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Testimony Before the Subcommittee on Water and Power
Committee on Natural Resources
United States House of Representatives

Legislative Hearing

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Chairman McClintock, Ranking Member Napolitano and Members of the Subcommittee:

Thank you for the opportunity to appear before you to offer comments on the importance of water storage projects and related legislation intended to provide new opportunities to develop these projects. My name is Chris Hurd, and I serve on the board of directors of the Family Farm Alliance. The Alliance advocates for family farmers, ranchers, irrigation districts, and allied industries in seventeen Western states. The Alliance is focused on one mission – To ensure the availability of reliable, affordable irrigation water supplies to Western farmers and ranchers.

Water users represented by the Family Farm Alliance use a combination of surface and groundwater supplies, managed through a variety of local, state, and federal arrangements, to irrigate productive agricultural lands in the West. For the most part, however, many of our members receive their primary irrigation water supplies from the Bureau of Reclamation (Reclamation). In essence, we are Reclamation's customers. Western family farms and ranches of the semi-arid and arid West– as well as the communities that they are intertwined with – owe their existence, in large part, to the certainty provided by water stored and delivered by Reclamation projects. That is why we support the discussion draft bill under consideration today that would amend the Secure Water Act of 2009 to authorize the Secretary of the Interior to implement a surface water storage enhancement program, and for other purposes.

I am a managing partner of Circle G Farms in California's San Joaquin Valley. My 1,500 acre family farm operation produces almonds, pistachios and row crops. I graduated from Cal Poly San Luis Obispo in 1972 with a degree in mechanized agriculture. I am president of the San Luis Water District and a long-time board member of the Family Farm Alliance. My wife Anne and I have three sons.

The increasingly complex federal regulatory structure, and the increasingly expensive and protracted processes which this structure encourages, makes obtaining and sustaining water supplies increasingly difficult for both agricultural and municipal users alike. For the farmer or rancher, the current federal water allocation and reallocation schemes in some areas of the West often create chaotic economic conditions, a sense of disillusionment and resignation, and uncertainty. Nowhere is the uncertainty of water supplies greater than where I live, in California's San Joaquin Valley (Valley) from the federal Central Valley Project (CVP).

Severe water shortages caused by the combination of federal fisheries restrictions and drought on water supplies to the western side of the Valley forced hundreds of thousands of acres of farmland to be fallowed in 2009. University of California experts estimate that the combined effects of these restrictions on the water supply have cost Central Valley agriculture nearly $1 billion in lost income and more than 20,000 lost jobs. In 2009, water users that depend on the federal Central Valley Project (CVP) received only 10 percent of the water they contracted to receive, the lowest allocation in the history of the project. We have calculated that without these federal restrictions, the allocation would have been 30 percent. The U.S. Department of the Interior increased the allocation of water for south-of-Delta CVP agricultural water service contractors in 2010 to a whopping 25 percent of our contract. Last year, that same allocation was

20 percent of our contract. This year, even if we end up with average hydrologic conditions this winter, we face a ZERO allocation, and implementation of federal laws such as the Endangered Species Act (ESA) and Clean Water Act (CWA) is a primary reason for this grim scenario.

Certainty in Western water policy is essential to the farmers and ranchers I represent, and that is why a suite of water conservation practices, improved water management, water transfers, and other demand reduction mechanisms must be balanced with proactive and responsible development of new water infrastructure. New storage projects must be part of that mix, and creative ways to finance those projects are needed.

Title II of the Rural Water Supply Act of 2006 (PL 109-451) authorized a loan guarantee program for rebuilding and replacement costs of water infrastructure within Reclamation that would leverage a small amount of appropriated dollars into a large amount of private lender financing available to qualified Bureau-contractor water districts with good credit. In other words, the Congress has given the authority to Reclamation to co-sign a loan to help their water contractors meet their contract-required, mandatory share of rebuilding and replacement costs of federally-owned facilities. Given this scenario, it is incredible that Reclamation loan guarantees, a long-awaited critical financing tool for water users across the West, are now being held up because of incorrect interpretations of federal policy by the Office of Management and Budget (OMB).

The Family Farm Alliance will continue to work with Reclamation and OMB to implement this program and to investigate opportunities to develop similar loan guarantee programs that can help fund new water infrastructure projects. We stand ready to work with the Committee and will look for its support as we work with the Administration to find ways to leverage funding to meet even more needs for both aging and new water infrastructure projects.

The discussion draft bill provides another creative financing mechanism. It would amend the Secure Water Act of 2009 to authorize the Secretary of the Interior to implement a surface water storage enhancement program. Such a program does not exist today, yet demand for new sources of water from storage has grown tremendously over the past two decades. The bill would authorize the Secretary to construct surface water storage and to enter into cooperative agreements with water users associations for the construction of surface water storage that would benefit agriculture and other water-dependent sectors of the economy in the West. This draft bill would establish in the Treasury of the United States an Account to be known as the 'Reclamation Surface Water Storage Account' which would be used to pay for surface water storage projects over a four-year period using a total of $400,000,000 of revenues that would otherwise be deposited in the Reclamation fund. By making these funds available for investment in new surface water storage projects, to be repaid over time, the growing needs for new water supplies in the West could be met while protecting the jobs and communities so dependent on water for their very existence.

We support this discussion draft bill, although additional detail would improve it. One of the areas that require further clarification include the terms of repayment, and the manner in which

projects would be selected and how funds are allocated. Also, the bill is not clear on who would get funding support and on what basis the Federal agency can or will determine who receives said support. Possibly, the bill could direct the Bureau of Reclamation to develop a proposal on how they would administer funding and loans made available by the bill, working with the contractors and storage project proponents, and report back to Congress on a final set of program policies and guidelines within a set period of time.

As a side note, the Board of Directors of the Family Farm Alliance in 2005 launched an aggressive and forward looking project that pulled together a master data base of potential water supply enhancement projects from throughout the West. While many of these supply enhancement projects include projects like canal lining and piping, reconstruction of existing dams, and regional integrated resource plans, the report also identifies some potentially beneficial new multipurpose surface storage projects. The benefits from these projects include providing certainty for rural family farms and ranches, additional flows and habitat for fish, and cleaner water and energy. We would be happy to utilize this tool to assist the Subcommittee in developing a quick assessment that might provide a sense of which proposed storage projects in West are ready to apply for this funding, and how far the anticipated funding amounts would stretch. While making up to $400 million available to build new projects is a great start, realistically we may be only able to fund a few new projects. But, we believe this is a significant beginning towards advancing new surface water storage projects in many areas of the West.

People like me who live and work on the west side of the San Joaquin Valley have disproportionately borne the costs associated with actions under the Endangered Species Act (ESA) to protect fish species that occupy the Sacramento-San Joaquin River Delta. These costs are astounding. And they extend well beyond the farmer's gate. These costs extend to our local communities — impacting the tax base, unemployment and social support programs — all the way to the consumer in the form of higher prices for food. The bill, by allowing for the expansion of surface storage by financing the construction of new water storage projects, could reduce these high costs associated with reallocating water away from agriculture and municipal needs by restoring certainty to critical irrigation and city water supplies and meeting environmental needs in the process.

For instance, the costs for water supplied by the Bureau of Reclamation to irrigate orchards on my farm near Firebaugh over the last five years have grown from $300 per acre to $1,800 per acre, per year. We are facing a potential ZERO water allocation this year. For a farmer trying to make business decisions, some of which may implicate family, farmworkers, neighbors and community for the next 30 years, this is an impossible situation. It's the kind of thing that leads to extreme financial and emotional stress felt by farmers who don't know if they will still be in business in five years. It becomes harder and harder to simply hang on when our most important input, our irrigation water, has become the biggest unknown in our farming operations.

Some of the real costs of these decisions are on the people in our community: Schools are closing, vendors are going broke, tens-of-thousands of workers are unemployed, food lines are forming, and family relationships are strained. In my situation, eight people who would otherwise be employed now don't have work because I could not hire them due to the lack of water. That may not seem like much, but mine is one of almost 4,000 farms in the San Joaquin Valley suffering from chronic water supply shortages due in part to Mother Nature this year, but also due to regulatory decisions made by the federal agencies in previous years. In big cities, maybe these numbers aren't considered important, but in our small, rural, often disadvantaged communities, where one of four workers is unemployed, they are vital. Towns, once thriving, are now shells.

Will this discussion draft bill help my farm this year? No, it will not; but we must consider how many droughts we need to go through before our ability to grow our nation's food supply is imperiled beyond repair. We must start managing water in California (and across the Western U.S.) to meet the future needs of humans and their communities, and not just the environment. That includes better managing our current water supplies for multiple needs (including agriculture), and by developing new storage projects that will allow the greater flexibility we will need to meet the challenges of a drought year like this one in the future. It also means applying the federal discretion allowed by the federal Endangered Species Act (ESA) and other federal laws in a way that maximizes water supply for human uses without imperiling species. The ESA was also not intended to avert environmental disaster by creating other disasters. The ESA is a reality, but the manner in which it is being applied is not utilizing any of the flexibilities inherent to the Act, or in consideration of the collateral human disasters that are being caused through such federal decision-making. Lawmakers and policy makers must use their leadership positions to help give agency implementers the tools to understand that it's not all just about mathematics and science, that there are truly human costs associated with their decisions. We believe there is flexibility built into the ESA that must employed in situations like ours that do the least harm to our communities.

Are we so arrogant or foolish that we think depression, mass unemployment and food shortages cannot happen here again; that we will always be able to produce enough food for an exploding global population? Maybe we should ask our grandparents and our parents, whose hardships led to the foresight to build our existing reservoirs, canal systems and other infrastructure we enjoy today, and upon which our quality of life depends, whether or not these costs are justified. Our generation must step up and continue to develop our water resources to better meet our future needs, including those of our environment, and this water storage discussion draft bill would go a long way in helping us in that endeavor. Thank you for the opportunity to testify today, and I would stand for any questions the Subcommittee may have.