiding), Jordan, and Fannin.

Also present: Daniel A. Dreyfus, professional staff member.

Senator ANDERSON. The hearing will come to order.

The purpose of this hearing before the Water and Power Resources Subcommittee this morning is to take testimony on H.R. 9198, a bill introduced by Congressmen Sisk and Johnson to amend the act of July 4, 1955, which provides for the construction of distribution systems on authorized reclamation projects by the local water users rather than by the Federal Government directly. The program established by the 1955 act is commonly known as the distribution system loan program.

H.R. 9198 would amend the existing act principally in the following ways:

To make systems which include irrigation drainage works and municipal and industrial water service eligible for construction under the program.

To remove the existing requirement that the title of lands necessary for the construction of facilities under the program be transferred to the United States and held by the United States during the term of the loan.

The text of H.R. 9198 and the report of the Department of the Interior will be included in the record at this point.

(The bill and report follow:)

(1)

H. R. 9198

IN THE SENATE OF THE UNITED STATES

AUGUST 8, 1972

Read twice and referred to the Committee on Interior and Insular Affairs.

AN ACT

To amend the Act of July 4, 1955, as amended, relating to the construction of irrigation distribution systems.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Act of July 4, 1955 (69 Stat. 245), as amended
4 by the Act of May 14, 1956 (70 Stat. 155), is hereby
5 amended to read as follows:

6 “That distribution and drainage systems authorized to
7 be constructed under the Federal reclamation laws may, in
8 lieu of construction by the Secretary of the Interior (referred
9 to in this Act as the ‘Secretary’), be constructed by irriga-
10 tion districts or other public agencies according to plans and
11 specifications approved by the Secretary as provided in this

1 Act. The drainage systems referred to in this Act are those
2 required for collection and removal of excess irrigation water,
3 either on or below the surface of the ground and do not
4 include enlargement or alteration of existing waterways for
5 disposition of natural runoff.

6 "SEC. 2. To assist financially in the construction of the
7 aforesaid local distribution and drainage systems by irriga-
8 tion districts and other public agencies the Secretary is au-
9 thorized, on application therefor by such irrigation districts
10 or other public agencies, to make funds available on a loan
11 basis from moneys appropriated for the construction of such
12 distribution and drainage systems to any irrigation district
13 or other public agency in an amount equal to the estimated
14 construction cost of such system, contingent upon a finding
15 by the Secretary that the loan can be returned to the United
16 States in accordance with the general repayment provisions
17 of sections 2 (d) and 9 (d) of the Reclamation Project Act
18 of August 4, 1939, and upon a showing that such district or
19 agency already holds or can acquire all lands and interests
20 in land (except public and other lands or interests in land
21 owned by the United States which are within the administra-
22 tive jurisdiction of the Secretary and subject to disposition
23 by him) necessary for the construction, operation, and main-
24 tenance of the project. The Secretary shall, upon approval
25 of a loan, including any loan for a distribution and drainage
26 system receiving water from the San Luis unit, Central

1 Valley project, authorized by the Act of June 3, 1960 (74
2 Stat. 156), enter into a repayment contract which includes
3 such provisions as the Secretary shall deem necessary and
4 proper to provide assurance of prompt repayment of the
5 loan within not to exceed forty years plus a development
6 period not to exceed ten years. The term 'irrigation district
7 or other public agency' shall for the purposes of this Act
8 mean any conservancy district, irrigation district, water
9 users' organization, or other organization, which is organized
10 under State law and which has capacity to enter into con-
11 tracts with the United States pursuant to the Federal recla-
12 mation laws.

13 "SEC. 3. The Secretary shall require, as conditions to any
14 such loan, that the borrower contribute in money or materials,
15 labor, lands, or interests in land, computed at their reasonable
16 value, a portion not in excess of 10 per centum, of the con-
17 struction cost of the distribution and drainage system (includ-
18 ing all costs of acquiring lands and interests in land), that the
19 plans for the system be in accord with sound engineering
20 practices and be such as will achieve the purposes for which
21 the system was authorized, and that the borrower agree to
22 account in full in regard to all disbursements of borrowed
23 funds and to return at once for application toward amortiza-
24 tion of the loan all funds which are not expended in the con-
25 struction of the distribution and drainage system. Every or-
26 ganization contracting for repayment of a loan under this Act

1 shall operate and maintain its distribution and drainage works
2 in conformity with reasonable contractual requirements deter-
3 mined to be appropriate for the protection of the United
4 States. The Secretary is hereby authorized to reconvey to
5 borrowers all lands or interests in lands and distribution
6 works transferred to the United States under the provisions
7 of this Act: *Provided*, That any reconveyance shall be upon
8 the condition that the repayment contract of the borrower be
9 amended to include such provisions as the Secretary shall
10 deem necessary or proper to provide assurance of and security
11 for prompt repayment of the loan. The head of any depart-
12 ment or agency of the Government within whose adminis-
13 trative jurisdiction are lands owned by the United States the
14 use of which is reasonably necessary for the construction,
15 operation, and maintenance of distribution and drainage
16 works under this Act may grant to a borrower or prospective
17 borrower under this Act revocable permission for the use
18 thereof in like manner as under the Acts of March 3, 1891,
19 sections 18 to 21 (26 Stat. 1101), as amended (43 U.S.C.
20 946-949), January 21, 1895 (28 Stat. 635), as amended
21 (43 U.S.C. 956), February 15, 1901 (31 Stat. 790), as
22 amended (16 U.S.C. 79, 522; 43 U.S.C. 959), February 1,
23 1905 (33 Stat. 628; 16 U.S.C. 524), March 1, 1921 (41
24 Stat. 1194; 43 U.S.C. 950), May 9, 1941 (55 Stat. 183; 43
25 U.S.C. 931a), July 24, 1946, section 7 (60 Stat. 643), as
26 amended (43 U.S.C. 931b), May 31, 1947 (61 Stat. 124;

1 38 U.S.C. 11i), February 5, 1948 (62 Stat. 17; 25 U.S.C.
2 323-328), or September 3, 1954 (68 Stat. 1146; 43 U.S.C.
3 931c-931d), or any other similar Act which is applicable
4 to the lands involved: *Provided*, That no such permission
5 shall be granted in the case of lands being administered for
6 national park, national monument, or wildlife purposes.

7 "SEC. 4. Except as herein otherwise provided, the provi-
8 sions of the Federal reclamation laws, and Acts amendatory
9 thereto, are continued in full force and effect.

10 "SEC. 5. Unless otherwise provided in the Act author-
11 izing construction of the project, the delivery and distribution
12 of municipal and industrial water supplies shall be deemed to
13 be an authorized project purpose under this Act, and where
14 appropriate, an allocation of loan funds acceptable to the
15 Secretary shall be made between irrigation and municipal
16 and industrial purposes. Loan repayment contracts shall
17 require that the borrower pay interest on that portion of the
18 unamortized loan obligation (including interest during con-
19 struction) allocated in each year to municipal and industrial
20 purposes at the rate provided in the Act authorizing the
21 project, or absent such an authorized rate, at a rate deter-
22 mined by the Secretary of the Treasury as of the beginning
23 of the fiscal year in which the contract, or contract amend-
24 ment entered into pursuant to section 6 hereof, is executed,
25 on the basis of the computed average interest rate payable

1 by the Treasury upon its outstanding marketable public
2 obligations which are neither due nor callable for redemption
3 for fifteen years from date of issue, and by adjusting such
4 average rate to the nearest one-eighth of 1 per centum.

5 "SEC. 6. The Secretary is hereby authorized to negotiate
6 amendments to existing water service and irrigation distribu-
7 tion system loan contracts to conform said contracts to the
8 provisions of this Act.

9 "SEC. 7. Nothing in this Act shall be construed to repeal
10 or limit the procedural and substantive requirements of sec-
11 tion 8 of the Act of June 17, 1902 (32 Stat. 388).

12 "SEC. 8. Works financed by loans made under this Act
13 shall be subject to all procedural and substantive require-
14 ments of the Fish and Wildlife Coordination Act (48 Stat.
15 401, as amended) ; the Federal Water Pollution Control
16 Act, as amended (33 U.S.C. 1151) ; and the National
17 Environmental Policy Act of 1969 (83 Stat. 852; 42 U.S.C.
18 4321)."

Passed the House of Representatives August 7, 1972.

Attest:

W. PAT JENNINGS,

Clerk.

AMENDING THE ACT OF JULY 4, 1955, AS AMENDED,
 RELATING TO THE CONSTRUCTION OF IRRIGATION
 DISTRIBUTION SYSTEMS

JUNE 30, 1972.—Committed to the Committee of the Whole House on the State
 of the Union and ordered to be printed

Mr. JOHNSON of California, from the Committee on Interior and
 Insular Affairs, submitted the following

REPORT

[To accompany H.R. 9198]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H.R. 9198) to amend the act of July 4, 1955, as amended, relating to the construction of irrigation distribution systems, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 1, beginning on line 3, strike all after the enacting clause and insert in lieu thereof the following:

That the Act of July 4, 1955 (69 Stat. 244), as amended by the Act of May 14, 1956 (70 Stat. 155), is hereby amended to read as follows:

"That distribution and drainage systems authorized to be constructed under the Federal reclamation laws may, in lieu of construction by the Secretary of the Interior (referred to in this Act as the 'Secretary'), be constructed by irrigation districts or other public agencies according to plans and specifications approved by the Secretary as provided in this Act. The drainage systems referred to in this Act are those required for collection and removal of excess irrigation water, either on or below the surface of the ground and do not include enlargement or alteration of existing waterways for disposition of natural runoff.

"SEC. 2.—To assist financially in the construction of the aforesaid local distribution and drainage systems by irrigation districts and other public agencies the Secretary is authorized, on application therefore by such irrigation districts or other public agencies, to make funds available on a loan basis from monies appropriated for the construction of such distribution and drainage systems to any irrigation district or other public agency in an amount equal to the estimated construction cost of such system, contingent upon a finding by the Secretary that the loan can be returned to the United States in accordance with the general repayment provisions of sections 2(d) and 9(d) of the Reclamation Project Act of August 4, 1939, and upon a showing that such district or agency already holds or can acquire all lands and interests in land (except public and other lands or interests in land owned by the United States which are within the administrative jurisdiction of the Secretary and subject to disposition by him) necessary for the construction, operation, and maintenance of the project. The Secretary

shall, upon approval of a loan, including any loan for a distribution and drainage system receiving water from the San Luis Unit, Central Valley Project, authorized by the Act of June 3, 1960 (74 Stat. 156), enter into a repayment contract which includes such provisions as the Secretary shall deem necessary and proper to provide assurance of prompt repayment of the loan within not to exceed 40 years plus a development period not to exceed 10 years. The term 'irrigation district or other public agency' shall for the purposes of this Act mean any conservancy district, irrigation district, water users' organization, or other organization, which is organized under State law and which has capacity to enter into contracts with the United States pursuant to the Federal reclamation laws.

"SEC. 3. The Secretary shall require, as conditions to any such loan, that the borrower contribute in money or materials, labor, lands, or interests in land, computed at their reasonable value, a portion not in excess of 10 per centum, of the construction cost of the distribution and drainage system (including all costs of acquiring lands and interests in land), that the plans for the system be in accord with sound engineering practices and be such as will achieve the purposes for which the system was authorized, and that the borrower agree to account in full in regard to all disbursements of borrowed funds and to return at once for application toward amortization of the loan all funds which are not expended in the construction of the distribution and drainage system. Every organization contracting for repayment of a loan under this Act shall operate and maintain its distribution and drainage works in conformity with reasonable contractual requirements determined to be appropriate for the protection of the United States. The Secretary is hereby authorized to reconvey to borrowers all lands or interests in lands and distribution works transferred to the United States under the provisions of this Act: *Provided*, That any reconveyance shall be upon the condition that the repayment contract of the borrower be amended to include such provisions as the Secretary shall deem necessary or proper to provide assurance of and security for prompt repayment of the loan. The head of any department or agency of the Government within whose administrative jurisdiction are lands owned by the United States the use of which is reasonably necessary for the construction, operation, and maintenance of distribution and drainage works under this Act may grant to a borrower or prospective borrower under this Act revocable permission for the use thereof in like manner as under the Acts of March 3, 1891, secs. 18-21 26 Stat. 1101, as amended (43 U.S.C., secs. 946-949), January 21, 1895, 28 Stat. 635, as amended (43 U.S.C., sec. 956), February 15, 1901, 31 Stat. 790, as amended (16 U.S.C., secs. 79, 522, 43 U.S.C., sec. 959), February 1, 1905, 33 Stat. 628 (16 U.S.C., sec. 524), March 1, 1921, 41 Stat. 1194 (43 U.S.C., sec. 950), May 9, 1941, 55 Stat. 183 (43 U.S.C., sec. 931a), July 24, 1946, sec. 7, 60 Stat. 643, as amended (43 U.S.C., sec. 931b), May 31, 1947, 61 Stat. 124 (38 U.S.C., sec. 11i), February 5, 1948, 62 Stat. 17 (25 U.S.C., secs. 323-328), or September 3, 1954, 68 Stat. 1146 (43 U.S.C., secs. 931c-931d), or any other similar Act which is applicable to the lands involved: *Provided*, That no such permission shall be granted in the case of lands being administered for national park, national monument, or wildlife purposes.

"SEC. 4.—Except as herein otherwise provided, the provisions of the Federal reclamation laws, and acts amendatory thereto, are continued in full force and effect.

"SEC. 5.—Unless otherwise provided in the Act authorizing construction of the project, the delivery and distribution of municipal and industrial water supplies shall be deemed to be an authorized project purpose under this Act, and where appropriate, an allocation of loan funds acceptable to the Secretary shall be made between irrigation and municipal and industrial purposes. Loan repayment contracts shall require that the borrower pay interest on that portion of the unamortized loan obligation (including interest during construction) allocated in each year to municipal and industrial purposes at the rate provided in the Act authorizing the project, or absent such an authorized rate, at a rate determined by the Secretary of the Treasury as of the beginning of the Fiscal Year in which the contract, or contract amendment entered into pursuant to Section 6 hereof, is executed, on the basis of the computed average interest rate payable by the Treasury upon its outstanding marketable public obligations which are neither due nor callable for redemption for fifteen years from date of issue, and by adjusting such average rate to the nearest one-eighth of 1 per centum.

"SEC. 6.—The Secretary is hereby authorized to negotiate amendments to existing water service and irrigation distribution system loan contracts to conform said contracts to the provisions of this Act.

"SEC. 7.—Nothing in this Act shall be construed to repeal or limit the procedural and substantive requirements of Section 8 of the Act of June 17, 1902 (32 Stat. 388).

"SEC. 8.—Works financed by loans made under this Act shall be subject to all procedural and substantive requirements of the Fish and Wildlife Coordination Act (48 Stat. 401, as amended); the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1151; and the National Environmental Policy Act of 1969 (83 Stat. 852); 42 U.S.C. 4321."

H.R. 9198 was introduced by Mr. Sisk and Mr. Johnson of California. A related bill, H.R. 5470, was introduced by Mr. Leggett.

PURPOSE

The purpose of the legislation is to improve the administration of the distribution systems loan program authorized by the Act of July 4, 1955. (69 Stat. 244) as amended by the Act of May 14, 1956. (70 Stat. 155).

The new language eliminates the requirement that the United States must hold title to the rights-of-way required for the construction and operation of the systems and it clarifies present law by providing that drainage and municipal and industrial water supply are authorized purposes of the program.

BACKGROUND AND HISTORY

The Act of July 4, 1955, as amended, which is popularly referred to as Public Law 130, came into being as a vehicle for providing more local participation in the implementation of authorized federal reclamation programs. In short, it provides that qualified borrowers may receive loans from the United States with which to design and construct their own irrigation distribution systems in lieu of such systems being built by the government. Procedures for the preparation of applications and their processing are set forth in the law. Also contained in the existing law is a requirement that borrowers obtain title to all required lands and interest in land needed for the construction and operation of the systems, and convey same to the United States where title would be held for the life of the loan. This requirement was placed in the Act to provide an added element of collateral security for the funds borrowed under the Act.

During the 17 years that the program has been in existence, there have been eleven loans aggregating approximately \$74,000,000

NEED FOR LEGISLATION

Changing patterns of priorities and water use in the Western United States, as noted by the Committee many times in recent reports on other legislation, reflect a continuing trend, under the multiple use concept, toward the use of more water from reclamation projects for municipal and industrial purposes. This has resulted in a need for the Public Law 130 program to reflect this trend in water use by specifically including municipal and industrial water as an authorized

purpose of the program. In addition, there is a need that the present law be amended to make it clear that drainage facilities for the management and disposal of excess irrigation water deliveries are eligible for development under the provisions of this loan program. H.R. 9198, as reported by the Committee on Interior and Insular Affairs, meets these needs.

Experience has shown that the requirement for borrowers to obtain title to lands and interests in land required for construction and operation of the systems, and convey this title to the United States, is a procedure which is awkward, expensive and unnecessary. The experience of the Bureau of Reclamation in administering reimbursable Federal programs has shown that contract language can be drawn to furnish adequate assurance of repayment, and that the holding of title to project rights-of-way is unnecessary. H.R. 9198 therefore amends existing law to eliminate this requirement.

ANALYSIS OF COMMITTEE AMENDMENT

The Committee on Interior and Insular Affairs amended H.R. 9198 by striking all after the enacting clause and substituting, in lieu thereof, a complete restatement of the legislation. The bill as thus amended consists of 8 sections. There follows a brief analysis of each of these sections in which their principle provisions are explained, together with an explanation of how these provisions differ from existing law.

Section 1.—This section provides that distribution and drainage systems on authorized Federal reclamation projects may be constructed by qualified borrowers in lieu of construction by the Bureau of Reclamation. This section differs from existing law by changing "irrigation distribution systems" to "distribution and drainage systems". This change makes it clear that the systems are not limited to irrigation use and that drainage in the form of collection and removal of excess irrigation water is an authorized purpose.

Section 2.—This section authorizes the Secretary to make funds available on a loan basis and otherwise prescribes the provisions for review and processing of loan applications and sets forth the qualifications for eligible borrowers under the program.

Section 3.—This section requires the borrower to contribute—in money, materials, lands or other assets, not to exceed 10 percent of the construction cost of the system to be built, and sets forth the required accounting practices to be followed by the borrower. The requirement in the present Act for conveyance of title to rights-of-way to the United States has been eliminated and the Secretary is authorized to reconvey to borrowers any lands heretofore conveyed to the United States.

Section 4.—This section continues in full force and effect the provisions of the Federal reclamation law except as otherwise provided by this legislation. It is identical to language in the present Act.

Section 5.—This is a new section which prescribes criteria for the repayment of any loan funds appropriately associated with the delivery of municipal and industrial water supply. The repayment of such funds shall include interest.

Section 6.—This is a new section which authorizes the negotiation of amendatory contracts with respect to existing loans to conform such contracts to the provisions of this legislation.

Section 7.—This section, which is new, is a disclaimer of intent to repeal or limit the provisions of the original reclamation act having to do with the authority of states over the control, appropriation, use or distribution of water used for irrigation or any vested right authorized thereunder.

Section 8.—This is a new section which requires that works financed by loans pursuant to this legislation shall be subject to the requirements of the Fish and Wildlife Coordination Act, the Federal Water Pollution Control Act and the National Environmental Policy Act.

COST

Inasmuch as H.R. 9198 authorizes no new development there would be no direct costs attributable to its enactment. The Committee believes that there will be a saving in indirect costs resulting from a reduction in administrative work.

COMMITTEE RECOMMENDATIONS

The Committee on Interior and Insular Affairs, on the basis of a voice vote, unanimously recommends the enactment of H.R. 9198.

DEPARTMENT REPORT

The report of the Department of the Interior on H.R. 9198 and related bill (H.R. 5470) follows:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., March 14, 1972.

HON. WAYNE N. ASPINALL,
Chairman, Committee on Interior and Insular Affairs, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for the views of this Department concerning H.R. 5470 and H.R. 9198, which would amend the Act of July 4, 1955 (the Act), authorizing loans for the construction of irrigation distribution systems.

Enclosed is a draft bill which incorporates features of both H.R. 5470 and H.R. 9198, modifying them in certain respects as set forth below. We recommend that the draft bill be enacted in lieu of H.R. 5470 and H.R. 9198.

H.R. 5470 would delete the Act's present requirement that borrowers transfer to the United States lands or interests therein which the Secretary of the Interior finds are required to construct, operate, and maintain distribution systems financed under the Act. The bill would also authorize the Secretary to require satisfactory assurance of, or security for, repayment of loans and to reconvey to borrowers property transferred to the United States under the Act.

H.R. 9198 would extend the Act's present authority to make loans for distribution systems so as to permit loans for any local project water supply works. The Secretary would be given new authority to exchange with distribution system borrowers lands or interests therein for other lands having approximately equal values and to reconvey to borrowers any such property no longer required for project purposes or to secure the loan. A new section 5 of the Act would be added specifying that loan funds allocated to irrigation purposes would be interest free while funds allocated to municipal, industrial and domestic purposes would bear interest. Also added to the Act by section 1(4) of H.R. 9198 would be a new section 6 requiring that, unless otherwise provided in an Act authorizing construction of a project, the Secretary must allocate loan funds between irrigation purposes and municipal, industrial and domestic purposes. The new section would require that funds allocated to municipal, industrial and domestic purposes bear interest at a rate determined by the Secretary of the Treasury based on the interest rate for outstanding long-term Treasury obligations. The interest rate determination would be made as of the beginning of the fiscal year in which a loan contract or contract amendment is executed. The bill would also authorize the Secretary of the Interior to negotiate amendments to existing loan contracts to conform them with the Act's provisions (section 1(5)). Finally, the bill would set out as a new section 8 of the Act the last sentence of the present section 3 which states that nothing in the Act repeals or limits the procedural or substantive requirements of the Act of June 17, 1902, the basic reclamation law (section 1(6)).

The enclosed draft bill is in accord with H.R. 5470 insofar as it (a) deletes the Act's present requirement that property needed for project purposes be transferred to the Secretary, and (b) gives the Secretary authority to reconvey such property to the borrowers at any time, provided that any reconveyance is conditioned upon such amendment of the repayment contract as the Secretary deems necessary or proper to provide assurance of and security for prompt repayment of the loan. H.R. 5470 would add to section 3 of the Act provisions directing that repayment contracts adequately provide for loan repayment and that each loan application show the borrower holds or can acquire property necessary for project purposes (except Federally-owned property subject to the Secretary's administrative jurisdiction). These provisions are not included in the draft bill's amendments to section 3 because we believe that they duplicate comparable requirements now contained in section 2 of the Act.

As noted above, the Act now authorizes loans for construction of irrigation distribution systems and H.R. 9198 would broaden this authority to include the making of loans for construction of any "local project water supply works". The draft bill does not incorporate this broadening of authority. Instead, it provides that loans can be made for distribution systems which provide municipal and industrial water supplies in addition to the presently authorized systems providing only irrigation water. It also makes a clarifying amendment which provides that loans can be made for systems which include drainage fields as well as distribution works. While we believe the present language of the Act is sufficiently broad to permit the making of a loan

for a drainage field which it otherwise authorized to be constructed under the Federal reclamation laws, some question has been raised as to whether assistance is authorized primarily for drainage purposes. To clarify the matter and make certain that assistance can be made available primarily for drainage purposes, the draft bill modifies the present Act by expressly providing in sections 1 and 2 of the Act (with conforming changes throughout) that loans can be made for distribution and drainage systems. It is not intended, however, that such systems must include both distribution and drainage features and the draft bill would amend section 2 of the Act to make it clear that either drainage or distribution features, or both, may be part of a system for which loans are authorized under the Act.

In view of our concurrence with H.R. 5470 in deleting the Act's present requirement that the Secretary own property needed for project purposes and in giving the Secretary authority to dispose of property subject to requirements assuring repayment of the loan, section 1(3) of the draft bill omits the provision of H.R. 9198 authorizing the Secretary to exchange or reconvey property not needed for project purposes or for security of the loan.

The draft bill also omits the new section 5 which H.R. 9198 would add to the Act. That section, which specifies that loan funds allocated to irrigation purposes shall be interest free while funds allocated to municipal, industrial or domestic purposes shall be interest bearing, is unnecessary in view of the provisions which H.R. 9198 would add to the Act as section 6. Those provisions require that loan funds shall be allocated between irrigation purposes and municipal, industrial and domestic purposes, unless the Act authorizing construction of the project provides otherwise and also that the borrower pay interest on the unamortized loan obligation allocated to municipal, industrial and domestic purposes at a rate determined by the Secretary of the Treasury under a formula based on long-term Treasury obligation interest rates.

The draft bill retains the provisions of H.R. 9198's section 6 as new section 5 of the Act, but changes those provisions in several respects. It expressly states that providing municipal and industrial water supplies shall be deemed an authorized project purpose. It provides that loan funds shall be allocated to permitted purposes by the borrower in a manner acceptable to the Secretary rather than requiring, as does section 6 of H.R. 9198, that the Secretary make the initial allocation. No provision is made in the draft bill for allocation of funds for "domestic" purposes. Under present reclamation practices, allocations are not made for such purposes. Almost all domestic water costs would be included in the municipal category and to the extent they are not so included, they are generally insignificant. The draft bill also expressly requires that funds for municipal and industrial purposes shall bear interest during construction (as well as upon completion) of a project, and requires that the allocation among purposes be made annually. Finally, the draft bill recognizes that the Act authorizing a project may specify the applicable interest rate and makes it clear that in such event the general Treasury formula would not apply.

The draft bill also incorporates as a new section 6 of the Act the provisions which H.R. 9198 would add as new section 7. Those provi-

sions would authorize the Secretary to conform existing irrigation distribution system loan contracts to the Act's provisions through negotiated amendments. Among other things, this would permit modification of existing contracts to include supplying municipal water as a project purpose and to make adjustments in property ownership requirements under the present Act. The draft bill differs from H.R. 9198 in that it also permits the amendment of water supply contracts, as well as distribution system loan contracts, to conform with the Act's provisions.

The draft bill also retains H.R. 9198's new section 8, which is the same as the last sentence of section 3 of the present Act. It provides that nothing in the Act shall be construed to repeal or limit the procedural and substantive requirements of section 8 of June 17, 1902. Finally, the draft bill adds a new section providing that the Fish and Wildlife Coordination Act will apply to works financed under the Act.

We believe that both H.R. 5470 and H.R. 9198 contain desirable features which we have sought to retain in the draft bill, including at the same time certain other changes which also have merit. We recommend the enactment of the draft bill as a substitute for both H.R. 5470 and H.R. 9198.

The Office of Management and Budget has advised that there is no objective to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

JAMES R. SMITH,
Assistant Secretary of the Interior.

Enclosure.

TO BE SUBSTITUTED FOR H.R. 5470 AND H.R. 9198

A BILL To amend the Act of July 4, 1955, as amended, relating to the construction of irrigation distribution systems

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of July 4, 1955 (69 Stat. 244), as amended by the Act of May 14, 1956 (70 Stat. 155), is hereby further amended as follows:

(1) Section 1 and section 2 are amended by changing the words "irrigation distribution systems" and "distribution systems" wherever they occur therein to the words "distribution and drainage systems".

(2) Section 2 is further amended by adding the following sentence at the end thereof:

"Nothing herein shall be construed to require that systems for which loans are authorized shall include both distribution and drainage features."

(3) Section 3 is amended to read as follows:

"SEC. 3. The Secretary shall require, as conditions to any such loan, that the borrower contribute in money or materials, labor, lands, or interests in land, computed at their reasonable value, a portion, not in excess of 10 per centum, of the construction cost of the distribution and drainage system (including all costs of acquiring lands and interests in land), that the plans for the system be in accord with sound engineering practices and be such as will achieve the purposes for which the system was authorized, and that the borrower agree to account in

full in regard to all disbursements of borrowed funds and to return at once for application toward amortization of the loan all funds which are not expended in the construction of the distribution and drainage system. Every organization contracting for repayment of a loan under this Act shall operate and maintain its distribution and drainage works in conformity with reasonable requirements determined by the Secretary to be appropriate for the protection of the United States. The Secretary is hereby authorized to reconvey to borrowers all lands or interests in land and distribution works transferred to the United States under the provisions of the Act of July 4, 1955 (69 Stat. 244), as amended: *Provided*, That any reconveyance shall be upon the condition that the repayment contract of the borrower be amended to include such provisions as the Secretary shall deem necessary or proper to provide assurance of and security for prompt repayment of the loan. The head of any department or agency of the Government within whose administrative jurisdiction are lands owned by the United States the use of which is reasonably necessary for the construction, operation and maintenance of distribution and drainage works under this Act may grant to a borrower or prospective borrower under this Act revocable permission for the use thereof in like manner as under the Acts of March 3, 1891, secs. 18-21, 26 Stat. 1101, as amended (43 U.S.C., secs. 946-949), January 21, 1895, 28 Stat. 635, as amended (43 U.S.C., sec. 956), February 15, 1901, 31 Stat. 790, as amended (16 U.S.C., secs. 79, 522, 43 U.S.C., sec. 959), February 1, 1905, 33 Stat. 628 (16 U.S.C., sec. 524), March 1, 1921, 41 Stat. 1194 (43 U.S.C., sec. 950), May 9, 1941, 55 Stat. 183 (43 U.S.C., sec. 931a), July 24, 1946, sec. 7, 60 Stat. 643, as amended (43 U.S.C., sec. 931b), May 31, 1947, 61 Stat. 124 (38 U.S.C., sec. 11i), February 5, 1948, 62 Stat. 17 (25 U.S.C., secs. 323-328), or September 3, 1954, 68 Stat. 1146 (43 U.S.C., secs. 931c-931d), or any other similar Act which is applicable to the lands involved: *Provided*, That no such permission shall be granted in the case of lands being administered for national park, national monument, or wildlife purposes. No benefits or privileges under the Federal reclamation laws, including repayment provisions, shall be denied a distribution and drainage system because such system has been constructed pursuant to this Act.

(4) Add section 5, as follows:

"Sec. 5. Unless otherwise provided in the Act authorizing construction of the project, the delivery and distribution of municipal and industrial water supplies shall be deemed to be an authorized project purpose under this Act, and where appropriate, an allocation of loan funds acceptable to the Secretary shall be made between irrigation and municipal and industrial purposes. Loan repayment contracts shall require that the borrower pay interest on that portion of the unamortized loan obligation (including interest during construction) allocated in each year to municipal and industrial purposes at the rate provided in the Act authorizing the project, or absent such an authorized rate, at a rate determined by the Secretary of the Treasury as of the beginning of the fiscal year in which the contract, or contract amendment entered into pursuant to section 6 hereof, is executed, on the basis of the computed average interest rate payable by the Treasury upon its outstanding marketable public obligations which are neither due nor callable for redemption for fifteen years from date

of issue, and by adjusting such average rate to the nearest one-eighth of 1 per centum."

(5) Add section 6, as follows:

"SEC. 6. The Secretary is hereby authorized to negotiate amendments to existing water service and irrigation distribution system loan contracts to conform said contracts to the provisions of this Act."

(6) Add section 7, as follows:

"SEC. 7. Nothing in this Act shall be construed to repeal or limit the procedural and substantive requirements of section 8 of the Act of June 17, 1902 (32 Stat. 388)."

(7) Add section 8, as follows:

"SEC. 8. Works financed by loans made under this Act shall be subject to all procedural and substantive requirements of the Fish and Wildlife Coordination Act (48 Stat. 401, as amended)."

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italics*, existing law in which no change is proposed is shown in roman):

ACT OF JULY 4, 1955 (69 STAT. 244) AS AMENDED (70 STAT. 155)

That [irrigation] distribution *and drainage* systems authorized to be constructed under the Federal reclamation laws may, in lieu of construction by the Secretary of the Interior (referred to in this Act as the "Secretary"), be constructed by irrigation districts or other public agencies according to plans and specifications approved by the Secretary as provided in this Act. *The drainage systems referred to in this Act are those required for collection and removal of excess irrigation water, either on or below the surface of the ground and do not include enlargement or alteration of existing waterways for disposition of natural runoff.*

SEC. 2. To assist financially in the construction of the aforesaid local [irrigation] distribution *and drainage* systems by irrigation districts and other public agencies the Secretary is authorized, on application therefor by such irrigation districts or other public agencies, to make funds available on a loan basis from moneys appropriated for the construction of such distribution *and drainage* systems to any irrigation district or other public agency in an amount equal to the estimated construction cost of such system, contingent upon a finding by the Secretary that the loan can be returned to the United States in accordance with the general repayment provisions of sections 2(d) and 9(d) of the Reclamation Project Act of August 4, 1939, and upon a showing that such district or agency already holds or can acquire all lands and interests in land (except public and other lands or interests in land owned by the United States which are within the administrative jurisdiction of the Secretary and subject to disposition by him) necessary for the construction, operation, and maintenance of the project. The Secretary shall, upon approval of the loan, *including any loan for a distribution and drainage system receiving water*

from the San Luis Unit, Central Valley Project, authorized by the Act of June 3, 1960 (74 Stat. 156), enter into a repayment contract which includes such provisions as the Secretary shall deem necessary and proper to provide assurance of prompt repayment of the loan [.] within not to exceed 40 years plus a development period not to exceed 10 years. The term "irrigation district or other public agency" shall for the purposes of this Act mean any conservancy district, irrigation district, water users' organization, or other organization, which is organized under State law and which has capacity to enter into contracts with the United States pursuant to the Federal reclamation laws.

SEC. 3. The Secretary shall require, as conditions to any such loan, that the borrower contribute in money or materials, labor, lands, or interests in land, computed at their reasonable value, a portion, not in excess of 10 per centum, of the construction cost of the distribution and drainage system (including all costs of acquiring lands and interests in land), that the plans for the system be in accord with sound engineering practices and be such as will achieve the purposes for which the system was authorized, and that the borrower agree to account in full in regard to all disbursements of borrowed funds and to return at once for application toward amortization of the loan all funds which are not expended in the construction of the distribution and drainage system. [Prior to the consumation of any loan under this Act, the borrower shall also be required to transfer to the United States any lands or interests in land which it then holds and which the Secretary finds are required for the construction, operation, and maintenance of the distribution system and to agree to transfer to the United States any lands or interests in land which it may thereafter acquire and which the Secretary may find are required for this purpose and distribution works constructed, in whole or in part, with moneys lent under this Act for the construction thereof. Title to all such lands, interests in land and distribution works shall remain in the United States until the loan is repaid.] Every organization contracting for repayment of a loan under this Act shall operate and maintain its distribution and drainage works in conformity with reasonable contractual requirements determined to be appropriate for the protection of the United States. *The Secretary is hereby authorized to reconvey to borrowers all lands or interests in land and distribution works transferred to the United States under the provisions of this Act: Provided, That any reconveyance shall be upon the condition that the repayment contract of the borrower be amended to include such provisions as the Secretary shall deem necessary or proper to provide assurance of and security for prompt repayment of the loan.* [When full repayment has been made to the United States, the Secretary shall relinquish all claims under said contracts and shall retransfer to the borrower title to the works and all lands and interests in land which were transferred by it to the United States.] The head of any department or agency of the Government within whose administrative jurisdiction are lands owned by the United States the use of which is reasonably necessary for the construction, operation, and maintenance of distribution and drainage works under this Act may grant to a borrower or prospective borrower under this Act revocable permission for the use thereof in like manner as under the Act of March 3, 1891,

secs. 18-21, 26 Stat. 1101, as amended (43 U.S.C. secs. 946-949), January 21, 1895, 28 Stat. 635, as amended (43 U.S.C., sec. 956), February 15, 1901, 31 Stat. 790, as amended (16 U.S.C., secs. 79, 522, 43 U.S.C., sec. 959), February 1, 1905, 33 Stat. 628 (16 U.S.C., sec. 524), March 1, 1921, 41 Stat. 1194 (43 U.S.C., sec. 950), May 9, 1941, 55 Stat. 183 (43 U.S.C., sec. 931a), July 24, 1946, sec. 7, 60 Stat. 643, as amended (43 U.S.C., sec. 931b), May 31, 1947, 61 Stat. 124 (38 U.S.C., sec. 11i), February 5, 1948, 62 Stat. 17 (25 U.S.C., secs. 323-328), or September 3, 1954, 68 Stat. 1146 (43 U.S.C., secs. 931c-931d), or any other similar Act which is applicable to the lands involved: *Provided*, That no such permission shall be granted in the case of lands being administered for national park, national monument, or wildlife purposes. [No benefits or privileges under the Federal reclamation laws, including repayment provisions, shall be denied an irrigation distribution system because such system has been constructed pursuant to this Act. The provisions of this Act shall apply only to irrigation purposes, including incidental domestic and stock water, and loans hereunder shall be interest free. Nothing in this Act shall be construed to repeal or limit the procedural and substantive requirements of section 8 of the Act of June 17, 1902." (70 Stat. 155; 43 U.S.C. § 421c)]

SEC. 4. Except as herein otherwise provided, the provisions of the Federal reclamation laws, and Acts amendatory thereto, are continued in full force and effect.

SEC. 5. *Unless otherwise provided in the Act authorizing construction of the project, the delivery and distribution of municipal and industrial water supplies shall be deemed to be an authorized project purpose under this Act, and where appropriate, an allocation of loan funds acceptable to the Secretary shall be made between irrigation and municipal and industrial purposes. Loan repayment contracts shall require that the borrower pay interest on that portion of the unamortized loan obligation (including interest during construction) allocated in each year to municipal and industrial purposes at the rate provided in the Act authorizing the project, or absent such an authorized rate, at a rate determined by the Secretary of the Treasury as of the beginning of the Fiscal Year in which the contract, or contract amendment entered into pursuant to Section 6 hereof, is executed, on the basis of the computed average interest rate payable by the Treasury upon its outstanding marketable public obligations which are neither due nor callable for redemption for fifteen years from date of issue, and by adjusting such average rate to the nearest one-eighth of 1 per centum.*

SEC. 6. *The Secretary is hereby authorized to negotiate amendments to existing water service and irrigation distribution system loan contracts to conform said contracts to the provisions of this Act.*

SEC. 7. *Nothing in this Act shall be construed to repeal or limit the procedural and substantive requirements of Section 8 of the Act of June 17, 1902 (32 Stat. 388).*

SEC. 8. *Works financed by loans made under this Act shall be subject to all procedural and substantive requirements of the Fish and Wildlife Coordination Act (48 Stat. 401, as amended); the Federal Water Pollution Control Act, as amended (33 U.S.C. 1151); and the National Environmental Policy Act of 1969 (83 Stat. 852, 42 U.S.C. 4321).*

Senator ANDERSON. Our first witness is Mr. William H. Keating, Acting Commissioner of Reclamation.

**STATEMENT OF HON. WILLIAM KEATING, ACTING COMMISSIONER,
BUREAU OF RECLAMATION, DEPARTMENT OF THE INTERIOR,
ACCOMPANIED BY ROBERT COMSTOCK, LOANS OFFICER**

Mr. KEATING. Mr. Chairman, Commissioner Armstrong regrets that he is unable to be here today to present the Department's views on H.R. 9198. He is in New Zealand to attend the International Executive Council meeting of the World Energy Conference, as chairman of the U.S. Committee.

My name is William H. Keating. In Commissioner Armstrong's absence, I am the Acting Commissioner.

We are pleased to appear today in support of H.R. 9198 which was passed by the House of Representatives on August 7, 1972.

Our views on H.R. 9198 and H.R. 5470, as they were originally introduced in the House, are set forth in our letter to the House Interior and Insular Affairs Committee dated March 14, 1972, which is reproduced in the House report on the bill. For the most part, our recommendations concerning the bill were adopted by the House.

The bill makes a number of changes in the Distribution System Loans Act which provides for Federal loans to non-Federal organizations in the 17 reclamation States. The loans enable construction of irrigation water distribution systems on authorized Federal reclamation projects in lieu of Federal construction.

Since the act was passed, we have approved loans to 11 such organizations. Of these, eight projects with a loan value of \$26,200,000 are completed.

Two projects are under construction, both of which are nearing completion; one project of about \$41 million and one of about \$2,700,000 which required a supplemental loan for completion of drainage facilities.

The remaining project, involving a loan of \$2,470,000, has been approved but remains to be funded. For these 11 approved projects the total loan value is about \$74 million. We have two additional applications being prepared with loans totaling about \$10 million.

The program has been successful and is accomplishing the purpose for which it was authorized—to permit irrigation organizations to design and construct their distribution facilities in lieu of Federal construction and to do so in a timely manner.

H.R. 9198, as passed by the House of Representatives generally conforms to the position of the Department of the Interior in our report to the House Interior and Insular Affairs Committee dated March 14, 1972. We endorse H.R. 9198 as presently constituted.

Distribution systems loans can only be made for construction of irrigation and drainage systems which are part of an authorized reclamation project.

Loan applicants must execute a contract for water service under the parent project. As a condition to the loan, each organization must acquire and transfer to the United States title to all rights-of-way necessary for project purposes.

The United States must retain the title until the loan has been repaid at which time it would be reconveyed to the borrowing organization. This procedure has been time-consuming and expensive for both the borrower and for us.

H.R. 9198 in section 3 would amend the present act to delete the title transfer requirement and in addition would enable the reconveyance to these organizations of the titles to rights-of-way and conveyance facilities now held by the United States under previous loans.

We note that H.R. 9198 deletes the third from the last sentence of section 3 of the present act providing that benefits or privileges otherwise available under Federal reclamation laws shall not be denied to a distribution system constructed under the act.

We are not aware of any reason for deleting this provision, but have not encountered any situation for loans thus far made where it would be applicable.

We concur in this amendment which will simplify and decrease the costs of administration of the program. Ample security for the loan without holding title to rights-of-way is generally available to the Federal Government through the water service contract which the borrower must execute with the United States for a water supply.

This contract specifies the quantity and charges for water to be delivered to project lands through the constructed works. The contract also provides that the district as a whole is obligated to pay the charges for water coming due under the contract notwithstanding any default in payment of district levied tolls or assessments by individual water users. Another provision states that a tract of land in arrears of assessments has no right to a water supply under the contract.

In addition, the loan repayment contract allows the United States to assume certain management functions to assure continued efficient functioning of the system. These functions include requiring or accomplishing needed distribution system maintenance at district expense.

While these contractual provisions would almost always provide ample security, the bill would also authorize the Secretary to require satisfactory assurance of security for repayment of the Federal loan.

Section 5 of H.R. 9198 would authorize the delivery and distribution of municipal and industrial water supplies through the constructed project works.

Provision is made for an allocation of project costs between irrigation and municipal and industrial water supplies and for the payment of interest, including interest during construction, on the unamortized loan obligation allocated to municipal and industrial purposes. Such allocation would be made annually to reflect the possible shift of water use from agricultural purposes.

The interest formula provided in section 5 of the bill is that presently used in the Small Reclamation Projects Act of 1956. The interest rate applicable for fiscal year 1973 for repayment purposes is $3\frac{5}{8}$ percent. This interest formula would be applicable, however, only if the legislation authorizing the parent project does not establish an interest rate.

Under the existing act, only incidental domestic and stock water can be delivered through facilities constructed under this program.

This restriction now continues in effect throughout the repayment period.

The amendment proposed by H.R. 9198 would recognize the often inseparable demand for municipal and industrial water supply that accompanies the development of irrigation.

We strongly support H.R. 9198's amendment of the act to permit the use and delivery of project water supplies for municipal and industrial purposes as necessary to enable the growth of economically balanced communities.

Section 2 of H.R. 9198 would amend the act to establish a maximum of 40 years for repayment of a Federal distribution system loan.

Section 2 would also permit a development period of up to 10 years, including distribution systems receiving water from facilities constructed under the act of June 3, 1960, which authorized Federal construction of the San Luis unit of the Central Valley project.

The amendment conforms the act to the Reclamation Projects Act of 1939.

The San Luis Unit Authorizing Act establishes a maximum of 40 years for repayment of distribution system construction costs, but makes no provision for a development period.

The Westlands Water District, which comprises most of the San Luis unit service area, did not require a development period as most of its lands were already being irrigated.

For the San Luis Water District, however, a considerable acreage proposed to be served by its distribution system is presently undeveloped for irrigation.

It will be necessary that these water users construct all needed on-farm water conveyance facilities and prepare the land for irrigation. Postponement of initiating repayment during a development period is therefore an economic necessity to enable the farmer to accomplish this developmental work.

Section 6 of H.R. 9198 would authorize the Secretary to negotiate amendments to existing water service and loan repayment contracts to conform them to the provisions of the amended act. We support this provision which will facilitate return of titles to properties we now hold and decrease our administrative costs.

The language referring to drainage inserted throughout H.R. 9198 is for clarification to provide statutory assurance that drainage is a project purpose for which we believe authority presently exists.

The language in section 1 of the bill limiting such drainage systems to disposal of excess irrigation water conforms to our policy with respect to the use of such systems.

We concur in this amendment.

Section 8 of the bill would require that distribution system loan projects be subject to the requirements of the Fish and Wildlife Coordination Act, the Federal Water Pollution Control Act, and the National Environmental Policy Act.

We believe that distribution systems constructed under the present act are subject to these statutes, and the statutes should continue to apply to such projects.

Mr. Chairman, we concur in the amendments to the Distribution System Loans Act as set forth in H.R. 9198. We believe the amend-

ments will effect substantial cost savings and enable the program to keep abreast of the changing water needs of the development west. We recommend enactment of H.R. 9198.

I appreciate the opportunity of presenting our views, sir.

Senator ANDERSON. Thank you for that very fine statement.

Senator JORDAN.

Senator JORDAN. This program applies only to projects that were heretofore authorized?

Mr. KEATING. Yes, sir.

Senator JORDAN. What is the upper limit on the amount of loan money available?

Mr. KEATING. I don't believe there is a limit, sir.

Senator JORDAN. There is no upper limit?

Mr. KEATING. No, unless imposed under the act authorizing the project.

Senator JORDAN. What interest rate is to be charged for municipal and industrial water?

Mr. KEATING. The present rate is under a formula and is $3\frac{5}{8}$ percent.

Senator JORDAN. This is the rate for municipal and industrial water unless it is specified in legislation.

Mr. KEATING. Yes, an authorizing bill could specify a different interest rate.

Senator JORDAN. Why is that rate used?

Mr. KEATING. The Water Supply Act of 1958 specified the basic formula for this interest rate and we have followed this formula.

Senator JORDAN. Section 6 of the act authorizes the Secretary to negotiate existing water service contracts, to bring them into conformity with the amendment proposed here.

With regard to the specific language of section 2 amending the authorization act of San Luis project, what contract amendments would be contemplated? Would the existing contracts with the Western Water District be affected by this language, and in what way?

Mr. KEATING. The San Luis Water District repayment contract would be amended to allow a development period. At the present time they are restricted to a 40-year repayment period without a development period. This would enable us to allow a 10-year development period for the San Luis Water District.

On the Westlands Water District, there would be no change. There is no needed development period. That land was developed for irrigation ahead of time, and this would be just a change in supply. They would remain under a 40-year repayment contract.

Senator JORDAN. Do these amendments conform with the policy regarding the distribution loan program to those applicable to the small reclamation projects loan program as amended last year?

Mr. KEATING. Yes, sir.

Senator JORDAN. What you are doing is bringing this program in conformity with the small reclamation projects that we already approved?

Mr. KEATING. Yes, sir; that is correct.

Senator JORDAN. I have no further questions.

Senator ANDERSON. Thank you for your presentation.

Does the staff have any questions?

Mr. DREYFUS. No.

Senator ANDERSON. We have some materials that have been submitted that we will put in the record at this point.

(The following material was submitted for the record:)

SENATE CHAMBER,
Bismarck, N. Dak., September 12, 1972.

Senator CLINTON P. ANDERSON,
Chairman, Water and Power Subcommittee, Senate Committee on Interior and
Insular Affairs, New Senate Office Building, Washington, D.C.

DEAR SENATOR ANDERSON: I have been informed that H.R. 9198, amending the Distributions Loan Act, has passed the House and will soon come up for hearing in the Senate Interior Committee. I believe this would be a forward step in assisting local agencies to finance needed small water reclamation projects and water distribution systems for multiple use.

I therefore urge your committee to recommend its enactment into law.

Most sincerely yours,

GUY F. LARSON, *State Senator.*

EASTERN MUNICIPAL WATER DISTRICT,
Hemet, Calif., September 13, 1972.

Senator CLINTON P. ANDERSON,
Chairman, Water and Power Subcommittee, Senate Committee on Interior and
Insular Affairs, Washington, D.C.

DEAR MR. CHAIRMAN: The Small Projects Committee of the National Water Resources Association strongly supports H.R. 9198 as passed by the House of Representatives to amend Public Law 130 of the 84th Congress, and urges favorable action on the part of your Committee.

We support this bill because we believe that it will greatly improve its usefulness by providing more efficient multi-purpose features in the projects that are constructed under its provisions and will clarify and improve many details that have been troublesome to both the federal government and project sponsors.

Some of the features of this bill that we consider to be important are:

... the provision to include water facilities for municipal, industrial, and domestic purposes with that part of the loan attributable to these purposes subject to the payment of interest;

... fixing the rate of interest to be charged for that part of the loan allocated to municipal, industrial and domestic uses consistent with the rate prevailing for other similar reclamation projects;

... clarification as to eligibility of drainage works as part of an irrigation facility;

... elimination of existing troublesome provisions that required transfer of title of project lands to the federal government, which procedure was of no real value in providing security to the federal government for loan funds;

... authorization for the Secretary to negotiate amendments to existing contracts under the Act, to conform these contracts with the provisions of the amendments contained in this bill which, in turn, would greatly improve the usefulness of existing projects financed under the Act.

As Chairman of the Small Projects Committee of the National Water Resources Association, I urge your Committee to support and enact the provisions of H.R. 9198.

The past and continuing interest and consideration given by you and your Committee to improve the effectiveness of the loan programs under Federal reclamation law are sincerely appreciated.

Respectfully,

DOYLE F. BOEN,
Chairman, Small Projects Committee, National Water Resources
Association.

WILLIAMETTE BASIN PROJECT COMMITTEE,
Salem, Oreg., September 11, 1972.

Senator CLINTON P. ANDERSON,
Chairman, Water and Power Subcommittee, Senate Committee on Interior and
Insular Affairs, New Senate Office Building, Washington, D.C.

DEAR SENATOR ANDERSON: We wish to urge your Committee to approve H.R. 9198, amending the Distribution System Loan Act (Public Law 130).

We feel that these amendments will improve the Act, making it more workable and will better meet the requirements of local conditions. We feel further, that it will eliminate some of the troublesome problems that our people have been confronted with in attempting to use this Act. We feel that the amendments will make it possible for our people to use this Act, whereas the present Act has not been found adequate to meet local conditions.

As a member of the Small Projects Committee of the National Water Resources Association, I wish to add my belief to that of the Willamette Basin Project Committee, that the amendments to this Act will make it possible for the people in Oregon to use this procedure in solving some of their local problems.

Sincerely,

A. WARREN JONES,
Executive Secretary.

ARVIN-EDISON WATER STORAGE DISTRICT,
Arvin, Calif., September 12, 1972.

Re H.R. 9198—Amendments to PL 130.

Hon. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR SENATOR JACKSON: We are writing to indicate the District's interest in the above Bill, recently passed by the House, which we trust may receive early and favorable action by your Committee.

This District operates an irrigation distribution system which was approved and constructed pursuant to the provisions of PL 130. The system is now virtually complete and the District is indeed grateful to the Congress, the Interior Department and the Bureau of Reclamation for the real assistance and support we have received in bringing our project to fruition.

As we understand it, the amendments to P.L. 130 will make the program more flexible and provide for even further economies through the elimination of some of the present technical requirements such as the transfer to the Government of interests in lands acquired for canal right-of-way and other project facilities. Experience indicates this procedure is not essential. Since the amendments will make a good Bureau program even better, we do hope your Committee will give H.R. 9198 early and favorable consideration.

With appreciation to your Committee for the great assistance it continues to be to the Central Valley area.

Sincerely,

DAVID L. MOORE, President.

NATIONAL WATER RESOURCES ASSOCIATION,
Washington, D.C., September 7, 1972.

Hon. CLINTON P. ANDERSON,
Chairman, Senate Subcommittee on Water and Power, Interior and Insular
Affairs Committee, Washington, D.C.

DEAR MR. CHAIRMAN: This relates to HR 9198 to amend further the Act of July 4, 1955 on which public hearings are scheduled for September 18, 1972.

The National Water Resources Association indorses H.R. 9198 and urges favorable Committee actions. We favor the bill because it is designed to:

* * * eliminate certain costly transfers of titles to project lands where Federal funds are borrowed by public agencies for construction of specified water works.

* * * facilitate the uses of water purposes other than irrigation, while assuring that uses—like municipal and industrial—bear allocated costs, with interest.

* * * clarify the nature of drainage works and of fish and wildlife functions eligible for consideration under the Act.

I would appreciate your incorporating this indorsement into the record of hearing.

Sincerely,

CARL BRONN,
Executive Director.

NATIONAL WATER RESOURCES ASSOCIATION,
Spokane, Wash., September 11, 1972.

Senator CLINTON P. ANDERSON,
Chairman, Water and Power Subcommittee, Senate Committee on Interior and Insular Affairs, Washington, D.C.

DEAR SENATOR ANDERSON: In support of the enactment of H.R. 9198 to amend the Distribution Systems Loan Act (Public Law 130):

Over \$70 millions worth of irrigation distribution system loans have been made under P L 130. While these loans have been made for systems in the State of California, other states will rely on them in the future. The enactment of H.R. 9198 will correct some of the troublesome details which have restricted requests from other states for loans under the program the past several years.

The principal provisions of the amending legislation broaden the program to allow loans to be used for municipal and industrial water supply distribution systems, and for drainage systems on irrigation distribution systems. They also allow existing distribution system loan contracts under P.L. 130 to be amended to reflect the changes proposed in H.R. 9198. These are important benefits.

The provision eliminating the requirement of P.L. 130 that right of way interests be conveyed to the United States during the term of the loan and its repayment will simplify procedures, without jeopardizing the interest of the United States.

There is reason to believe districts in the State of Washington will be using funds from the Distribution Systems Loan Act in the future, particularly if H.R. 9198 is enacted. Our project leaders will find the amending of P.L. 130, will make it a more practical means of financing our smaller projects that are located close to growing population centers.

As Director of the National Water Resources Association from the State of Washington, I urge your Committee's support and enactment of the provisions of H.R. 9198.

Yours sincerely,

LORIN W. MARKHAM.

Senator ANDERSON. The hearing is adjourned subject to the call of the Chair.

(Whereupon, at 10:30 p.m., Monday, September 18, 1972, the subcommittee was recessed subject to the call of the Chair.)



