

TESTIMONY OF

PETER CARLSON
PRESIDENT
WILL & CARLSON, INC.

ON BEHALF OF

THE NATIONAL URBAN AGRICULTURE COUNCIL
THE WESTERN COALITION OF ARID STATES
THE OREGON WATER RESOURCES CONGRESS
THE EASTERN MUNICIPAL WATER DISTRICT (CALIFORNIA)

ON

H.R. 1985, Title II
"THE WESTERN WATER ENHANCEMENT SECURITY ACT"

BEFORE

THE HOUSE OF REPRESENTATIVES COMMITTEE ON RESOURCES
SUBCOMMITTEE ON WATER AND POWER

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Will & Carlson, Inc. Suite 600, 1015 18th Street, N.W.
Washington, D.C. 20036 (202) 429-4344

Mr. Chairman, Members of the Subcommittee, my name is Peter Carlson, I am President of the firm Will & Carlson, Inc., a Washington, D.C. governmental relations firm specializing in natural resource issues. I am appearing today as Vice President of the Board of the National Urban Agriculture Council (NUAC), and also as the Washington, D.C. representative for the Western Coalition of Arid States (WESTCAS), the Oregon Water Resources Congress (OWRC) and the Eastern Municipal Water District in Southern California (EMWD).

My comments today are directed at Title II of H.R. 1985, the Western Water Enhancement Security Act of 2001, and the amendments proposed to the Bureau of Reclamation's Small Reclamation Loan Program. At the outset, let me state our strong support for Title II of H.R.1985, the Small Reclamation Water Resources Project Act of 2001. The proposed amendments represent a seven year effort to restructure the program and provide western water users with new options for addressing their needs.

The Small Reclamation Program Act was last amended in 1986, and the amendments were appropriate for that time. The changes proposed by your amendments build on what we, the water users, have learned since that time and will make this an even better program from an environmental, business and socio-economic standpoint..

According to the Western Water Policy Review Commission report from 1998 "Once the outpost of a young nation, today's West is home to nearly one-third of the American population. The region has experienced rapid population growth in recent years: western states grew by about 32 percent in the past 25 years, compared with a 19-percent rate in the rest of the nation. By the year 2025, the West will add another 28 million residents."

A more recent report from the University of Colorado's Center of the America West, of 11 Western states (California, New Mexico, Wyoming, Washington, Idaho, Utah, Arizona, Oregon, Colorado, Montana, Nevada), indicated that the 2000 census counted 61.4 million people in the Western states - a 21 percent increase from 1990. By 2050, 109 million people will

live in the Western States, the study estimates.

This Westward growth is why your legislation, is so vitally important. From our perspective, Title II of H.R. 1985 would bring a number of important changes to the existing program that would help address these needs. This decision, amending the Small Reclamation Loan Program, is an important step in investing in the West and putting in place a program that can serve as the foundation for a giant leap forward. There is presently not in place a program such as your proposing, to help western water users address the various needs associated with growth, whether they be water supply, water conservation, water quality, environmental or social purposes. There is currently a program gap between the larger Reclamation project that is typically before your Subcommittee and the smaller programs that Reclamation offers such as technical assistance. The Small Reclamation Water Resources Project Act of 2001 will close that gap.

The amendments contained in H.R. 1985 address these issues in the following manner:

1. No longer requiring irrigation as a project purpose in the program will allow for the development of projects in the urban-rural crossover setting that are more economically and environmentally sound. This is precisely the area of greatest need for support in development of small projects.
2. Providing additional definition of the activities which can be undertaken through the program, especially in the area of rehabilitation and betterment and in the area of water quality improvements. This will help address aging infrastructure problems as well as developing new opportunities to make better use of existing supplies, without the need to create new water supply structures.
3. The streamlining of the proposal process, and the establishment of a definite

schedule for proposal processing will give water users greater program confidence and certainty. Proposals will no longer languish in the bowels of the bureaucracy only to then have to wait years for an answer on whether there is a Federal interest in the proposed work.

4. The establishing of a partnership program under Title II of the SRPA amendments, and the activities that can be carried out under the program. This will facilitate problem solving in a manner that gets the work done sooner before more problems develop and through the work being carried out by the project sponsor within 18 months and a shortened repayment period.
5. The reduction of the repayment period for Title I projects from 40 years to 25 years will also bring the program in line with current business practices in the private sector.
6. Connecting the proposed work to organizations that have legal authority and responsibility for such work on their projects, and making sure that work is consistent with applicable State water law will keep the program from being abused by interests that might have other agenda's.

As part of the discussions with the organizations I represent, which helped in the development of the ideas embodied in your legislation, some have questioned whether the Bureau's Budget would be able to accommodate this program. Western water user organizations have been working successfully on the Energy and Water Appropriations bill through our "Invest In the West" campaign to increase the allocation for the Bureau of Reclamation's Water and Related Resources program. Given the construction schedules associated with the program and the decision-making process that is built into the legislation, we see this as a \$40 to \$60 million a year program. We believe the Bureau of Reclamation should be able to accommodate such a level, given the changes to the program proposed by your amendments.

We appreciate your decision to increase the cost-ceiling in the program from \$359 million to \$1.3 billion in order to accommodate the interest out in the West for the program. At the end of the last Congressional session we conducted an electronic survey, based on your legislation in the last Congress (H.R. 5120), to assess the interest in the programs that would be developed under your legislation. Historically 14 of the 17 Western states had used this program. We received responses to our survey from water users in 12 of the 17 states indicating a strong interest in using both Title I and Title II of your proposed amendments. Since that time I have also received responses to an idea of setting aside 20% of the proposed ceiling for Indian Tribes and economically disadvantaged communities, an amendment that we would support to your proposed amendments.

Another 1998 recommendation of the Western Water Policy Review Commission in was “Given the declining federal budgets, innovative sources of funding and investment, including public and private partnerships, must be found for the management and restoration of western rivers.” Part of the reason for including a section in this bill on guaranteed loans is to explore the initiation of a new loan guarantee section under the Act. The Federal Government has approximately forty guaranteed loan programs listed in the Federal Budget.

The Loan Guarantee section of these amendments is to open the door for a new, innovative approach to assist in funding projects given the continuing decline in the Bureau’s Budget. I have attached a table of the Bureau’s Budget for the past ten years as recently provided by the former Commissioner during testimony in the House of Representatives that illustrates this concern. In addition, I would like to submit a report that I did earlier this year comparing the Bureau’s Budget with other agencies at the Department of the Interior from FY96-FY2000 that makes a better case for the need to increase the Bureau’s Budget.

I understand that for Budget scoring purposes for a Loan Guarantee, the ratio would be on a 10-1 basis. What this means is for the \$100 million provided in title three of your bill, the Federal government will produced \$1 billion worth of constructed project benefits. It is nice for

everyone to talk about what to do with Budget Surpluses, but I don't believe the Reclamation program will benefit from them any time soon unless we continue to be successful with the "Invest In the West" campaign. There is a need for the Bureau of Reclamation's long term budget to be addressed, and increased, given the work that needs funded in their program. The Bureau could, however, explore and make use of this new effort that could benefit the water users in the West in a more timely manner than waiting on such surpluses to appear in their program.

I would like to address the issue of whether the Bureau of Reclamation should or shouldn't be in the loan business. Why is it that almost every Federal agency has a loan program, to assist in carrying out their activities, yet the Bureau of Reclamation claims "the current loan process (at Reclamation) suffers from a lack of trained credit officers to monitor loans as well as assist in determining economic feasibility, repayment terms, maturity dates, and interest rates.....Reclamation would continue to be in the business of developing repayment contracts and engaging in loan collection activities, two tasks for which the private sector is better suited than the Federal Government." The former Administration made great claims about Reinventing Government. Why can't Reclamation learn from the best of what other Federal agencies do with their loan programs and in turn benefit the public from a reinvention in their loan program?

Some would like Reclamation would just like to be in the grant business. We don't believe that would be a good idea. From FY91 to FY99 Reclamation provided approximately 4,600 grants worth about \$750 million. Unless you tie the grants down like H.R. 1985 would do through the amendments to the program and also make the other changes embodied by your amendments I believe that a grant only program would be a recipe for waste and abuse. If they have such experience with grants, which I have been told are more burdensome to administer, and have so few loans, it would seem like they can figure out how to make a loan program work better from an administrative standpoint.

CONCLUSION

The continuation of the Bureau of Reclamation's Small Reclamation Loan Program, with the changes made by your bill is the most important and appropriate course to take at this time. Based on the details in the Western Water Policy Review Commission report, our survey and meetings and conversations with water users in the West, there is a strong interest out there for a program that can help address the needs of the West, and a belief that the Small Reclamation Loan Program is the best vehicle to accomplish the work. Investing in the West through your proposed amendments to the program will be the best step forward into the 21st Century for helping the rural, urban, Indian population and the water and environmental resources of the West.