

## **Innovative Approach to Help Irrigators Fix Aging Infrastructure Stymied by Washington Bureaucrats**

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There is a growing recognition of the problem of aging public infrastructure across the Nation. Federal water supply systems are critically important to Western communities, farms, and the environment. These facilities are an essential component of the nation's food-production system and their operation helps ensure our ability to provide reliable and secure food for our own citizens and the rest of the world.

The problem with fixing aging public infrastructure is financial. There are not enough federal dollars to go around for burgeoning repair needs. Yet, in the case of Bureau of Reclamation (Reclamation) water facilities, most of the rebuilding of this federal water infrastructure is paid for by the end users who contract with Reclamation for their water supplies. Reclamation estimates that \$3 billion will be needed from project users in the near-term to provide for essential repairs and rehabilitation of facilities.

This is where the problem begins. Under its legal authority, Reclamation must treat expensive, major rehabilitation and replacement projects as operation and maintenance costs (O&M) that must be paid for by the water users both in advance, and in the year in which the costs are incurred. For some of these projects, it is not uncommon for annual O&M bills for these rehab projects to be thousands of times larger when compared to previous years, with little time for water users to prepare. With the Federal government holding title to these facilities, water users can not easily obtain financing to meet their O&M obligations, nor can they simply pass along huge increases in costs to their water customers in such a short period of time.

As a result, in most of these cases, the unthinkable happens: these vital rehabilitation and replacement projects are delayed or dropped, leaving the facility in badly decomposing or unsafe condition for future generations to deal with, and setting up the perfect storm of facility failure and resulting damages to property and person.

In the past, Reclamation offered its water users direct loans to cover their share of these major expenses, allowing them to finance over many years their contractual share of these costs over time. However, these direct loans have been discontinued, as mounting pressures on the federal budget have redirected funds that were traditionally dedicated to these loan programs. Currently, Reclamation does not have any active program that provides either loans or a budget line for the water user share of these rapidly increasing costs, even under hardship conditions.

Congress sought to address the situation by creating an innovative loan guarantee program to help local agencies meet their financial obligations for the repair and rehabilitation of Federal water supply facilities. The Rural Water Supply Act of 2006 authorized a loan guarantee

program within Reclamation that would leverage a small amount of appropriated dollars into a large amount of private lender financing available to qualified Reclamation-contractor water districts with good credit. In essence, Congress authorized 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 clear Congressional direction by the Office of Management and Budget (OMB). A recent memo prepared by OMB concluded that Reclamation can carry out the loan program only if it is willing to siphon large amounts of funding away from other programs and needs within its budget. This is not what Congress intended. OMB's conclusions are wrong and are driven by a desire to prevent implementation of the program.

If you care about the future of Western irrigated agriculture, call your Congressional representatives and urge them to tell the OMB that they are wrong. The Bureau of Reclamation must be allowed to proceed with implementation of the loan guarantee program as Congress intended it to function.

Reclamation water contractors across the West should be allowed access to federally guaranteed loans to help finance the rebuilding of our federal water projects so critical to the future of the American West.