

TO DIRECT THE SECRETARY OF THE INTERIOR TO ALLOW FOR PREPAYMENT OF REPAYMENT OBLIGATIONS UNDER REPAYMENT CONTRACTS BETWEEN THE UNITED STATES AND THE WEBER BASIN WATER CONSERVANCY DISTRICT

SEPTEMBER 6, 2016.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BISHOP of Utah, from the Committee on Natural Resources, submitted the following

R E P O R T

[To accompany H.R. 5468]

[Including cost estimate of the Congressional Budget Office]

The Committee on Natural Resources, to whom was referred the bill (H.R. 5468) to direct the Secretary of the Interior to allow for prepayment of repayment obligations under Repayment Contracts between the United States and the Weber Basin Water Conservancy District, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purpose of H.R. 5468 is to direct the Secretary of the Interior to allow for prepayment of repayment obligations under Repayment Contracts between the United States and the Weber Basin Water Conservancy District.

BACKGROUND AND NEED FOR LEGISLATION

Under federal law, an irrigation district, municipal water utility or a water conservancy district that receives contracted water from a Bureau of Reclamation facility must repay its allocated portion of the capital costs of the federal water project. These repayment costs are typically set forth in long-term capital repayment contracts between the water utility and the federal government. A water utility that seeks to prepay what it owes to the federal government usually must wait for enactment of a public law specific to its circumstances.

The federal Weber Basin Project is one of fourteen Reclamation projects in Utah. The Weber Basin Water Conservancy District maintains, operates and acts as the local sponsor of the Project. By

its own estimates, the District supplies on average 166,000 acre-feet of irrigation water to over 1,000 farms and 50,000 acre-feet of municipal and industrial water to over 500,000 people across five counties in northern Utah. An acre-foot amounts to 326,000 gallons of water or enough to cover an acre with one foot of water. The District entered into an initial repayment contract with the United States in 1952 and amended/supplemented that contract thereafter to repay its share of the original Project costs with applicable interest. The current contract repayment schedule will be completed in 2034.

The District seeks to prepay its repayment contract. A District representative testified that the District can save money by retiring its debt early and that such savings can be used to finance future water infrastructure and repair and replacement costs. At the same time, the federal government would receive early receipts as a result of accelerated repayments, according to the Congressional Budget Office.

H.R. 5468 achieves these objectives by allowing for prepayment. The prepayment concept is based on legislative precedent from prior Congresses and this Congress. Specific to Utah, this bill requires the prepayment to be “under the terms and conditions similar to” section 210 of the Central Utah Project Completion Act (Public Law 102–575), which allowed the Central Utah Water Conservancy District to prepay municipal and industrial obligations associated with the Bonneville Unit of the Central Utah Project.

SECTION-BY-SECTION ANALYSIS

Section 1 directs the Secretary of the Interior to allow the District to prepay its repayment contract obligations similar to the terms and conditions of Section 210 of the Central Utah Project Completion Act (Public Law 102–575) for prepayment of Central Project Unit repayment obligations. The prepayment shall include the net present value of all repayment obligations that would have been payable to the United States if this Act was not in effect, may be provided in several installments, may not be adjusted based on the prepayment financing used by the District, and the total repayment must occur no later than September 30, 2026.

COMMITTEE ACTION

H.R. 5468 was introduced on June 14, 2016, by Congressman Rob Bishop (R–UT). The bill was referred to the Committee on Natural Resources, and within the Committee to the Subcommittee on Water, Power and Oceans. On June 23, 2016, the Subcommittee held a hearing on the bill. On July 12, 2016, the Natural Resources Committee met to consider the bill. The Subcommittee was discharged by unanimous consent. No amendments were offered and the bill was ordered favorably reported to the House of Representatives by unanimous consent on July 13, 2016.

COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

Regarding clause 2(b)(1) of Rule X and clause 3(c)(1) of Rule XIII of the Rules of the House of Representatives, the Committee on Natural Resources’ oversight findings and recommendations are reflected in the body of this report.

COMPLIANCE WITH HOUSE RULE XIII

1. Cost of Legislation and Section 308(a) of the Congressional Budget Act. With respect to the requirements of clause 3(c)(2) and (3) of rule XIII of the Rules of the House of Representatives and sections 308(a) and 402 of the Congressional Budget Act of 1974, the Committee has received the enclosed cost estimate for the bill from the Director of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 2, 2016.

Hon. ROB BISHOP,
*Chairman, Committee on Natural Resources,
House of Representatives, Washington, DC.*

DEAR MADAM CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5468, a bill to direct the Secretary of the Interior to allow for prepayment of repayment obligations under Repayment Contracts between the United States and the Weber Basin Water Conservancy District.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Aurora Swanson.

Sincerely,

KEITH HALL.

Enclosure.

H.R. 5468—A bill to direct the Secretary of the Interior to allow for prepayment of repayment obligations under Repayment Contracts between the United States and the Weber Basin Water Conservancy District

Summary: H.R. 5468 would direct the Bureau of Reclamation (BOR) to allow water contractors in the Weber Basin Water Conservancy District (the district) in Utah to repay their share of the capital costs of the Weber Basin Project on an accelerated schedule.

CBO estimates that enacting the bill would result in a net increase in offsetting receipts, which are treated as reductions in direct spending, of \$3 million over the next 10 years. Additionally, the staff of the Joint Committee on Taxation (JCT) expect that the contractors would finance some of those accelerated payments to the government with bonds exempt from federal taxation. As a result, JCT estimates that enacting the legislation would reduce revenues by a total of less than \$500,000 over the 2017–2026 period. In total, CBO estimates that those changes in direct spending and revenues would decrease budget deficits over that 10-year period by \$3 million. Because the legislation would affect direct spending and revenues, pay-as-you-go procedures apply.

CBO estimates that enacting the bill would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2027.

H.R. 5468 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary effect of H.R. 5468 is shown in the following table. The costs

of this legislation fall within budget function 300 (natural resources and environment).

	By fiscal year, in millions of dollars—												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026	
	INCREASE OR DECREASE (–) IN DIRECT SPENDING ^a												
Estimated Budget													
Authority ^b	– 15	1	1	1	1	1	1	1	1	1	– 10	– 3	
Estimated Outlays	– 15	1	1	1	1	1	1	1	1	1	– 10	– 3	

Note: Components may not sum to totals because of rounding.

^aStaff of the Joint Committee on Taxation estimate that enacting H.R. 5468 would result in an insignificant loss of revenues over the 2017–2026 period.

^bOver the next 18 years (2017–2034), CBO estimates that enacting the bill would lead to a net loss in offsetting receipts, which would increase direct spending by about \$6 million.

Basis of estimate: For this estimate, CBO assumes that H.R. 5468 will be enacted near the end of 2016.

Under current law, the BOR delivers water to irrigation and municipal and industrial contractors in Utah through the Weber Basin Project. In addition to paying for the water, those contractors also pay for a portion of the estimated capital costs of constructing the reservoirs and conveyance systems that store and deliver the water. Over the next 18 years, CBO estimates that those contractors will pay about \$1.3 million annually for their share of construction costs (including interest) to the federal government on an outstanding obligation of about \$22 million (including principle and interest). They are not authorized to pay construction costs on an accelerated schedule.

H.R. 5468 would authorize contractors in the district to repay their share of the capital investment in the project at any time before the end of 2026. To fulfill their repayment obligation early, contractors would be required to repay the present value of their future contract payments discounted at the 20-year maturity rate for U.S. Treasury securities.

Based on information from the BOR about the terms of current water contracts in the Weber Basin, CBO expects that contractors would choose to repay their outstanding obligations in the first year after enactment. CBO estimates that receipts from accelerated payments would total \$16 million over the 2017–2026 period. During the same period there would be a corresponding loss totaling \$13 million in annual repayments (including interest from municipal and industrial water contractors) that would otherwise occur under current law. On balance, under H.R. 5468, CBO estimates that net receipts would increase by \$3 million over the 2017–2026 period. That 10-year increase in net receipts would be more than offset by a corresponding reduction in payments that would otherwise occur in years after 2026. In total, over the next 18 years, CBO estimates that the net loss in offsetting receipts from enacting this provision would total about \$6 million.

In addition, JCT expects that revenue losses related to increased use of tax exempt financing under the bill would total less than \$500,000 over the 2017–2026 period.

Pay-As-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

	By fiscal year, in millions of dollars ^a —												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016– 2021	2016– 2026
NET INCREASE OR DECREASE (–) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	–15	1	1	1	1	1	1	1	1	1	–10	–3

^a Staff of the Joint Committee on Taxation estimate that enacting H.R. 5468 would result in an insignificant loss of revenues over the 2017–2026 period.

Estimated impact on state, local, and tribal governments: H.R. 5468 contains no intergovernmental mandates as defined in UMRA and would benefit the Weber Basin Water Conservancy District in Utah by allowing the district to prepay what it owes in remaining capital obligations to the federal government for use of federal water infrastructure. Any costs incurred by the district under agreements with the federal government would result from voluntary commitments.

Estimated impact on the private sector: H.R. 5468 contains no private-sector mandates as defined in UMRA.

Increase in long-term net direct spending and deficits: CBO estimates that enacting the bill would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2027.

Estimate prepared by: Federal spending: Aurora Swanson; Federal revenues: Staff of the Joint Committee on Taxation; Impact on state, local, and tribal governments: Jon Sperl; Impact on the private sector: Paige Piper/Bach.

Estimate approved by: Theresa Gullo, Assistant Director for Budget Analysis.

2. General Performance Goals and Objectives. As required by clause 3(c)(4) of rule XIII, the general performance goal or objective of this bill is to direct the Secretary of the Interior to allow for prepayment of repayment obligations under Repayment Contracts between the United States and the Weber Basin Water Conservancy District.

EARMARK STATEMENT

This bill does not contain any Congressional earmarks, limited tax benefits, or limited tariff benefits as defined under clause 9(e), 9(f), and 9(g) of rule XXI of the Rules of the House of Representatives.

COMPLIANCE WITH PUBLIC LAW 104–4

This bill contains no unfunded mandates.

COMPLIANCE WITH H. RES. 5

Directed Rule Making. The Chairman does not believe that this bill directs any executive branch official to conduct any specific rule-making proceedings.

Duplication of Existing Programs. This bill does not establish or reauthorize a program of the federal government known to be duplicative of another program. Such program was not included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139 or identified in the most recent Catalog of Federal Domestic Assistance published pur-

suant to the Federal Program Information Act (Public Law 95–220, as amended by Public Law 98–169) as relating to other programs.

PREEMPTION OF STATE, LOCAL OR TRIBAL LAW

This bill is not intended to preempt any State, local or tribal law.

CHANGES IN EXISTING LAW

If enacted, this bill would make no changes in existing law.

