INTRODUCTION

Mr. Chairman, it is indeed a pleasure for me to be here with you this morning to discuss the President's water resource policy message to the Congress. I want to compliment you and the other members of the Committee for holding these hearings on this important set of policy initiatives. Your keen interest in this matter is appreciated and we look forward to working with you.

With your permission, Mr. Chairman, I would like to take a few moments to discuss the background surrounding development of the message, summarize the President's decisions, and discuss how implementation will proceed.

BACKGROUND

President Carter's message is the outgrowth of more than a year of study and consultation by Federal and state officials from the water resource community. The message also represents the President's own interest in water resource problems which dates back to his tenure as Governor of Georgia. The President, like many before him, saw the need for a thorough examination of Federal water resource policy. I should point out, Mr. Chairman, that the Administration's recent review is not unique; indeed, there have been several important reviews over the past thirty years including: the first Hoover Commission (1948), the Cooke Water Policy Commission (1950), Senate Select Committee on Water Resources (1958), National Water Commission (1973) and the National Water Quality Commission (1976). These reports and other documents have
pointed out the need to correct problems in the planning process, cost-sharing, environmental protection and other considerations.

In his 1977 Environmental Message, the President directed the Secretary of the Interior as the Chairman of Water Resources Council, the Chairman, Council on Environmental Quality and the Director, Office of Management and Budget to undertake a review of water resources policy with conservation as its cornerstone. Environmental protection, sound public investment and more equitable cost-sharing were other major goals to be addressed in the review.

The review got underway with the formation of eight interdepartmental staff task forces to examine the following areas: planning and evaluation criteria and procedures; cost-sharing; conservation; institutions and institutional arrangements; Federal reserved water rights; water quality; and water research. Indian reserved water rights were examined by a separate group under the direction of the Assistant Secretary--Indian Affairs, Forrest Gerard.

The task groups wrote option papers which were published in the Federal Register as the basis for public discussion at hearings held in eight cities throughout the nation in July and August 1977. The option papers were not intended as proposals for changes in water policy but described aspects of policy and practice that affected water use and therefore were published to guide public comment. All of the problems, situations and options described in the papers had been identified and discussed previously in the prior comprehensive studies and reports of water resources policy.

However, some of the option papers aroused immediate alarm that drastic changes were in prospect and that firmly established state jurisdiction over water rights and uses were to be infringed by the assertion of further Federal authority.
These misapprehensions took some time to lay to rest but the dispute was beneficial to the entire policy review. The states were brought more positively into participation, and public attention was increased through wide newspaper and other media coverage. We were pleased, for example, that staff personnel from state agencies and associations joined the task groups. Numerous meetings were held by the policy committee directing the review to exchange views and to report on the status of the efforts. The meetings were held in several cities with various state official groups including the Interstate Conference on Water Problems, the Western States Water Council, the National Governors Association, the National Association of State Legislatures and public interest groups. We were particularly pleased with the assistance we received from several Governors, particularly with Governor Matheson's water resources subcommittee of the Natural Resources Committee of the National Governors Association. The Governors of the New England States led by Governor Dukakis of Massachusetts also prepared a position paper which was most useful. Other exchanges took place with the governors' staff groups and the policy review task forces, particularly the cost-sharing task group.

Secretary Andrus met several times with the Governors. He hosted meetings in his office during the review in February and again just prior to making his final recommendations to the President in May. These discussions with the Governors heightened the mutual perception of the significant and the essential nature of Federal-State cooperation in water resources policy management.

The President also took an active role in the state participation process. He held a water resources workshop in Denver last October with Western States water users representatives. At that meeting, he assured the group that
there was no thought of affecting the states' jurisdiction over water resources rights and allocations. The Vice President and Secretary Andrus followed up this on a meeting with a tour of Western States in February to receive reports from governors and other leaders on the resource problems. The President also took a trip West in April and spoke with the Governors on this issue again. Finally, the President met with the Governors in mid-May on the water resource policy options after he had received recommendations of Secretary Andrus, CEQ Chairman Warren, and OMB Director McIntyre. The President also met with Members of Congress, representatives of environmental organizations, mayors and other local government officials prior to making his final decisions.

I repeat this review of our consultations only to point out that the policy review was conducted with as much public participation and exchanges of views among interested officials at all levels of government, as any policy development endeavor in recent years.

PRESIDENT'S MESSAGE

The President announced his new policy in a Message to the Congress on June 6, 1978. I think it is safe to say that there were no great surprises in the message since all the possibilities and choices had been openly and thoroughly discussed. Also, it is important to note that the earlier apprehensions about an increased Federal role in water policy or dominance over State water water prerogatives were dispelled. This change was due, in part, to the active participation of the states in the policy review phase.

Mr. Chairman, the President's Message contains numerous recommendations which fall into four broad areas: Federal/State Cooperation, Water Conservation, Improved Planning and Environmental Protection. I would like to discuss the major recommendations in these four areas.
FEDERAL/STATE COOPERATION

The President's message initiates several initiatives to improve the role of states in water resource policy decisionmaking. A major initiative dealt with project financing. The message announced that legislation will be submitted calling on the states to contribute, simultaneous with Federal appropriations, 10 percent of the allocated costs of the vendible producing purposes of a project and five percent of the allocated costs of the nonvendible producing purposes. This change in cost-sharing would be voluntary for already authorized projects. For new authorizations, the President recommends that the 10 percent/5 percent proposal be mandatory.

Through this financing arrangement, the states will obtain a key role in project planning, design and operation. Specific political and legal decisions by Governors and state legislatures will be necessary if the state is to make this financial commitment. However, they will begin to regain the interest, control and involvement which automatically comes with spending taxpayers' dollars. Furthermore, the states will regain their investment costs over time by sharing in the project revenues proportionately to their financial contribution.
To assure that no state is unduly burdened by the "front-end" financing requirement, the mandatory or required contribution for any one project would be limited to no more than one-quarter of one percent of the annual receipts to the State's annual general revenues, exclusive of any monies from the Federal government.

Another example of the increased role for the states comes in the planning to correct water problems. The message proposes $25 million in annual financial grants for state planning, an increase from the presently authorized $5 million under Title III of the Water Resources Planning Act. This money will give the states a much larger opportunity to participate with or monitor federal planning efforts and to conduct their own intra-state plans, filling the gaps between the numerous federal programs.

Finally, the President announced he will establish a State-Federal task force to serve as a focal point for continuing dialogue on water policy problems. We believe the discussions with Governors, State legislatures, mayors and others over the past few months were most productive. We are pleased there is interest in continuing these discussions and look forward to a most cooperative effort.

CONSERVATION

A cornerstone of the President's message are the initiatives he announced on water conservation. The Message makes clear that water conservation will become a fundamental guide for the actions of all federal agencies. For example, the message directs all federal agencies to implement water
conservation applicable to agency operations and to identify programs having significant water use or conservation impacts. It also directs the agencies, within 90 days, to determine how corrective actions could be taken.

The message also includes a number of specific directives to promote water conservation, including:

- Legislation to initiate a $25 million state grant-in-aid program for technical assistance on conservation.

- Initiatives to promote the conservation pricing of water stored at Federal projects.

- Requirement that water conservation be integrated into programs of all Federal agencies, including housing assistance programs.

- Directive to federal agencies providing financial assistance for municipal water supply and water treatment systems to remove disincentives for conservation.

**IMPROVED PLANNING PROCEDURES**

The President's message contains several important initiatives which will reform agency planning and review of projects which is central to achieving greater economic efficiency and environmental quality in water development.

Two major responsibilities will fall on the Water Resources Council. First, the WRC is directed, within one year, to recommend changes in the current Principles and Standards for evaluating water resource
projects. This review will incorporate water conservation as an integral component of the planning process and objectives, and develop a manual of guidelines and methods for conducting the evaluation of projects. The intention is to assure that accurate and up-to-date evaluation practices and uniformity among agencies in their application, with conservation as a central focus of all planning. In conjunction with these changes, at least one alternative plan will be required in each planning situation, emphasizing non-structural or a combination of structural and non-structural means. This requirement is to complete a more thorough consideration of non-engineering alternatives with perhaps less damaging impacts on the environment and sensitivity to conservation.

Second, the WRC is directed to establish an independent review function to provide an impartial monitoring review of all water projects during the pre-authorization and preconstruction planning phase to assure compliance with the Principles and Standards and other laws and requirements related to water resource project planning.

Mr. Chairman, I would like to digress at this point to comment that these two requirements, as well as others, place greater responsibilities on the Water Resources Council for implementing the President's message. The WRC is a natural focus for implementing many of the initiatives which affect one or more agencies and the message recognizes the importance of the WRC as an effective component in national water resources policy. We would like to thank this Committee for the strong position you have taken on legislation to reauthorize the WRC for FY 1979 and would hope that you can sustain your
position in the upcoming conference with the House on this important legislation.

Finally, Mr. Chairman, the President has announced eleven review criteria which he will use to evaluate annual funding of water projects and on authorization and appropriation requests. These criteria are listed in Appendix A of my testimony. These criteria are significant because they represent a clear statement by the President on the type of projects and programs he will support. The Administration is dedicated to making water policy decisions in a more honest, coherent and credible manner, and these criteria are fundamental to those objectives. They will be used to screen projects, provide guidance to planners, and guide the direction of water agency programs in several areas. Some might feel, Mr. Chairman, that these criteria are too strong, but that is not the case. The criteria were used, for example, to screen new construction starts which the President recommended for inclusion in his FY 1979 budget amendment.

Environmental Protection

The fourth theme of the President's message deals with changes to improve environmental protection. Existing environmental statutes relating to water and water projects were generally found to be adequate, but these laws must be consistently applied and effectively enforced to achieve their purposes. The message indicates that sensitivity to environmental protection must be an important aspect of all water-related planning and management decisions.

The major initiatives in this area include:
- A directive to the Secretary of the Interior and other agency heads to implement vigorously the Fish and Wildlife Coordination Act, the Historic Preservation Act and other environmental statutes.

- Steps to insure that environmental mitigation in water project appropriation requests are provided concurrent and proportionate with construction funding requests.

- Accelerated implementation of Executive Order No. 11988 on floodplain management.

- A directive to several agencies to help reduce flood damages through acquisition of floodprone land and property where consistent with primary program purposes.

- A directive to Federal agency heads to provide increased cooperation with States and leadership in maintaining instream flows and protecting groundwater through joint assessment of needs, increased assistance in the gathering and sharing of data, appropriate design and operation of Federal water facilities and other means.

Implementation

Mr. Chairman, this concludes my summary of the major provisions of the President's message. As you know, the message deals with several other important areas which I have not had an opportunity to review with you today. I have, however, included a copy of the message and the background statement for your convenience as Appendix B and C of my statement.
If I may, I would like to take several moments to discuss how the Administration is proceeding to implement the many portions of the message.

Certain portions of the message have already become integral parts of agency procedures and have been used to make decisions. For example, the review criteria were used to evaluate projects which the President recommended for new construction start funding in his FY 1979 budget amendment. Another example is the requirement that mitigation funding be requested concurrent with construction funding. The Administration is currently developing its FY 1980 budget request and this requirement is being used throughout that process.

The message will require three legislative proposals to be submitted to the Congress; these include: changes in cost-sharing; increased funds for planning and technical assistance for water conservation; and a proposal to allow more flexible pricing of municipal and industrial water stored at federal projects. These proposals are currently under preparation and will be submitted to the Congress in the near future.

The major portion of the message will have to be implemented through various reports and administrative actions by numerous federal agencies. On July 12, 1978, the President issued 13 directives to heads of federal agencies directing implementation of various portions of the message. I have attached a copy of these directives as Appendix D of my testimony. Lead agencies have been assigned responsibility to coordinate a response to each directive and timetables have been established for each group.

By the end of this month, we hope to have a better indication of how many
people will be working on each task force, the specific timetable for implementation and other considerations.

Conclusion

Mr. Chairman, the policy changes proposed by the President are of a comprehensive nature, recognizing the necessity of further water resources development with careful planning and management. The careful planning will produce a wider participation of interests, and the presence of the states as official partners will assure more timely and cost-effective projects. The careful planning too will have a decided beneficial effect on environmental protection and water conservation. We believe the recommended changes proposed will lead to:

- a more credible federal system for water development and water use -- one which is specific about who pays, what it costs and who benefits;

- a system in which all three levels of government work together;

- a system where the development or delivery of water does not come at the expense of the environment;

- a system which fosters conservation;

- a system which does not waste taxpayers money;

- a system which uses good planning and good management tools; and

- a system which is sensitive to local and regional needs.
We strongly believe that a constructive policy has been formulated, built on the successes of the past with such adjustments and redirections as the review showed to be warranted to maintain the momentum for further success. We look forward to implementing this policy with your help.

Mr. Chairman, thank you for giving me this opportunity to be here with you today. I would be most happy to answer any questions you may have.