RECLAMATION TITLE TRANSFER ACT OF 2018

NOVEMBER 28, 2018.—Ordered to be printed

Ms. MURKOWSKI, from the Committee on Energy and Natural Resources, submitted the following

REPORT

[To accompany S. 2560]

[Including cost estimate of the Congressional Budget Office]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 2560) to authorize the Secretary of the Interior to establish a program to facilitate the transfer to non-Federal ownership of appropriate reclamation projects or facilities, and for other purposes, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill, as amended, do pass.

AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Reclamation Title Transfer Act of 2018”.

SEC. 2. PURPOSE.

The purpose of this Act is to facilitate the transfer of title to Reclamation project facilities to qualifying entities on the completion of repayment of capital costs.

SEC. 3. DEFINITIONS.

In this Act:

(1) CONVEYED PROPERTY.—The term “conveyed property” means an eligible facility that has been conveyed to a qualifying entity under section 4.

(2) ELIGIBLE FACILITY.—The term “eligible facility” means a facility that meets the criteria for potential transfer established under section 5(a).

(3) FACILITY.—

(A) IN GENERAL.—The term “facility” includes a dam or appurtenant works, canal, lateral, ditch, gate, control structure, pumping station, other infrastructure, recreational facility, building, distribution and drainage works, and associated land or interest in land or water.
EXCLUSIONS.—The term "facility" does not include a Reclamation project facility, or a portion of a Reclamation project facility—
(i) that is a reserved works as of the date of enactment of this Act;
(ii) that generates hydropower marketed by a Federal power marketing administration; or
(iii) that is managed for recreation under a lease, permit, license, or other management agreement that does contribute to capital repayment.

PROJECT USE POWER.—The term "project use power" means the electrical capacity, energy, and associated ancillary service components required to provide the minimum electrical service needed to operate or maintain Reclamation project facilities in accordance with the authorization for the Reclamation project.

QUALIFYING ENTITY.—The term "qualifying entity" means an agency of a State or political subdivision of a State, a joint action or powers agency, a water users association, or an Indian Tribe or Tribal utility authority that—
(A) as of the date of conveyance under this Act, is the current operator of the eligible facility pursuant to a contract with Reclamation; and
(B) as determined by the Secretary, has the capacity to continue to manage the eligible facility for the same purposes for which the property has been managed under the reclamation laws.

RECLAMATION.—The term "Reclamation" means the Bureau of Reclamation.

RECLAMATION PROJECT.—The term "Reclamation project" means—
(A) any reclamation or irrigation project, including incidental features of the project—
(i) that is authorized by the reclamation laws;
(ii) that is constructed by the United States pursuant to the reclamation laws; or
(iii) in connection with which there is a repayment or water service contract executed by the United States pursuant to the reclamation laws; or
(B) any project constructed by the Secretary for the reclamation of land.

RESERVED WORKS.—The term "reserved works" means any building, structure, facility, or equipment—
(A) that is owned by the Bureau; and
(B) for which operations and maintenance are performed, regardless of the source of funding—
(i) by an employee of the Bureau; or
(ii) through a contract entered into by the Commissioner.

SECRETARY.—The term "Secretary" means the Secretary of the Interior, acting through the Commissioner of Reclamation.

SEC. 4. AUTHORIZATION OF TRANSFERS OF TITLE TO ELIGIBLE FACILITIES.

AUTHORIZATION.—
(1) IN GENERAL.—Subject to the requirements of this Act, the Secretary, without further authorization from Congress, may, on application of a qualifying entity, convey to a qualifying entity all right, title, and interest of the United States in and to any eligible facility, if—
(A) not later than 90 days before the date on which the Secretary makes the conveyance, the Secretary submits to Congress—
(i) a written notice of the proposed conveyance; and
(ii) a description of the reasons for the conveyance; and
(B) a joint resolution disapproving the conveyance is not enacted before the date on which the Secretary makes the conveyance.

CONSULTATION.—A conveyance under paragraph (1) shall be made by written agreement between the Secretary and the qualifying entity, developed in consultation with any existing water and power customers affected by the conveyance of the eligible facility.

RESERVATION OF EASEMENT.—The Secretary may reserve an easement over a conveyed property if—
(1) the Secretary determines that the easement is necessary for the management of any interests retained by the Federal Government under this Act;
(2) the Reclamation project or a portion of the Reclamation project remains under Federal ownership; and
(3) the Secretary enters into an agreement regarding the easement with the applicable qualifying entity.

INTERESTS IN WATER.—If a Federal interest in water rights and uses relating to a conveyed property is to be conveyed under this section with the conveyed prop-
erty, the Federal interest in water rights and uses shall be quantified and conveyed by an independent written agreement, subject to applicable public participation requirements.

SEC. 5. ELIGIBILITY CRITERIA.

(a) Establishment.—The Secretary shall establish criteria for determining whether a facility is eligible for conveyance under this Act.

(b) Minimum Requirements.—

(1) Agreement of Qualifying Entity.—The criteria established under subsection (a) shall include a requirement that a qualifying entity shall agree—

(A) to accept title to the eligible facility;

(B) to use the eligible facility for substantially the same purposes for which the eligible facility is being used at the time the Secretary evaluates the potential transfer; and

(C) to provide, as consideration for the assets to be conveyed, compensation to the reclamation fund established by the first section of the Act of June 17, 1902 (32 Stat. 388, chapter 1093), in an amount that is the equivalent of the net present value of any repayment obligation to the United States or other income stream that the United States derives from the eligible facility to be transferred, as of the date of the transfer.

(2) Determinations of Secretary.—The criteria established under subsection (a) shall include a requirement that the Secretary shall—

(A) be able to enter into an agreement with the qualifying entity with respect to the legal, institutional, and financial arrangements relating to the conveyance;

(B) determine that the proposed transfer—

(i) would not have an unmitigated significant effect on the environment;

(ii) is consistent with the responsibilities of the Secretary—

(I) in the role as trustee for Federally recognized Indian Tribes; and

(II) to ensure compliance with any applicable international and Tribal treaties and agreements and interstate compacts and agreements;

(iii) is in the financial interest of the United States;

(iv) protects the public aspects of the eligible facility, including water rights managed for public purposes, such as flood control or fish and wildlife;

(v) complies with all applicable Federal and State law; and

(vi) will not result in an adverse impact on fulfillment of existing water delivery obligations consistent with historical operations and applicable contracts; and

(C) if the eligible facility proposed to be transferred is a dam or diversion works diverting water from a water body containing a species listed as a threatened species or an endangered species or critical habitat under the Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.), determine that—

(i) the eligible facility would remain subject to consultation requirements under section 7(a)(2) of that Act (16 U.S.C. 1536(a)(2));

(II) on completion of a biological assessment under section 402.12 of title 50, Code of Federal Regulations (or successor regulations), or an informal consultation under section 402.13 of title 50, Code of Federal Regulations (or successor regulations), the Commissioner of Reclamation and the Director of the United States Fish and Wildlife Service or the Director of the National Marine Fisheries Service, as applicable, have concurred in writing, consistent with section 402.14(b)(1) of title 50, Code of Federal Regulations (or successor regulations), that no action associated with the eligible facility is likely to adversely affect any species listed as a threatened species or an endangered species or critical habitat under that Act (16 U.S.C. 1531 et seq.); or

(III) the qualifying entity completed a habitat conservation plan pursuant to section 10 of that Act (16 U.S.C. 1539) prior to the transfer; and

(ii) the eligible facility is not located in the State of California.

(3) Status of Reclamation Land.—The criteria established under subsection (a) shall require that any land to be conveyed out of Federal ownership under this Act is—

(A) land acquired by the Secretary; or

(B) land withdrawn by the Secretary, only if—
(i) the Secretary determines in writing that the withdrawn land is encumbered by facilities to the extent that the withdrawn land is unsuitable for return to the public domain; and
(ii) the qualifying entity agrees to pay fair market value based on historical or existing uses for the withdrawn land to be conveyed.

(c) HOLD HARMLESS.—No conveyance under this Act shall adversely impact applicable Federal power rates, repayment obligations, or other project power uses.

SEC. 6. LIABILITY.
(a) IN GENERAL.—Effective on the date of conveyance of any eligible facility under this Act, the United States shall not be held liable by any court for damages of any kind arising out of any act, omission, or occurrence relating to the eligible facility, other than damages caused by acts of negligence committed by the United States or by agents or employees of the United States prior to the date of the conveyance.

(b) EFFECT.—Nothing in this section increases the liability of the United States beyond that currently provided in chapter 171 of title 28, United States Code (commonly known as the ‘Federal Tort Claims Act’).

SEC. 7. BENEFITS.
After a conveyance of an eligible facility under this Act—
(1) the conveyed property shall no longer be considered to be part of a Reclamation project;
(2) except as provided in paragraph (3), the qualifying entity to which the conveyed property is conveyed shall not be eligible to receive any benefits, including project use power, with respect to the conveyed property, except for any benefit that would be available to a similarly situated entity with respect to property that is not a part of a Reclamation project; and
(3) the qualifying entity to which the conveyed property is conveyed may be eligible to receive project use power if—
(A) the Secretary determines that the qualifying entity has historically been responsible for a proportionate share of the operation and maintenance expenses for Federal facilities that generate and transmit, if applicable, power used for the delivery of Reclamation project water; and
(B) the Secretary and the qualifying entity enter into an agreement under which the qualifying entity agrees to continue to be responsible for a proportionate share of operation and maintenance and capital costs for the Federal facilities that generate and deliver, if applicable, power used for delivery of Reclamation project water after the date of conveyance, in accordance with Reclamation project use power rates.

SEC. 8. COMPLIANCE WITH OTHER LAWS.
(a) IN GENERAL.—Before conveying an eligible facility under this Act, the Secretary shall comply with all applicable Federal environmental laws, including—
(1) the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.);
(2) the Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.); and
(3) subtitle III of title 54, United States Code.

(b) SENSE OF CONGRESS.—It is the sense of Congress that any Federal permitting and review processes required with respect to a conveyance of an eligible facility under this Act should be completed with the maximum efficiency and effectiveness.

SEC. 9. AUTHORIZATION OF APPROPRIATIONS.
(a) IN GENERAL.—There are authorized to be appropriated to carry out this Act such sums as are necessary.

(b) USE OF AMOUNTS.—Amounts made available under subsection (a) may be used—
(1) to carry out any investigations appropriate to carry out this Act; and
(2) to pay any other costs associated with conveyances under this Act, including an appropriate Federal share, as determined by the Secretary, of the costs of compliance with the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) and any other applicable law.

(c) NOT TREATED AS PROJECT COSTS.—Expenditures made by the Secretary under this Act—
(1) shall not be a project cost assignable to a Reclamation project; and
(2) shall be nonreimbursable.

(d) EFFECT.—Nothing in this section affects the authority of the Secretary to recover non-Federal costs associated with conveyances under this Act.
PURPOSE

The purpose of S. 2560 is to facilitate the transfer of title to Reclamation project facilities to qualifying entities on the completion of repayment capital costs.

BACKGROUND AND NEED

The Bureau of Reclamation (Bureau or BOR) owns 480 dams and dikes and nearly 40,000 miles of water conveyance facilities, along with various buildings, lands and other facilities. Over two-thirds of these assets are maintained and operated by non-Federal entities, such as water or irrigation districts. These facilities, which are known as “transferred works,” are managed under contracts with BOR while title to the property remains with the Federal Government. The remaining one-third are facilities that are both owned and operated by the Bureau. These facilities, known as “reserved works,” are often the larger, multi-beneficiary facilities where operations are inherently Federal and transfers of ownership has not been considered.

Under Reclamation law, water and power beneficiaries of a BOR project repay the Federal Government for both the upfront Federal capital investment and annual operations and maintenance (O&M) costs. Interest is also charged on capital for certain classes of water and power users. Upon repayment of a project, contractors often seek title to the project because it provides greater operational flexibility, increased autonomy, decreased O&M costs, and better access to debt financing. However, while Reclamation law provides authority for the Bureau to transfer O&M responsibilities, physical ownership, or title to a project can only be transferred through an act of Congress.

In 1995, BOR developed a Framework for the Transfer of Title (revised in 2004) (Framework) to help guide parties through the process of securing ownership of “uncomplicated” projects. These “uncomplicated” projects are typically viewed as those where agreement among the Bureau, the operating entity, and other local stakeholders can be reached. One impediment to transferring more single purpose or easily separable facilities is the time, cost, and uncertainty of securing Congressional approval.

S. 2560 authorizes BOR facilities within the scope of the existing Framework and that meet specific eligibility criteria to be conveyed through administrative process without further action by Congress. More complicated systems or facilities with non-standard components or operational requirements may be good candidates for title transfer and remain able to pursue conveyance with the Bureau through its Framework, but will continue to require Congressional approval.

LEGISLATIVE HISTORY


The Committee on Energy and Natural Resources met in open business session on October 2, 2018, and ordered S. 2560 favorably reported, as amended.
COMMITTEE RECOMMENDATION

The Senate Committee on Energy and Natural Resources, in open business session on October 2, 2018, by a majority voice vote of a quorum present, recommends that the Senate pass S. 2560, if amended as described herein.

COMMITTEE AMENDMENT

During its consideration of S. 2560, the Committee adopted an amendment in the nature of a substitute. The substitute amendment modified key definitions; added criteria to the minimum eligibility requirements; revised language regarding the scope of analysis required to transfer ownership; and included an exception to allow some conveyed facilities to continue receiving project use power. The substitute amendment also included technical and perfecting changes and is further described in the section-by-section analysis.

SECTION-BY-SECTION ANALYSIS

Sec. 1. Short title
Section 1 sets forth the short title.

Sec. 2. Purpose
Section 2 states the bill’s purpose.

Sec. 3. Definitions
Section 3 defines key terms.

Sec. 4. Authorization of transfers of title to eligible facilities

Subsection (a) authorizes the Secretary of the Interior (Secretary) to transfer title to eligible facilities upon application by a qualifying entity if, within 90 days prior to the conveyance, the Secretary submits a written notice of the proposed conveyance to Congress, including the reasons for such conveyance. Congress may disapprove the transfer through a joint resolution within the 90-day time period. This subsection further requires that any conveyance be made by a written agreement between the Secretary and the qualifying entity, in consultation with any existing water and power customers affected by the conveyance.

Subsection (b) authorizes the Secretary to reserve an easement over conveyed property if certain conditions are met.

Subsection (c) specifies that if the Secretary conveys the Federal interest in water rights and uses along with an eligible facility, such conveyance must be done explicitly and by written agreement.

Sec. 5. Eligibility criteria

Subsection (a) directs the Secretary to establish eligibility criteria for facility conveyance.

Subsection (b)(1) sets forth minimum requirements for the Secretary to include in establishing eligibility criteria under subsection (a). Pursuant to these minimum requirements, the qualifying entity must agree to accept title to the eligible facility; use the eligible facility for substantially the same purpose as at the time of transfer; and provide payment equal to the net present value of any out-
standing capital repayment obligation or other revenue stream to the Reclamation Fund.

Subsection (b)(2)(A) and (B) requires the Secretary to make project specific determinations in establishing eligibility criteria under subsection (a). The Secretary must be able to enter into an agreement with the qualifying entity regarding conveyance-related legal, institutional, and financial arrangements. The Secretary is further required to determine that the proposed transfer would not result in an unmitigated significant environmental impact; is consistent with Indian Tribe and related responsibilities, including international treaties and interstate compacts. The Secretary must also determine that a proposed transfer is in the financial interest of the United States; protects public aspects of the facility, including water rights for flood control or fish and wildlife; complies with applicable State and Federal law; and will not adversely impact existing water delivery obligations.

Subsection (b)(2)(C) requires the Secretary to make additional determinations specific to the proposed transfer of a dam or diversion works diverting water from a water body containing a threatened or endangered species listed under the Endangered Species Act (ESA, 16 U.S.C. 1531 et seq.), to be eligible for title transfer under this Act. Dams and diversion works generally include on-stream diversion or storage dams, in-stream weirs, or pumping plants. Facilities connected to such works that do not contain listed species would still be eligible for transfer. For this subset of eligible facilities, the Secretary must determine that (I) the eligible facility will remain subject to ESA’s section 7 consultation requirements; (II) the BOR Commissioner and the Director of the U.S. Fish and Wildlife Service or the Director of the National Marine Fisheries Service have concurred in writing that actions associated with the eligible facility are not likely to affect any listed species or critical habitat under the ESA; or (III) the qualifying entity completed a habitat conservation plan under section 10 of the ESA prior to conveyance. In addition, this subsection makes clear that this subset of facilities located in the State of California do not qualify for consideration as eligible facilities.

Subsection (b)(3) directs the Secretary, in established eligibility criteria under subsection (a) to require that any conveyance of Federal land must be land acquired by the Secretary, or withdrawn land determined by the Secretary in writing to be unsuitable for return to the public domain and for which the qualifying entity agrees to pay fair market value.

Subsection (c) prohibits a conveyances under this Act if it would have an adverse impact on Federal power rates, repayment obligations, or other project power uses.

Sec. 6. Liability

Section 6 states that the United States shall only be liable for acts of negligence related to the eligible facility committed prior to the date of the conveyance and shall not be liable for any damages after the conveyance. This section further specifies that any liability of the United States shall be in accordance with the Federal Tort Claims Act.
Sec. 7. Benefits

Section 7 specifies that after the conveyance of an eligible facility, the conveyed property is no longer considered a Reclamation project and is not eligible for any benefits, including project use power. This section further authorizes the Secretary to make an exception and allow the conveyed property to receive project use power if the Secretary determines the qualifying entity meets certain criteria related to historic payments of operation and maintenance expenses of a Federal facility’s power generation and transmission costs and the Secretary and the qualifying entity enter into an agreement for the qualifying entity to continue to be responsible for an equitable proportion of operation, maintenance and capital costs associated with generation and delivery of power used for BOR project water delivery.

Sec. 8. Compliance with other laws

Section 8 requires the Secretary to comply with all applicable Federal environmental laws before conveying an eligible facility, and states the sense of the Congress that any permitting and review process be completed with the maximum efficiency and effectiveness.

Sec. 9. Authorization of appropriations

Section 9 authorizes appropriations in such sums as are necessary to carry out the Act. This section also specifies that appropriated funds may be used to carry out investigations and to pay any other conveyance-related costs but that expenditures made by the Secretary are not assignable Reclamation project costs and are not reimbursable. This section further states that the Secretary may continue to recover non-Federal costs associated with conveyances.

COST AND BUDGETARY CONSIDERATIONS

The following estimate of the costs of this measure has been provided by the Congressional Budget Office:

S. 2560 would authorize the Bureau of Reclamation (BOR) to convey the title to federal water infrastructure facilities to non-federal entities if the entity has assumed responsibility from BOR for operating the facility before enactment of the bill and if certain criteria are met. Using information from BOR, CBO estimates that implementing S. 2560 would cost about $1 million over the 2019–2023 period for staff to establish criteria for conveying a title under the bill and to carry out the work for completing title transfers, including negotiating agreements and coordinating National Environmental Policy Act reviews and surveys. Such spending would be subject to the availability of appropriated funds.

Enacting S. 2560 also would affect direct spending because non-federal entities seeking title to a facility would pay BOR for a portion of the costs to carry out the title transfer. CBO estimates that the net effect on direct spending would be insignificant because BOR would spend any amounts collected to perform the work. Because enacting the bill would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.
Over the past two decades, titles to 30 facilities were conveyed from BOR to nonfederal entities. In each of those cases, after BOR and the nonfederal entity negotiated the required agreements and completed the reviews and surveys, the Congress enacted legislation to convey each title to the nonfederal entity because under current law the title transfer cannot occur without an act of the Congress. S. 2560 would authorize BOR to transfer titles administratively in certain cases. BOR would notify the Congress of the proposed conveyance and the rationale for the conveyance. Unless the Congress passed a joint resolution disapproving the conveyance within 90 days of the notification, the transfer would proceed. CBO expects that removing the need for Congressional action to transfer the title of BOR facilities would increase the number of nonfederal entities seeking title transfers. Across the 17 western states where BOR operates, hundreds of nonfederal entities and associated facilities could be eligible for title transfer under the bill. Currently, about 15 nonfederal entities are pursing title transfers. CBO expects that under the bill another 15 entities would seek title transfer in the year after enactment, as well as a few more each year thereafter.

Using information from BOR, CBO estimates that BOR would need about five additional employees to implement the bill—one employee for each of BOR’s five regions—which would roughly double the number of employees working on title transfers. At an average annual cost of $90,000 per employee, those additional costs would total $2 million in the first five years after enactment. However, CBO estimates that because about half of those costs would be covered by payments from participating nonfederal entities, implementing the legislation would cost the federal government about $1 million over the 2018–2023 period.

CBO estimates that enacting the bill would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 2560 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

On August 29, 2017, CBO transmitted a cost estimate for H.R. 3281, the Reclamation Title Transfer and Non-Federal Infrastructure Incentivization Act, as ordered reported by the House Committee on Natural Resources on July 26, 2017. The two pieces of legislation are similar, and CBO’s estimates of their budgetary effects are the same.

The CBO staff contact for this estimate is Aurora Swanson. The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out S. 2560. The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy.
Little, if any, additional paperwork would result from the enactment of S. 2560, as ordered reported.

**CONGRESSIONALLY DIRECTED SPENDING**

S. 2560, as ordered reported, does not contain any congressionally directed spending items, limited tax benefits, or limited tariff benefits as defined in rule XLIV of the Standing Rules of the Senate.

**EXECUTIVE COMMUNICATIONS**

The testimony provided by the Department of the Interior at the March 22, 2018, hearing on S. 2560 follows:

**STATEMENT OF TIMOTHY PETTY, ASSISTANT SECRETARY FOR WATER AND SCIENCE, U.S. DEPARTMENT OF THE INTERIOR**

The Department supports the provisions of this bill and appreciates the Committee for working so closely with us in drafting its provisions.

Secretary of the Interior Ryan Zinke, and the Department generally, have long endorsed a legislative remedy to allow local water managers to make their own decisions to improve water management at the local level while allowing Reclamation to focus management efforts on projects with a greater Federal nexus.

S. 2560 would authorize the Secretary of the Interior to convey all right, title, and interest in any facility that is determined to be eligible based upon specific criteria.

Currently, Reclamation law requires that title to Reclamation projects, lands, and facilities remain with the United States until title transfer is specifically authorized by Congress. Even for simple transfers, this can be a time-consuming and costly process. Reclamation’s legislative proposal aims to streamline the title transfer process for those “non-complicated” transfers, creating incentives for non-Federal entities to closely engage with the Secretary through Reclamation to complete the process, and allowing appropriate transfers to take place without legislation. It is our understanding that the focus of Section 203 is to facilitate the transfer of uncomplicated projects and facilities. This process will ensure that the transfer protects: the authorized purposes for which the projects were developed, the contractors and other stakeholders who enjoy benefits from these facilities, the public, the contractors and other stakeholders who enjoy benefits from these facilities, the public and tribal entities, the environmental resources that may be impacted by the project facilities, and the Federal financial investment.

While we have some technical recommendations for the Committee to consider, the Department strongly supports S. 2560.
CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by the bill as ordered reported.