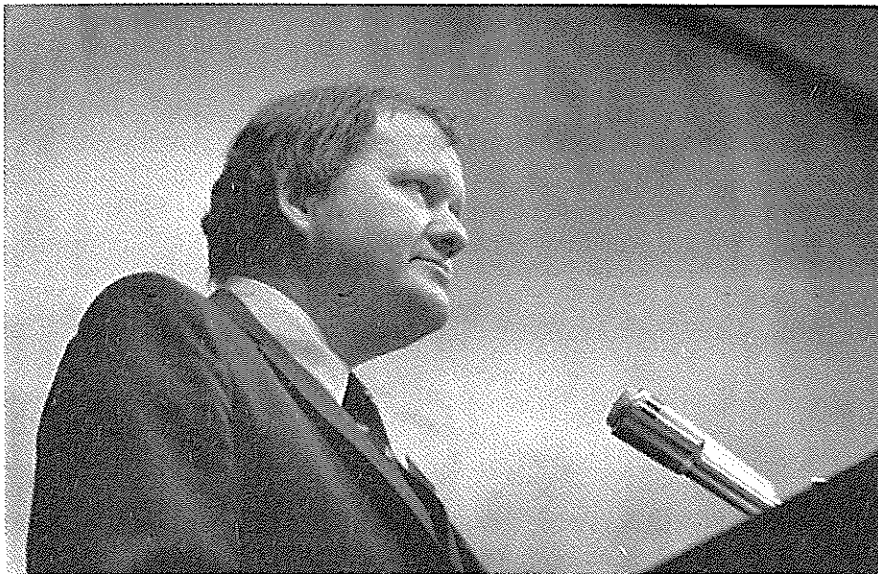


All this in one year!

Specific actions and repercussions resulting from the new National Water Policy are varied and somewhat unclear at this point. One example of action is a \$50 million federal budget item for a program of expanded grants to states, something that this water conference has long supported. On the other hand, actions discussed include such items as disallowing federal crop insurance from water-intensive crops in water short areas, certain to raise local discussion.

This morning our speakers will bring together some of the issues and questions regarding National Water Policy, its role in state water management, national conservation legislation, and possible sources of federal money to help us develop our own untapped water resources such as saline water.



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OVERVIEW AND CURRENT STATUS OF NATIONAL WATER POLICY

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President Carter is an engineer. I'm an engineer and I think that's good. Some say that's bad - an engineer is okay for driving a train, but not for running a railroad.

No matter, I assume his engineering professors at Annapolis taught him the engineering approach to problem solving which applies equally well to building bridges, or buildings, or dams. You are taught to ask four questions:

- 1) Why do this at all?
- 2) Why do it this way?
- 3) Why do it now?
- 4) Will it work?

Early in 1977, when faced with a need for his decision on funding new water projects he applied those rules and found some projects that were either economically unjustified or environmentally unsound. He told Congress he was not keen on funding 18 specific projects. The Congress said they were. And thus was born the National Water Policy Review.

In May of 1977 in his environmental policy message the President announced a Message: six month review of national water policy.

In spring 1978, WRC/CEQ/OMB sent their options and recommendations to the President.

By June 6, 1978 the President had made his decisions and sent his Water Policy Message to the Congress.

On July 12 the President sent 13 Directives to Federal Agencies to begin the implementation process.

All of the implementation activities are under the direction of Secretary Andrus, with CEQ and OMB looking over his shoulder.

Water Policy Message laid out four main goals:

- . to improve planning and management of Federal Water programs,
- . to provide a new national emphasis on water conservation,
- . to increase attention to environmental quality, and
- . to enhance Federal-State cooperation and improve State water resources management.

The many changes, new initiatives, redirections, and improvements are all designed to accomplish one or more of those four goals.

Principally, the water policy reforms are to get the Federal House in order--but they also throw the door wide open for States to assert, or to reassert their basic and principal responsibilities for water resources management.

For better or for worse, the President is challenging traditional congressional judgement in project selection. He has offered new criteria to encourage the selection of economically and environmentally sound projects. He has asked the States to play a stronger role in both policy and project development in a new era of comprehensive resource management.

The basic issue raised by the President's initiatives is whether national water policy choices and program decisions should be made on the congressional appropriations battlefield or by the States, the Administration and the Congress working together within the framework of some generally accepted principles and guidelines.

The relative roles of the Congress, the Administration, and the States are like the legs of a three-legged stool--each must be of approximately equal size and strength or the stool will topple. The water policy reforms provide some cross-bracing to this stool.

The role of the State is as the primarily responsible water manager and allocator of water to be developed. The State is also the voice of the people as to the need for Federal involvement in water resource development.

The role of the Congress is as the decisionmaker on which Federal projects should be built when and where.

The role of the Administration is to provide the Congress with candidate projects which are well-conceived, well-planned, economically justified and environmentally sound. Present activity of the Council--the planning manual and the independent water project review--are designed to provide good choices for the Congress.

In the Summer of 1977, I was the State Water Administrator for the State of Minnesota - and I attended their first regional hearing and said what everyone else said: We weren't notified, we didn't get the option papers, there's not enough time - it won't work. Lo and behold,

I'm now a Fed, convinced that it can work, and dedicated to making it work. Certainly, one thing accomplished by the short fuse on the water policy study - six months as originally announced was to get everyone's attention.

Leonard Wilson of the Council of State Governments has authorized an excellent report. Titled "State Water Policy Issues," and published last November it has an excellent summary of the water policy reform, a good discussion of State views of the national water debate, an analysis of the problems and issues, and a prospective of what lies ahead. Wilson sums up by saying: "The objectives and position of the President and governors are not entirely incompatible!"

We like to think that is indeed the case.

During the water policy reviews, the National Governors' Association and their Subcommittee chaired by Governor Matheson developed a position paper setting forth 11 principles which should guide national water policy. And they had a telling affect. Not all, but most of their principles are incorporated in the President's water policy.

Among the several water policy initiatives announced by the President last June and refined by his directives to agencies in July, four major initiatives are the direct responsibility of the Water Resources Council. Those four are:

1. State Grant Program

Expansion of the grant program for States to include \$25 million yearly for water planning and management, and \$25 million for water conservation technical assistance.

2. Revisions to the P & S

Revision of the Council's 1973 Principles and Standards for Planning Water and Related Land Resources Projects to include enhanced consideration of water conservation and nonstructural alternatives.

3. Manual of Procedures

Development of a planning manual for use by each agency in calculating benefits and costs using the best available techniques in applying the Principles and Standards in a consistent manner.

4. Independent Review

Conducting an impartial technical review of all preauthorization reports and preconstruction plans. The review will:

- . examine adherence to the P & S,
- . examine compliance with the new planning,

- . verify the accuracy of the benefit/cost computation, and
- . verify compliance with existing rules and regulations and laws.

These four efforts along with two others--state cost sharing and full funding are the key items which will have immediate and I hope positive effects on the way we do business--in New Mexico and all the States.

Let me give you the current status of each of these.

Initial impetus for the water policy reform was undoubtedly the President's desire to get a handle on how the Federal Government invests in water resources--but the most fortunate outcome was I think the realization that the States are the key players in National Water Management.

Recognize that all the agonizing over interest rates and regional benefits and benefit/cost ratios is aimed at determining how we slice the pie. And recognize that the pie is not getting noticeably larger. Total Federal water resource investment has grown in the 70's to \$10 billion per year. But most of the growth is on the water quality side. (Now a little over half.) And with Proposition 13, the clamor for a balanced Federal budget, inflation, and all the rest. The pie is not going to grow much, if at all.

Historically, and I include recent history, we - the Federal Water agencies - are better at planning projects than we are at implementing. Right now we have a backlog of \$34 billion worth of projects that have not been funded. And new needs seem to pop up every year.

To enlist the States' help in making these difficult choices, the Administration has proposed legislation which would require a front end investment by the States. A 10 percent share of project costs attributable to water supply, power and irrigation and a 5 percent share of all other project costs would become the States' financing responsibility. The political decisionmaking necessary to commit these funds would insure that the project decision was fully considered by the State, its legislature, and its Governor. Project revenues would return to the State in the same proportion as its financing share. Additionally, to remove the present bias toward structural solution, all flood control, structural or nonstructural would be cost shared 80/20, Federal/State.

Last year and this year (FY 1979 and FY 1980) the President has recommended that full cost of new starts should be appropriated when the project is initially financed.

- Provides clear understanding of total commitment
- Provides program managers with flexibility to most effeciently control construction progress
- Puts WRC on same basis as other construction and procurement with long times

- Facilitates analysis of tradeoffs among fully-funded Federal programs in the annual EXEC and Congressional consideration of the budget
- Reinforces emphasis being given by both branches toward longer term impact of budgeting decisions

The revisions to the P & S (Nonstructural and Water Conservation) will be published in the Federal Register May 24, for 60-day comment. We will also announce our intention to review the entire P & S, rewrite it in English, and ultimately publish as RULES.

In our planning manual for use by all Federal water construction agencies our focus is on the consistency in evaluation using best available techniques. The current concentration is on National Economic Development. Continuing work will include environmental quality, social well-being, and regional development. We will publish a notice of proposed rulemaking on May 24. After public review and final approval by the Council we hope to establish final rules in October.

The Independent Water Project Review, established by an Executive Order of the President in January, is intended to provide an impartial technical review of the project plans of the construction agencies. Within 60 days in most cases, 90 days for a few exceptions, the review will produce a publically-available statement of findings. The "report card" will accompany the project report to the involved Secretary, OMB, and the Congress as they make their recommendations or decisions on project authorization or funding. Such a review is not a new idea; it's been recommended by several water policy studies over the past 20 years. But it fits extremely well into the set of initiatives proposed by the President to improve our delivery of efficient water resources developments.

While many of the water policy initiatives may be perceived by Governors and States as at best a necessary evil rather than a positive good, I think the proposed State Grant Program is definitely a positive good. It offers each Governor the opportunity to expand, redirect, or improve his State water management programs to meet the needs of the 1980's. And it is voluntary; they can participate as much (within limits of our appropriation) or also as little as they wish.

This is an outgrowth of our old Title III program for State grants for water planning which provided \$3,000,000 a year - or about \$60,000/State; but was limited exclusively to planning.

New programs greatly expand the scope and will cost share on a dollar for dollar basis all State water management activities. Two separate but complimentary programs would be established, each at \$25 million per year.

The State program for water management grants would be tailored by the Governor to fit the particular needs of his States. States would specify their priority needs and problems and design their plan to deal with them. Our guidelines will suggest areas which should be addressed;

e.g., integration of water quality and water quality planning and management, protection of ground water supplies, integration of ground water and surface water planning and management, etc. Water Conservation Technical Assistance can be used for almost anything it takes to establish effective water conservation programs: public information, education, demonstration projects, advertising, etc. The only restriction is that the Water Conservation programs be an integral part of all State Water Management Programs. And grants could be passed through to, and be cost shared by, local governments. A separate grant program for Indian tribes is included in our proposed legislation and would reserve 1.5 percent of the total appropriation for this purpose.

So, will the national water policy work in New Mexico? I think it will. Not without a little heartburn and reevaluation along the way, but eventually it will work.

It will effect project funding in New Mexico - as well as in every other State. Bad projects will be culled out, good projects will be "certified good" and the choices among them will be made by the political process--which is still perhaps the only way of deciding how we spend each other's money.

Depending on your viewpoint as a Federal Taxpayer or as a State Taxpayer and whether you favor or object to a particular project - you may not agree with the final decision via the new water policy - but it will be a fair and rational decision.

The potential grants to New Mexico would range from one third to about a full million dollars, depending on the funding level finally set by the Congress. The Administration proposed \$50 million, thus for New Mexico: $\$458,000 + \$241,000 = \$699,000$. The House Committee is considering a \$20 million level, thus: $\$183,000 + \$172,000 = \$355,000$.

Whether these amounts are too much or too little, only you and time can tell. We are convinced that most States could match the possible grants at the \$50 million level right now, or in a very few years. I encourage you to express your opinion to the Congress.

There is an old adage about water in the United States. Local governments have all the problems, State governments have all the authority, and the Federal government has all the money. The National Water Policy is designed to attack that problem.