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Before the
Subcommittee on Water and Power
Natural Resources Committee
U.S. House of Representatives

On
Implementation of the American Recovery and Reinvestment Act of 2009 (PL 111-05)
April 28, 2009

Madam Chairwoman and members of the subcommittee, I am Bill McDonald, Acting Commissioner of the Bureau of Reclamation. I appreciate the opportunity to report on the selection of projects by the Department of the Interior to be funded with the $1 billion appropriated to Reclamation by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

To begin, I know that the subcommittee has specific questions on the readiness of Recovery Act projects, the criteria used to select them, how we'll maximize effectiveness, and what the effect of this appropriation will be on Reclamation's 2010 budget. We look forward to this opportunity to address these issues during this hearing and through the statements below.

Reclamation's Investments in the Future

The Department and Reclamation are moving expeditiously with our customers to invest funds appropriated by the Recovery Act in projects which will quickly provide jobs and stimulate the economy. As Secretary Salazar announced on April 15, $945 million is being devoted to Reclamation recovery projects in six program investments areas, summarized here and with individual projects detailed in the attached one page table:

- Meeting Future Water Supply Needs $450.9 Million
- Infrastructure Reliability and Safety $164.5 Million
- Environmental/Ecosystem Restoration $236.3 Million
- Green Buildings $ 13.5 Million
- Water Conservation Initiative (Challenge Grants) $ 40.0 Million
- Emergency Drought Relief $ 40.0 Million

As permitted by the Recovery Act, $50 million is being transferred to the Department's Central Utah Project Completion Act for work that includes continuing construction of both the Spanish Fork Canyon Pipeline and the Spanish Fork – Provo Reservoir Canal Pipeline, as well as the construction of the Big Springs Fish Hatchery for the Ute Indian Tribe. Finally, as permitted by the statute, $5 million is being set aside for management and oversight.

From the $450.9 million for projects which will meet future water supply needs, $200 million will go to six rural water projects in the Dakotas and Montana, and $135 million will be devoted to water reclamation and reuse projects authorized by Title XVI of Public Law 102-575, as amended. Title XVI projects are currently being evaluated and prioritized based upon criteria which were publicly announced in March, with the selection of individual projects to be announced in the coming months. With these sums, we can make substantial progress on these projects and accelerate the delivery of project benefits to Native Americans, rural communities, and metropolitan areas.

Also of interest to this Subcommittee, Reclamation projects in many western states will receive Recovery Act dollars for infrastructure reliability and safety improvements. Reclamation is allocating $164.5 million for infrastructure, reliability and safety improvements, including accelerating construction work on the Folsom Dam in California and performing flatiron penstock recoating to the Colorado Big Thompson Project. Environmental/ecosystem restoration is another area that Reclamation is dedicating a significant amount of its ARRA funding. Oregon projects will benefit with more than $4 million in funds for environmental restoration and infrastructure reliability. Projects in Colorado will receive more than $20 million for infrastructure reliability, as well as $12.1 million at the Animas-La Plata facility straddling the border with New Mexico; projects in Arizona more than $66 million for infrastructure reliability, future water supplies and environmental restoration; projects in Washington more than $120 million for infrastructure reliability, future water supplies and environmental restoration; and projects in California more than $260 million for ecosystem restoration and infrastructure reliability. Additionally, Reclamation is yet to announce $135 million worth of specific water recycling projects funds, many of which are authorized for funds in California. Finally, $266 million is for various projects widely distributed across the western states.

Just as the final selection of individual Title XVI projects has yet to be made, this is also the case with the financial assistance that will be provided to non-federal parties for projects under the Water Conservation Initiative/Challenge Grants ($40 million), for Title II Colorado River Basin Salinity Control Projects ($10 million), and for Lower Colorado River Multi-Species Conservation Implementation projects ($2.5 million). All three of these are competitive grant programs for which the selection criteria and project solicitations have already been publicly announced on www.grants.gov. All three have closing dates in May, after which final projects will be selected.

Likewise, the final selection of emergency drought relief projects to be undertaken pursuant to the Drought Relief Act of 1991 and other authorities has yet to be made. This is because we are in the process of gathering information from those suffering from 2009 drought conditions regarding the assistance they need. We are moving as rapidly as possible on this front and expect to reach decisions and begin some projects within the coming months.

Project Selection Process

Consistent with the ARRA guidelines, funding was allocated to programs, projects, or activities that will complete either a project phase, a project, or will provide a useful service that does not require additional funding. The Recovery Act does not provide funding for any new projects not previously authorized by Congress. Accordingly, all selected projects are ones which would be undertaken by Reclamation in the normal course of business. They were identified from

Reclamation's standard program formulation process, out year budget projections, and long-term investment plans.

In this context, Reclamation reviewed approximately $2 billion worth of potential projects. In the spirit of the Recovery Act, Reclamation and the Department used a multi-tiered, merit-based evaluation process that considered:

(1) ARRA general objectives (e.g., creating jobs and investing in infrastructure) and Department of the Interior policy objectives (e.g., improving energy efficiency and assisting Native Americans),
(2) Priorities specific to Reclamation as required by the Recovery Act and its Conference Report and as established by the Department,
(3) Reclamation's overall program priorities, and
(4) Criteria for selection of projects within individual program investment areas.

The Recovery Act requires, in section 1603, that all funds appropriated by the act be obligated by the end of fiscal year 2010. The Department further placed priority on those projects which could maximize expenditures by then, not just be obligated. Accordingly, we expect that nearly all projects which we have selected will be well along by the end of fiscal year 2010 and completed by the end of fiscal year 2011, although a few will not be completed until fiscal year 2012.

In addition, the Act and its Conference Report established a number of requirements unique to Reclamation. First, certain minimum funding levels were established for rural water projects ($60 million), Title XVI projects ($126 million), and inspections of canals in urban areas ($10 million). Second, the Conference Report indicated, but did not require, that priority be given to projects which have little schedule risk, will be executed by contract or the hiring of temporary labor, and will complete either a project or a phase of a project and will provide a useful service that does not require additional funding. Some have referred to these projects as "shovel ready." Finally, with regard to rural water projects, priority was to be given to the water intake and water treatment features of these projects.

With regard to Reclamation's overall program priorities, we gave priority to Recovery Act activities which, through the acceleration of construction already underway, would achieve more efficient construction schedules, probable cost reductions, and an earlier realization of project benefits. In addition, we are funding a relatively small number of large construction projects, with the use of stimulus funding balanced across program investment areas to maximize the benefit from this appropriation. For this reason, project timelines and the transmittal of funds will vary depending on the state of a project at the time when Recovery Act funds are provided.

Within certain programs, Reclamation used evaluation criteria specific to those individual programs, such as dam safety projects, Title XVI water reclamation and reuse projects, water conservation grants, and infrastructure repairs and replacements. These have been documented in the Department's April 14, 2009, letters to the Senate and House Appropriations Committees.

Obviously many of the projects receiving funding under the Recovery Act may be included in the President's 2010 request. However, we do not have information at this point to characterize the Recovery Act's affect on funding amounts that will be requested for 2010.

Reporting on Our Progress

The Department will work to assure that the Recovery Act's goals of job creation and mission advancement will have maximum transparency to Congress and the public. At all levels of the organization we clearly understand that the Recovery Act represents a once-in-a-lifetime opportunity to concurrently advance Reclamation's mission and the country's economic future. We are committed to the success of this effort and to being accountable for the expenditure of the stimulus monies which have been entrusted to us.

As required by the law, we began reporting on our progress in implementing the Recovery Act with the first posting on March 3 to the Recovery.gov website. On March 19, the Department submitted a general plan for the expenditure of Recovery Act funds which met the requirement in Title IV of the Recovery Act to submit a quarterly report beginning no later than 45 days after enactment. The aforementioned April 14 letter to the Appropriations Committees then provided a list of the projects which had been selected for funding with the $1 billion appropriated to Reclamation by the Recovery Act. We will, of course, continue to provide all required reports.

The Department has also established its own specific web page at www.doi.gov/recovery, which links to Recovery.gov and displays more in-depth information on Recovery Act projects undertaken by Reclamation. This site will be kept up-to-date as we progress so that our Recovery Act projects and activities, and the expenditure of funds, is fully transparent.

Conclusion

In conclusion, I want to thank the Subcommittee for giving me the opportunity to testify on what Reclamation has done to move forward in creating jobs and implementing the Recovery Act. I would be pleased to respond to your questions.