



# THE SMALL RECLAMATION PROGRAM ACT COALITION



**NATIONAL URBAN AGRICULTURE COUNCIL  
WESTERN COALITION OF ARID STATES  
OREGON WATER RESOURCES CONGRESS  
EASTERN MUNICIPAL WATER DISTRICT, CALIFORNIA**

TESTIMONY OF

PETER CARLSON  
COORDINATOR  
SMALL RECLAMATION PROGRAM ACT COALITION

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

S.1882  
"SMALL RECLAMATION WATER RESOURCES ACT OF 2001"

BEFORE

THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES  
SUBCOMMITTEE ON WATER AND POWER

JULY 31, 2002

WASHINGTON, D.C.

Small Reclamation Program Act Coalition  
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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 the coordinator of the Small Reclamation Program Act Coalition which is made up of the National Urban Agriculture Council (NUAC), the Western Coalition of Arid States (WESTCAS), the Oregon Water Resources Congress (OWRC) and the Eastern Municipal Water District in Southern California (EMWD).

At the outset, let me state our strong support for S. 1882, the Small Reclamation Water Resources Act of 2001 and express our appreciation for your holding this hearing and Senator Gordon Smith for introducing the legislation. The proposed amendments represent an eight year effort to restructure the program and provide western water users with new options for addressing their water resource related needs.

The Small Reclamation Program Act was last amended in 1986, and the amendments were appropriate for that time. The changes proposed by S. 1882 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 S. 1882, is so vitally important. There is presently not in place an active Small Reclamation Loan Program at the Bureau of Reclamation that is accepting proposals for projects. From our perspective, the proposed amendments would bring a number of important changes to the existing program that would help address the issues related to growth in the West. This decision, amending the Small Reclamation Loan Program, is an important step in investing in the West and putting in place a revitalized program that western water users can use to 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 Act of 2001 will close that gap.

The amendments contained in S. 1882 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 and expansion of the activities which can be undertaken through the program, especially for 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 new, smaller 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, 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 and lessen the financial exposure to the Federal government.

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 focused and more accountable.

As part of the discussions with the organizations I represent, which helped in the development of the ideas embodied in S. 1882, 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 these amendments.

We appreciate the 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. This is one of the major changes in S. 1882 from legislation introduced in past. S. 1882 calls for \$900 million to be made available to carry out projects under Title I of the amendments, \$300 million for Title II and \$100 million for Title III. These numbers are not without foundation.

When the program was suspended in 1995 there were Notices of Intent for projects totaling approximately \$450 million. Approximately \$170 million of this total was for Native American projects. There were another ten projects that were in or about to enter the construction phase, the last three of which are being completed by this years appropriations.

At the end of the 106th Congress we conducted an electronic survey, based on similar legislation in the last Congress, to assess the interest in the programs that would be developed under this legislation. Historically 15 of the 17 Western states have 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 the proposed amendments.

Since that time I have also received responses to the idea contained in S. 1882 of setting aside up to 20% of the proposed ceiling in the program for Indian Tribes and economically disadvantaged communities, an approach the water community strongly supports. These amendments also open the program up to Hawaii, Alaska and the Insular areas so their water needs can be addressed as well, an idea that we also support.

Another 1998 recommendation of the Western Water Policy Review Commission 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. We believe that making available such a new financial tool for the Bureau to explore and make use of (loan guarantees) could benefit the water users in the West by having projects developed in a more timely manner while we all continue to work together to increase the financial resources for the Bureau of Reclamation for other projects in the program.

As we stated earlier, we don't envision this program being a heavy financial burden on the Bureau of Reclamation's Water and Related Resources budget, but we are willing to work with the Bureau to explore new ways, such as this proposal, to see if there are financial innovations that work in meeting our needs.

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 in past comments on the program 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? This is part of the reason why S. 1882 is so important in terms of the prescriptiveness of the process, decision making time frames and the need to rewrite the guidelines for the new program

Some would like Reclamation just 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 S. 1882 would do through the amendments to the program, I believe that a grant only program would be a recipe for waste and abuse. If the Bureau has 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 S. 1882 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 the 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.