

**Statement of Robert Quint, Senior Advisor
Bureau of Reclamation
U.S. Department of the Interior
before the
Committee on Energy and Natural Resources
Subcommittee on Water and Power
S. 1800, the Bureau of Reclamation Transparency Act
February 27, 2014**

Chairman Schatz and members of the Subcommittee, I am Bob Quint, Senior Advisor at the Bureau of Reclamation (Reclamation). I am pleased to provide the views of the Department of the Interior (Department) on S. 1800, the Bureau of Reclamation Transparency Act. As currently written, the Department does not support S. 1800 but would be pleased to work with the bill sponsors on refinements to the legislation to address the concerns described below.

Under Section 4 of S. 1800, the Secretary of the Interior would be required to submit biennial reports to Congress on ‘the efforts of the Bureau of Reclamation to manage all Reclamation facilities,’ including efforts to standardize and streamline data reporting and processes for managing Reclamation facilities. S. 1800 directs that the reports provide itemized lists of “major repair and rehabilitation needs” at all Reclamation facilities, showing estimated costs, and ranked via a categorical rating system to be developed through new regulations pursuant to Section 4(b)(3)(B) of the bill. Sensitive or classified information could be excluded from a required public version of the report, but that information would be required in the versions delivered to Congress. The Department has several concerns with this legislation as introduced, and believes that the preparation and publication of the reports in this bill would constitute a duplication of other existing efforts which will not improve the body of information available on Reclamation’s infrastructure, nor result in more effective application of available resources to address facility maintenance. Having said that, the Department is aware of the desire in Congress for more information on the status of Reclamation’s infrastructure, and in accordance with the Administration’s Open Data Policy and Executive Order, the Department is committed to openness and transparency of data, including Reclamation data on facility management. To that end we would appreciate the opportunity to work with the sponsors on potential amendments to the bill that would provide Congress and the public additional information regarding Reclamation’s infrastructure through augmentation of other existing reporting efforts.

Reclamation’s annual budget requests include the best yearly representations of the appropriated funds needed for maintenance at Reclamation facilities. Reclamation’s budget documents, delivered to Congress annually and posted online, are developed over a multi-step 18-month process that begins at the field office level where managers consider the condition of the facilities under their jurisdiction, safety considerations associated with facilities’ condition, and – very importantly – the ability of operating partners to fund the work identified pursuant to the terms of their contract and requirements of Reclamation Law. Investments in major rehabilitations and replacements are analyzed and prioritized at the field, regional, and bureau levels based on criteria such as: Engineering Need; Risks and Consequences of Failure; Efficiency Opportunities; Financial Feasibility; and availability of Non-Federal Cost Share.

During this process, Reclamation categorizes the information that will go into its budget requests using its Programmatic Budget Structure (PBS). The PBS uses two of its five primary categories to show the budget request for Operations and Maintenance (O&M) activities: 1. Facility Operations, and 2. Facility Maintenance and Rehabilitation. It should be noted that in addition to the appropriated funds in these two budget categories, a generally equal amount of O&M activities are paid for directly by water and power users with their own funds or project revenues.

The Facility Operations category includes items and activities that are necessary to operate Reclamation facilities to produce authorized project benefits for water supplies, power, flood control, fish and wildlife, and recreation. This category includes not only facility operations by Reclamation at reserved works, but also Reclamation's oversight of the operations of facilities performed by water user entities at transferred works. Facility Operations includes all routine or preventive maintenance activities. Routine maintenance is defined as recurring daily, weekly, monthly, or annually, and most tasks performed by Reclamation maintenance staff are included in this category. Also included in this category are routine safety and occupational health items, including those for workplace safety inspection and hazard abatement. The amount budgeted under this category for each facility is the funding necessary to perform routine O&M activities. On an annual basis, each region, along with centralized program management staff, determines the appropriate budget level to support staffing and other resources necessary at each facility for continued operations to deliver authorized project benefits.

The second category, Facility Maintenance and Rehabilitation, addresses the needs over and above the resources in Facility Operations, and corresponds roughly to the concept of major rehabilitations and replacements. The Facility Maintenance and Rehabilitation category includes major and non-routine replacements and extraordinary maintenance of existing infrastructure. This category also includes activities to review and conduct condition assessments (facility O&M, dam safety and site security inspections), as well as funding necessary for the correction of dam safety deficiencies (dam safety modifications), the implementation of security upgrades, and building seismic safety retrofits. Consequently, most of the budgeted items under this category are related to site-specific facility needs.

After the field offices identify prioritized major rehabilitation and replacement activities in their jurisdiction that require appropriated funds, they are evaluated at the regional level where these are compared to the needs and priorities of other activities and facilities in that region. There are five regions within Reclamation. The regions' PBS allotments for Facility Maintenance and Rehabilitation each year are then evaluated at the next level of internal review, with Reclamation's Budget Review Committee (BRC) process. A given year's BRC is working in advance of a budget request two years into the future, and is comprised of senior management from across the agency, providing the maximum breadth of relevant experience and program knowledge. The region presents its priorities to the BRC, which evaluates the major rehabilitation and replacement needs and priorities against those of other regions in order to ensure that Facility Maintenance and Rehabilitation activities reflect Reclamation's greatest overall need and agency priorities. No urgent maintenance issues necessary to the safe operation of a facility are deferred in the budgeting or facility review processes. The end result is a budget

request that has been prioritized and vetted across the organization, concurrent with input from the Department and Reclamation leadership.

To better understand upcoming needs, and for the purpose of reporting asset condition at a specific point in time to the Federal Real Property Profile to meet requirements of the Executive order 13327, “Federal Real Property Management”, in a separate effort which informs the annual budget process, Reclamation develops and annually updates estimates of major rehabilitation and replacement (MR&R) needs, including deferred maintenance, for its infrastructure looking out five years. As a result, these “MR&R needs” represent an outlook of Reclamation’s best estimate of identified extraordinary maintenance, repairs, rehabilitation, and replacement needs at a point in time looking forward five years, regardless of funding source, for all assets. The estimated total in 2011 amounted to \$2.6 billion over five years (fiscal years 2012-2016)¹. It is important to note that a substantial portion of projected needs to address the rehabilitation of aging infrastructure (roughly \$1.2 billion of the \$2.6 billion estimate) will be financed directly by our water and power customers. Cost estimates associated with these identified needs range from “preliminary” to “appraisal/feasibility” level. Thus, these estimates should not be collectively assumed to be at one particular uniform level of detail. Variability in the MR&R estimates from year to year may be the result of additional information received from the estimating source (i.e., Reclamation field offices and non-federal operating entities), changes in field conditions, further evaluations conducted, and work priorities, thus impacting the inclusion or deletion of specific identified needs within a particular year, or from year to year.

As stated in prior testimony before this Subcommittee, one of the main challenges Reclamation faces in securing funding for the identified near-term needs as well as longer-term MR&R needs is the varying economic strength of our operating partners. Given the requirement under Reclamation Law for the repayment of maintenance costs either in the year incurred or over time, Reclamation must work in collaboration with our water and power partners that must repay these investments. For some of these partners, the cost-share requirements associated with MR&R work are simply beyond the financial capabilities of their beneficiaries. Like any organization tasked with constructing, operating, and maintaining a wide portfolio of assets, Reclamation has to prioritize its actions to maximize the benefits derived from its investment of both federal and non-federal funds. Over the past 10 years, funds requested for Facility Operations and Facility Maintenance and Rehabilitation have kept pace with or grown relative to Reclamation’s overall Water and Related Resources budget (graphic attached). Given the substantial economic and financial interest of Reclamation’s non-federal partners, the development of cost estimates for maintenance requirements on reserved and transferred works is both collaborative and dynamic. Reclamation must also balance its asset management responsibilities with other aspects of its mission to manage water and related resources in the West. We acknowledge there are tradeoffs associated with decisions to fund one identified need versus another, but Reclamation’s annual budget request reflects our best effort to balance those constantly evolving needs associated with all elements of our mission.

The requirements of S. 1800 would duplicate and draw resources away from the processes described above, and the bill makes no allowance for the valuable input from operating partners

1

www.usbr.gov/assetmanagement/Asset%20Inventory/AssetManagementPlanFY2011FinalWithSignaturePageOnly.pdf

that is central to Reclamation's asset management program. Based on arrangements originating with Section 6 of the Reclamation Act of 1902, over two-thirds of Reclamation's facilities are managed by non-federal project beneficiaries. These operating entities provide valuable input to the formulation of Reclamation's annual asset management activities. Reclamation believes the requirements of S. 1800 will complicate Reclamation's and our operating entities' budget processes, since the reporting requirements would make no allowance for operating partners' budgeting and financing processes associated with most of the tasks that would be identified. Reclamation also believes that providing a new layer of reports separate and apart from the annual budget request process would create unnecessary difficulties, since budget requests for subsequent years would not be consistent with the maintenance snapshot provided by the reports under S. 1800. If possible, we would like to propose amendments to S. 1800 which would still provide additional information on the status of Reclamation's infrastructure, but allow for the bill's reporting requirements to better integrate with Reclamation's existing budget formulation process and schedule and fully consider the needs and interests of our water and power contractors.

In conclusion, the Department of the Interior is aware of and appreciates the concerns expressed by some Members of Congress about the accessibility of data on Reclamation's infrastructure. In accordance with the Administration's Open Data Policy and Executive Order, we are working to improve the availability and accessibility of data on Reclamation's infrastructure and would be happy to keep the committee informed of our progress in this area. In recent years, Reclamation has made substantial progress in developing and improving estimates of MR&R needs for both reserved and transferred works, and has provided testimony at hearings of the Senate Energy and Natural Resources Committee on this topic, as well as responding in writing to several questions for the record. It is also worth noting that the Federal Government is making important strides in improving the accuracy, efficiency and level of data available on the federal real property portfolio. The Office of Management and Budget (OMB) established the Real Property Advisory Committee (RPAC) in 2011 to work across agencies to determine real property best practices, opportunities for short and long-term cost savings, and realigning real property inventories to agency mission and service delivery. We believe these processes should be allowed to work or be accounted for in the requirements of this bill before S. 1800 or similar legislation is enacted.

This concludes my written statement. I am pleased to answer questions at the appropriate time.

ATTACHMENT

Table 1 – Enacted Funding

Bureau of Reclamation
 Overall Water & Related Resources Enacted Amount (in millions)
 Facility Operations (A40) and Facility Maintenance & Rehabilitation (A50) Enacted Amounts (in millions)
 2003 – 2013

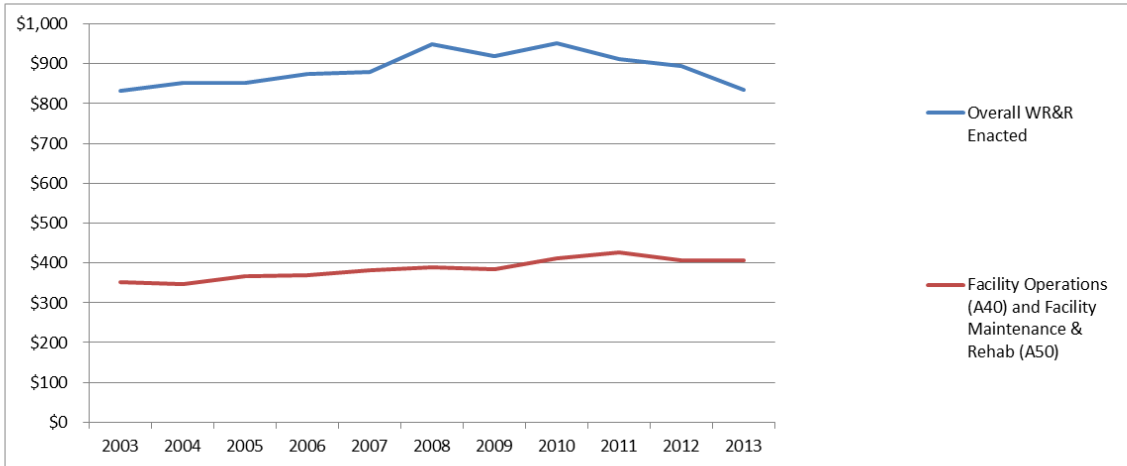
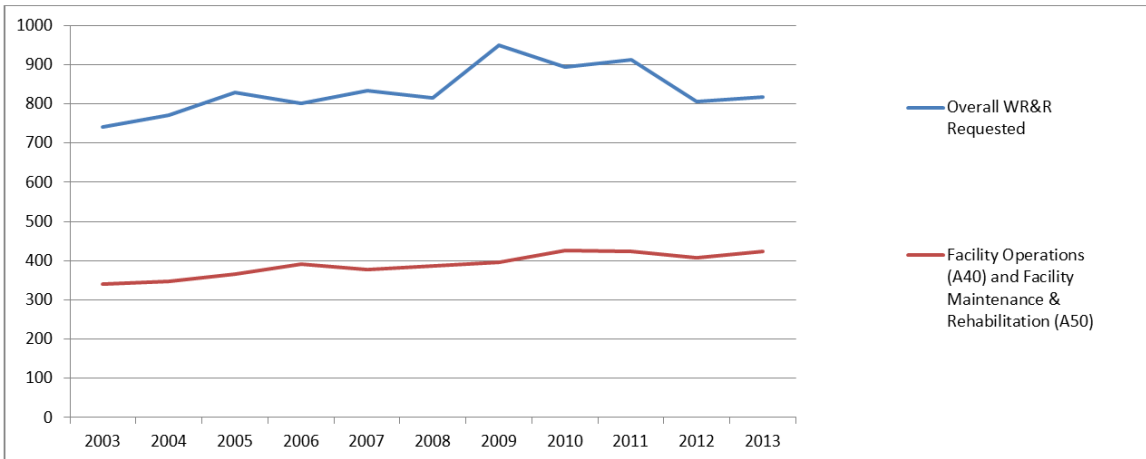


Table 2 – President’s Budget

Bureau of Reclamation
 Overall Water & Related Resources Requested Amounts (in millions)
 Facility Operations (A40) and Facility Maintenance & Rehabilitation (A50) Requested Amounts (in millions)
 2003 – 2013



NOTE: Figures not adjusted for inflation in either table.