



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 23, 1997

H. R. 2402

Water-Related Technical Corrections Act of 1997

As ordered reported by the House Committee on Resources on October 1, 1997

SUMMARY

H.R. 2402 would amend some of the federal statutes that collectively make up reclamation law. CBO estimates that enacting H.R. 2402 would lead to an increase in appropriated spending of about \$13 million over the 1998-2002 period, \$9 million in 2003, \$2 million in 2004, and less than \$0.5 million annually thereafter, assuming appropriations consistent with the bill's provisions.

In addition, CBO estimates that enacting H.R. 2402 would increase direct spending by less than \$500,000 in fiscal year 1998 and reduce direct spending by less than \$500,000 in 1999 and each year thereafter. Because H.R. 2402 would affect direct spending, pay-as-you-go procedures would apply. H.R. 2402 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would impose no costs on state, local, or tribal governments.

Major provisions in the bill would:

- decrease the period of time that the Secretary of the Interior is required to wait before obligating funds for safety of dams projects;
- authorize the Secretary to participate in the planning, design, and construction of one water reclamation and reuse project and clarify his authority to do so in another;
- require the Secretary to refund overpayments received by the United States under the Reclamation Reform Act of 1992 and authorize appropriations for that purpose;
- extend the period that certain nonfederal actors have for repaying to the United States their share of the cost of certain reclamation projects; and

- authorize the Secretary to enter into contracts with the Solano County Water Agency for various purposes.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2402 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					
	1997	1998	1999	2000	2001	2002
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Estimated Authorization Level ^a	273	279	279	279	279	279
Estimated Outlays	273	276	279	279	279	279
Proposed Changes						
Estimated Authorization Level	0	3	b	b	2	9
Estimated Outlays	0	3	b	b	2	7
Spending Under H.R. 2402						
Estimated Authorization Level	273	282	279	279	281	288
Estimated Outlays	273	279	279	279	281	286
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	b	b	b	b	b
Estimated Outlays	0	b	b	b	b	b

a. The 1997 and 1998 levels are the amounts appropriated in those years for constructing water reuse projects and for operating, maintaining, and rehabilitating all bureau facilities. The amounts shown for subsequent years reflect assumed continuation of the current-year funding level, without adjustment for inflation. Alternatively, if funding were increased to cover anticipated inflation, funding under current law would grow from \$279 million in 1998 to \$287 million in 1999 and \$314 million in 2002.

b. Less than \$500,000.

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that the bill will be enacted within the next few months and that the amounts authorized to be appropriated will be provided for each fiscal year.

Spending Subject to Appropriation

H.R. 2402 would authorize the Secretary to construct water projects in coordination with nonfederal partners and enter into new contracts for delivering water. In addition, the bill would direct the Secretary to refund overpayments from certain irrigators.

Construction of water projects. H.R. 2402 would clarify the Department of the Interior's (DOI's) authority to participate in the planning, design, and construction of the Phoenix Metropolitan Water Reclamation and Reuse Project and authorize DOI to participate in the Albuquerque Metropolitan Area Reclamation and Reuse Project. Assuming appropriation of the necessary amounts, CBO estimates that this provision would result in new discretionary spending of about \$9 million over the 1998-2002 period and a total of \$20 million through 2004. All of these amounts are attributable to the Phoenix project.

The Phoenix project was authorized in Public Law 102-575. Based on information provided by the Bureau of Reclamation, however, CBO expects that the project is unlikely to be constructed as authorized. H.R. 2402 would change the existing authority in a way that would make it more likely that the project would be constructed. Under the current authorization, DOI would pay the cost of constructing the facility, and the city of Phoenix would repay its share of the project over time. The Secretary would hold title to the project indefinitely. H.R. 2402 would change the existing authorization to clarify that the project is intended to be built with upfront cost-sharing by the city of Phoenix and that the city is to hold title to the project. Federal participation in the project would be capped at \$20 million. For purposes of this estimate, CBO assumes that the entire amount would be appropriated. Estimates of annual budget authority needed to meet design and construction schedules (assuming the earliest feasible starting date) were provided by the Bureau. CBO assumes that spending on the project would occur at historical rates observed for similar water projects.

Participating in the Albuquerque project will result in no new federal outlays. A portion of this project—the Arsenic Wellhead Demonstration Unit—was authorized in Public Law 102-575. The total federal cost of participating in the other portions of this project have already been provided in the bill making appropriations for energy and water development for the fiscal year ending September 30, 1998 (Public Law 105-62). Spending of these amounts would not be affected by H.R. 2402.

Refunds of overpayments. H.R. 2402 would authorize the appropriation of \$3 million in 1998 for refunding penalties that DOI collected from irrigators for submitting incorrect forms for demonstrating their compliance with the Reclamation Reform Act. A recent court ruling indicates that the Bureau does not have authority to charge such fines. The Bureau has indicated that it needs the authority in H.R. 2402 to refund those amounts. Based on

information from the Bureau, CBO assumes that the refunds would be made shortly after the amounts are appropriated.

Entering into contracts. H.R. 2402 would authorize the Secretary of the Interior to enter into contracts with the Solano County Water Agency, or any of its member unit contractors, to use portions of the Solano Project, California, for impounding, storing, and carrying nonproject water for non-irrigation purposes, and for exchanging water among Solano Project contractors for such purposes. The Bureau has indicated to CBO that this authority would be used for transporting water to the city of Vallejo from an existing storage facility. Based on information from the Bureau, CBO estimates that this action would increase the cost of operating and maintaining the project by less than \$500,000 a year beginning in fiscal year 1999. These amounts would be subject to appropriation and would be reimbursed by the municipality in the year they are incurred. Reimbursements would be deposited in the reclamation fund as offsetting receipts and would be unavailable for spending without appropriation.

Direct Spending

H.R. 2402 would affect outlays from direct spending by authorizing the Secretary to spend previously appropriated funds more quickly, extending the period that certain nonfederal actors have for repaying to the United States their share of the cost of certain reclamation projects, and authorizing the secretary to enter into contracts with the Solano County Water Agency for various purposes.

Spending previously appropriated funds more quickly. H.R. 2402 would authorize the secretary to obligate a portion of funds that are appropriated for projects related to the safety of dams, including about \$17 million in 1998, at a faster rate than permitted under current law. By increasing the rate at which funds that are already appropriated are spent, H.R. 2402 would increase direct spending in fiscal year 1998, have little or no net direct spending effect in 1999, and reduce direct spending in 2000. CBO estimates that the bill would result in an increase in outlays of less than \$500,000 in fiscal year 1998, and result in a corresponding decrease in outlays of less than \$500,000 in 2000.

Extending contracts. H.R. 2402 would amend Public Law 104-318 to clarify that the temporary debt relief that law provides to the city of Corpus Christi, Texas, the Nueces River Authority, and the Canadian River Municipal Water Authority is intended to extend, without accrued interest, the terms of their repayment contracts by the number of years of debt relief. The report language that accompanied the legislation while it was being considered by the Congress indicates that this result was intended by Public Law 104-318; however, the Bureau recently has indicated that the law is not written in a way that will accomplish that purpose.

Because we have already adjusted our long-term estimates of repayment receipts to reflect the intent of the law, CBO estimates that there would be no budgetary impact from enacting this provision.

Entering into contracts. As described above, CBO estimates that the provision authorizing the Secretary to enter into contracts with the Solano County Water Agency, or any of its member unit contractors, would increase the discretionary costs of operating and maintaining the Solano project. All such discretionary costs would be reimbursed by the municipality in the year that they are incurred and the reimbursements would be deposited in the reclamation fund as offsetting receipts (that is, a reduction in outlays from direct spending) and would be unavailable for spending without appropriation. These reductions in direct spending would be less than \$500,000 a year.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act of 1985 specifies pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO estimates that enacting H.R. 2402 would increase direct spending by less than \$500,000 in 1998, and reduce direct spending by less than \$500,000 annually thereafter. Enacting the bill would not affect governmental receipts.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2402 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Various provisions in this bill would benefit water districts and other local government entities.

Some of these provisions would probably result in additional spending by local governments, either to match federal expenditures or to contract for federal services, but such spending would be voluntary on the part of these entities. H.R. 2402 would authorize or clarify the existing authorization for federal participation in two projects—the Albuquerque Metropolitan Area Reclamation and Reuse Project and the Phoenix Metropolitan Water Reclamation and Reuse Project. Existing law requires that participating local governments share in the cost of these projects. CBO estimates that the local share for the Albuquerque project would total about \$23 million over the next four years and that the local share for the Phoenix project would total at least \$65 million over the 2001-2003 period.

H.R. 2402 would also allow the Solano County Water Agency to contract with the Bureau of Reclamation to move non-project water through the Solano reclamation project. The

agency would reimburse the federal government for any increased costs resulting from such contracts.

Other sections of H.R. 2402 would confer financial benefits on some water districts. The bill would direct the Secretary of Interior to refund certain penalties erroneously collected from some water districts and would authorize appropriations of \$3 million for these refunds. Further, the bill would amend the Emergency Drought Relief Act of 1996 to extend the terms of repayment contracts of the city of Corpus Christi, the Nueces River Authority, and the Canadian River Municipal Water Authority, all in Texas. The length of these extensions would correspond to the number of years of debt relief provided by the 1996 act.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill would impose no new private-sector mandates as defined in UMRA.

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