

WESTERN WATER AND AMERICAN FOOD SECURITY ACT  
OF 2015

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JULY 14, 2015.—Ordered to be printed  
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Mr. BISHOP of Utah, from the Committee on Natural Resources,  
submitted the following

SUPPLEMENTAL REPORT

[To accompany H.R. 2898]

[Including cost estimate of the Congressional Budget Office]

This supplemental report shows the cost estimate of the Congressional Budget Office with respect to the bill (H.R. 2898), as reported, which was not included in part 1 of the report submitted by the Committee on Natural Resources on July 13, 2015 (H. Rept. 114-197, pt. 1).

CONGRESSIONAL BUDGET OFFICE ESTIMATE

In compliance with clause 3(c)(3) of rule XIII of the House of Representatives, the cost estimate prepared by the Congressional Budget Office and submitted pursuant to section 402 of the Congressional Budget Act of 1974 is as follows:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, July 14, 2015.*

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

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2898, the Western Water and American Food Security Act of 2015.

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. 2898—Western Water and American Food Security Act of 2015*

Summary: H.R. 2898 would direct the Bureau of Reclamation (BOR) to convert water service contracts with water districts in 17 western states to repayment contracts if a contractor requests it. Water users that choose to convert their contracts would be required to accelerate repayment of their share of the capital costs of constructing the affected projects. Under the bill, existing repayment contractors would have the option to repay their share of capital costs on an accelerated schedule.

Based on information from the BOR, CBO estimates that enacting the bill would reduce direct spending by a total of \$883 over the 2016–2025 period. Under the bill, offsetting receipts, which are treated as reductions in direct spending, would increase by \$721 million over the next 10 years from accelerated repayments (net of annual payments that would otherwise occur under current law). H.R. 2898 also would repeal the authority to implement the San Joaquin River Restoration Settlement Act (SJRRSA) which CBO estimates would reduce federal costs by \$162 million over the next several years. Additionally, because the staff of the Joint Committee on Taxation (JCT) expects nonfederal contractors would finance accelerated payments with bonds exempt from federal taxation, they estimate that enacting the legislation would lead to a decrease in revenues of \$89 million over the 2016–2025 period. In total, CBO estimates that those changes in direct spending and revenues would decrease budget deficits over that 10-year period by \$794 million. Because the legislation would affect direct spending and revenues, pay-as-you-go procedures apply.

H.R. 2898 also would allow the BOR, the US Fish and Wildlife Service (USFWS), and the National Oceanic and Atmospheric Administration (NOAA) to respond to drought conditions in western states by authorizing appropriations for projects to store water and by accelerating reviews of permit applications and environmental studies for new water projects. The bill also would decrease amounts authorized to be appropriated by repealing the SJRRSA. Based on information from those agencies, and assuming the appropriation of the necessary amounts, CBO estimates that enacting the bill would increase discretionary spending by \$398 million over the 2016–2020 period and by \$784 million over the next ten years.

H.R. 2898 would impose intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) by preempting the ability of the State of California to enforce its own water management and wildlife preservation laws. The bill would establish that ensuring the safety of fish required by state laws would be deemed satisfied by the existence of a warm water fishery in the San Joaquin River. The bill also would require two water districts to participate in a program to reduce non-native fish species in the Stanislaus River. Based on information from state and local agencies about the preemption and other requirements, CBO estimates that the aggregate cost for state and local governments to comply with those mandates would not exceed the annual threshold established in UMRA for intergovernmental mandates (\$76 million in 2014, adjusted annually for inflation). The bill contains no private-sector mandates as defined in UMRA.

Estimated cost to the Federal Government: The estimated budgetary effect of H.R. 2898 is shown in the following table. The costs

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

Basis of estimate: For this estimate, CBO assumes that H.R. 2898 will be enacted near the end of fiscal year 2015.

### Direct Spending

**Net Change in Contract Repayments.** Under current law, the BOR delivers water to users under 860 water service and repayment contracts in 17 western states. In addition to paying for the water, those users also pay for a portion of the estimated capital costs of constructing the reservoirs and conveyance systems that store and deliver water. In each of the next several years, those contractors will pay the U.S. Treasury about \$250 million annually for their share of construction costs (including interest) with an outstanding obligation of about \$5.3 billion.

	By fiscal year, in millions of dollars—												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016–2020	2016–2025	
<b>CHANGES IN DIRECT SPENDING</b>													
Net Change in Contract Repayments <sup>a</sup>													
Estimated Budget Authority	-186	-388	-440	-188	40	90	89	88	87	87	-1,162	-721	
Estimated Outlays	-186	-388	-440	-188	40	90	89	88	87	87	-1,162	-721	
Repeal the San Joaquin River Restoration Settlement Act													
Estimated Budget Authority	-10	0	0	0	-152	0	0	0	0	0	-162	-162	
Estimated Outlays	-4	-7	0	0	-53	99	0	0	0	0	-63	-162	
Total Changes													
Estimated Budget Authority	-196	-388	-440	-188	-112	90	89	88	87	87	-1,324	-883	
Estimated Outlays	-190	-395	-440	-188	-13	-9	89	88	87	87	-1,225	-883	
<b>CHANGES IN REVENUES</b>													
Estimated Revenues <sup>b</sup>	*	-2	-5	-9	-11	-12	-12	-12	-12	-12	-27	-89	
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>													
Effect on Deficit	-190	-393	-435	-179	-2	4	101	100	99	99	-1,198	-794	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>													
Construction of Water Storage Projects													
Estimated Authorization													
Level	0	0	0	335	25	0	0	0	0	0	360	360	
Estimated Outlays	0	0	0	134	77	55	37	29	22	5	211	360	
Water Storage at Federal Dams													
Estimated Authorization	60	60	60	60	60	60	60	60	60	60	300	600	
Level Estimated Outlays	24	36	45	51	56	59	60	60	60	60	212	511	
Repeal the San Joaquin River Restoration Settlement Act													
Estimated Authorization													
Level	-21	-21	-21	-21	-21	-21	-21	-21	-21	-21	-105	-210	
Estimated Outlays	-8	-13	-16	-18	-20	-21	-21	-21	-21	-21	-74	-179	
Accelerating Project Reviews													
Estimated Authorization													
Level	6	6	6	6	5	5	5	5	5	5	29	54	
Estimated Outlays	6	6	6	6	5	5	5	5	5	5	26	51	
Other Provisions													
Estimated Authorization													
Level	10	4	4	4	4	4	4	4	4	4	24	42	
Estimated Outlays	8	4	4	4	4	4	4	4	4	4	24	41	
Total Changes													
Estimated Authorization Level	55	50	48	383	73	47	47	47	48	48	609	846	
Estimated Outlays	28	33	39	176	122	102	85	77	70	53	398	784	

Notes: Components may not sum to totals because of rounding. \* = less than \$500,000.

<sup>a</sup> CBO estimates that the net loss in offsetting receipts from enacting this provision would total about \$540 million over the next 35 years.

<sup>b</sup> For revenues, negative numbers indicate a decrease in revenues and thus an increase in the deficit. Estimates prepared by the staff of the Joint Committee on Taxation.

Generally, contractors receive water under service contracts until construction of an entire project is complete. At that time, new contracts are negotiated (known as repayment contracts) with annual payments adjusted to reflect the final capital costs. The repayment period under those contracts cannot exceed 40 years and water

users typically cannot pay their share of construction costs on an accelerated schedule.<sup>1</sup>

H.R. 2898 would authorize the BOR to convert any water service contract to a repayment contract if the contractor requests it. Amounts due under such a repayment contract would be based on an estimate of final costs if construction of the project is not yet complete. Under the bill, users that choose to convert would be required to repay their share of the capital investment in the project on an accelerated schedule. Contractors operating under existing repayment contracts also would have the option to repay on an accelerated schedule. Contractors that receive water for irrigation from bureau projects would make accelerated payments that are lower than the total payments they would make under current law. They would pay, either in one lump sum or in equal installments over three years, the present value of their future contract payments discounted at one-half of the 20-year maturity rate for Treasury securities. Municipal and industrial contractors would prepay their entire outstanding principal balance in a lump sum.

Based on information from the BOR, CBO expects that about 35 percent of the current contractors would choose to convert to repayment contracts in the first few years after the bill's enactment. CBO estimates the increase in receipts from accelerated payments would total \$1.6 billion over the 2016–2025 period. During the same period there would be a corresponding loss in regular annual repayments (including interest from Municipal and Industrial contractors) that would otherwise occur under current law totaling \$874 million. On balance, under H.R. 2898, CBO estimates that net receipts would increase by \$721 million over the 2016–2025 period. That 10-year increase in net receipts would be more than offset by a corresponding reduction in payments that would otherwise occur in the years after 2025. CBO estimates that the net loss in offsetting receipts from enacting this provision would total about \$540 million over the next 35 years.

Repeal the San Joaquin River Restoration Settlement Act. H.R. 2898 would repeal the SJRRSA. Under current law, nearly all of the Friant water contractors in California's Central Valley repaid their portion of the estimated capital costs of constructing the Central Valley Project to the U.S. Treasury in fiscal year 2011. Information from the BOR indicates that about \$90 million of the receipts from those repayments were made available immediately for implementing the settlement—of which \$10 million remains unspent—and an estimated \$152 million will become available to the BOR to implement the settlement in fiscal year 2020. Under the bill, those funds would no longer be authorized to be spent. Thus, CBO estimates that repealing SJRRSA would reduce direct spending by \$162 million over the 2016–2025 period.

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<sup>1</sup>Agreements between the federal government and water users for delivering water for irrigation, municipal, and industrial purposes from federally built projects are generally governed by either water service contracts or repayment contracts. Water service contracts are used when construction of a project is still in progress and the final costs—including water users' share of those costs—are not yet known. They are also used when a water user does not want a permanent contract. Repayment contracts are available to water users when final construction costs and the user's share of those costs are known.

### *Revenues*

Staff of the JCT estimates that some of the accelerated payments from water districts to the federal government would be financed with bonds that are exempt from federal taxation and that issuing those bonds would lead to a revenue loss of \$89 million over the next 10 years.

### *Spending Subject To Appropriation*

**Construction of Water Storage Projects.** Beginning three years after enactment, H.R. 2898 would authorize the appropriation of 50 percent of the accelerated payments received from water contractors (net of annual payments that would otherwise occur under current law) for new water storage projects. Based on the repayments estimated to be received under the bill, the authorization level would total \$360 million over the 2019–2020 period. According to the BOR, there are at least four water storage projects that would be ready to move forward by 2019—two in the Yakima River Basin in the State of Washington, Temperance Flat, and the Enlargement of Shasta Dam in California. Based on information from the BOR, and assuming appropriation of the authorized amounts, CBO estimates that implementing those provisions would cost \$211 million over the 2016–2020 period. H.R. 2898 would require the nonfederal sponsors of those new projects to repay 100 percent of the projects' costs within 40 years. CBO expects that those repayments would begin after 2025 because of the amount of time required to construct the new projects. Funds received from such repayments would be available, subject to appropriation, for constructing additional new water projects.

**Water Storage at Federal Dams.** Title X of the bill would authorize the BOR to develop additional storage capacity at federal dams if such projects are feasible and consistent with dam safety and other authorized purposes. The local sponsors would not be required to contribute to the cost of those projects prior to constructing them, but some of the construction costs would be required to be paid within 50 years after the project is substantially complete. Based on information from the BOR, seven projects to construct new or supplemental water storage features would be eligible to be funded under this provision of the bill. The largest project would be located at Scoggins Dam in Oregon and would cost \$450 million to raise the dam's height and increase storage capacity. The costs to construct the other six projects would range between \$7 million and \$40 million each. The estimated cost to complete all seven projects would total about \$600 million. Assuming the appropriation of necessary amounts, CBO estimates that spending on those projects over the 2016–2020 period would total \$212 million.

**Repeal the San Joaquin River Restoration Settlement Act.** The SJRRSA authorized the appropriation of up to \$300 million to implement the settlement; since 2009 when the settlement was enacted, \$90 million has been appropriated. Repealing the SJRRSA would decrease amounts authorized to be appropriated by \$210 million. If the BOR were to receive additional appropriations, current law requires that those funds must be expended only to the extent that nonfederal sponsors contribute payments or in-kind contributions of equal value. Whether the Congress will appro-

appropriate the remaining \$210 million to implement the Settlement under current law in the next several years and whether non-Federal partners will match such amounts is uncertain. Assuming the BOR will receive appropriations of the amounts specifically authorized over the next 10 years, CBO estimates that the repeal of the settlement under the bill would reduce discretionary spending by \$74 million over the 2016–2020 period.

**Accelerating Project Reviews.** With the aim of accelerating the evaluation of new projects for storing water, recycling and reusing wastewater, and increasing water supplies in rural areas, H.R. 2898 would establish the BOR as the lead federal agency to coordinate with states, other federal agencies, and the public to:

- Expedite environmental reviews and evaluations of permit applications;
- Facilitate early detection and resolution of environmental issues; and
- Construct a publicly accessible database that would include a list of requirements for each study and information on the progress toward completing each requirement.

H.R. 2898 also would require the BOR to identify water projects constructed across the United States that were excluded from environmental reviews because they were determined to have no significant effect on the environment. The agency would be tasked with developing guidelines for new exclusions based on the characteristics of those previous projects.

H.R. 2898 would limit the BOR to spending \$3 million or less on studies conducted as part of its reviews; those studies would have to be completed within three years. If a study could not be completed within that period for \$3 million or less, the BOR would be required to provide written notice to the Congress and any other agencies involved. Finally, the bill would direct the BOR to annually solicit through the Federal Register proposals from nonfederal entities to build water projects and to report to the Congress on the preliminary costs and benefits of each of those proposals.

Based on information from the BOR and other federal agencies, CBO estimates that the additional activities required to implement those provisions would cost about \$26 million over the 2016–2020 period, assuming appropriation of necessary amounts, for additional staff to coordinate agency reviews, consolidate project data and documentation, and for regional directors of BOR to conduct reviews.

**Other Provisions.** Based on information from the BOR, the USFWS and NOAA, and on historical spending patterns of similar programs, CBO estimates that implementing several other provisions of the bill would cost \$24 million over the 2016–2020 period.

- **Delta Smelt Management.** H.R. 2898 would require the USFWS to study the population, location, and habitats of the Delta Smelt in the Sacramento-San Joaquin Delta. Based on information provided by the USFWS, CBO estimates that carrying out sampling and monitoring activities necessary to complete the study would cost \$3 million in 2016, assuming appropriation of the necessary amounts.
- **Salmonid Management.** The bill also would require NOAA and the BOR to annually reexamine how those agencies manage water supplies and to gather data on the long-term sur-

vival of salmonid species in central California. Based on information provided by the affected agencies, CBO estimates that conducting those annual reviews would cost \$2 million a year, assuming appropriation of the necessary amounts. Those amounts would be used to pay for staff to continually update models used to inform policies related to managing water supplies in the affected area.

- **Drought Response.** With an aim to maximize water deliveries for non-habitat water uses, during periods when water supplies fall below certain specified levels, H.R. 2898 would require the BOR and other federal agencies to approve permits to erect temporary gates or operable gates on channels in the Sacramento-San Joaquin Delta and for certain types of water transfers within 30 days. Based on information from the BOR, and assuming appropriation of the necessary amounts CBO estimates implementing those provisions would cost \$2 million over the 2016–2020 period.

- **Miscellaneous.** Other costs under H.R. 2898 would stem from provisions that would direct the BOR to establish an oversight board to make recommendations each year for the use of federal funds in the Central Valley Project Restoration Fund, for staff to carry out studies to identify opportunities to protect water resources in coordination with nonfederal partners and to negotiate conversion of water contracts to repayment contracts and manage the receipt of accelerated repayments permitted under the bill. Assuming appropriation of the necessary amounts and based on information from BOR, CBO estimates that those provisions would cost \$8 million over the 2016–2020 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—												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015–2020	2015–2025
	NET INCREASE OR DECREASE (–) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact .....	0	–190	–393	–435	–179	–2	4	101	100	99	99	–1,198	–794
Memorandum:													
Changes in Outlays .....	0	–190	–395	–440	–188	–13	–9	89	88	87	87	–1,225	–883
Changes in Revenues .....	0	0	–2	–5	–9	–11	–12	–12	–12	–12	–12	–27	–89

**Estimated impact on state, local, and tribal governments:** H.R. 2898 would impose intergovernmental mandates as defined in UMRA. The bill would preempt the ability of the State of California to enforce its own water management and wildlife preservation laws by establishing that the safety of fish required by those laws would be deemed satisfied by the existence of a warm water fishery in the San Joaquin River. The bill also would require two water districts to participate in a program to reduce non-native fish species in the Stanislaus River. Based on information from state and local agencies about the preemption and other requirements, CBO estimates that the aggregate cost for state and local govern-

ments to comply with those mandates would not exceed the annual threshold established in UMRA for intergovernmental mandates (\$76 million in 2014, adjusted annually for inflation).

Estimated impact on the private sector: H.R. 2898 contains no private-sector mandates as defined in UMRA.

Estimate prepared by: Federal costs: Aurora Swanson and Jeff LaFave; Revenues: Staff of the Joint Committee on Taxation; Impact on State, Local, and Tribal Governments: Jon Sperl; Impact on the Private Sector: Amy Petz.

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