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104TH CONGRESS }
2d Session }

SENATE

{ REPORT
{ 104-383

TEXAS RECLAMATION PROJECTS INDEBTEDNESS PURCHASE ACT

SEPTEMBER 30, 1996.—Ordered to be printed

Mr. MURKOWSKI, from the Committee on Energy and Natural
Resources, submitted the following

REPORT

[To accompany S. 1719]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 1719) to require the Secretary of the Interior to offer to sell to certain public agencies the indebtedness representing the remaining repayment balance of certain Bureau of Reclamation projects in Texas, and for other purposes, having considered the same, reports favorably thereon with an amendment and an amendment to the title and recommends that the bill, as amended, do pass.

The amendments are as follows:

1. Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Emergency Drought Relief Act of 1996".

SEC. 2. EMERGENCY DROUGHT RELIEF.

(a) CORPUS CHRISTI.—

(1) EMERGENCY DROUGHT RELIEF.—On the condition stated in paragraph (2), for the purpose of providing emergency drought relief, the Secretary of the Interior shall defer all principal and interest payments without penalty or accrued interest for a period of 5 years for the city of Corpus Christi, Texas, and the Nueces River Authority under contract no. 6-07-01-X0675 involving the Nueces River Reclamation Project, Texas.

(2) CONDITION.—The condition stated in this paragraph is that the city of Corpus Christi, Texas, commit to use the funds made available as a result of the deferral under paragraph (1) exclusively for the acquisition of or construction of facilities related to alternative sources of water supply.

(3) ISSUANCE OF PERMITS.—If construction of facilities related to alternative water supplies under paragraph (2) requires a Federal permit for use of Bureau of Reclamation lands or facilities, the Secretary of the Interior shall issue the permit not later than 90 days after the date of enactment of this Act, recognizing

ing the environmental impact statement FES74-54 and the environmental assessment dated March 1991 (relating to the Lavaca-Navidad River Authority Pipeline permit).

(b) CANADIAN RIVER MUNICIPAL WATER AUTHORITY.—

(1) RECOGNITION OF TRANSFER OF LANDS TO THE NATIONAL PARK SERVICE.—

(A) IN GENERAL.—All obligations and associated debt under contract no. 14-06-500-485 for land and related relocations transferred to the National Park Service to form the Lake Meredith National Recreation Area under sections 502 through 504 of Public Law 101-628 (16 U.S.C. 460eee through 460eee-2), in the amount of \$4,000,000, shall be nonreimbursable.

(B) RECALCULATION OF REPAYMENT SCHEDULE.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Interior shall recalculate the repayment schedule of the Canadian River Municipal Water Authority to reflect the nonreimbursability of obligations and associated debt under subparagraph (A).

(2) EMERGENCY DROUGHT RELIEF.—The Secretary shall defer all principal and interest payments without penalty or accrued interest for a period of 3 years for the Canadian River Municipal Water Authority under contract no. 14-06-500-485 as emergency drought relief to enable construction of additional water supply and conveyance facilities.

2. Amend the title so as to read: “A Bill to provide emergency drought relief to the city of Corpus Christi, Texas, and the Canadian River Municipal Water Authority, Texas, and for other purposes.”.

PURPOSE OF THE MEASURE

S. 1719, as ordered reported, would provide emergency drought relief to the city of Corpus Christi, Texas, and the Nueces River Authority by directing the Secretary of the Interior to defer all principal and interest payments toward the Nueces River Project without penalty or accrued interest for a period of five years. Principal and interest payments toward the Canadian River Project similarly would be deferred for the Canadian River Municipal Water Authority, Texas, for a period of three years.

BACKGROUND AND NEED

The Canadian River Project was authorized in 1950 to provide a source of municipal and industrial (M&I) water to areas in the Texas Panhandle and South Plains with a current population of 500,000. The major project facilities include Sanford Dam on the Canadian River about 35 miles northeast of Amarillo, Lake Meredith, which is formed by the dam, and a 322 mile aqueduct. The project was completed in the 1960's and has provided water since 1968. Operation and maintenance (O&M) have been a local responsibility since 1968. The total project cost was \$83.8 million, of which \$76.9 million was reimbursable. P.L. 95-625 in 1978 transferred 987 acres of land acquired for the project to the Park Service as part of the Alibates Flint Quarries National Monument and P.L. 101-628 in 1990 transferred the land within the Lake Meredith boundary to the Park Service as part of the Lake Meredith National Recreation Area.

The Palmetto Bend project was authorized in 1968 by P.L. 90-562 to provide M&I water to a broad area along the Texas Gulf Coast. The project was completed in 1985, and has as its main feature Lake Texana, which is midway between Houston and Corpus Christi. The 75,000 acre foot yield provides M&I supplies for Corpus Christi (42,000 af) and for the regional petrochemical-plastics industry. The local sponsors have a repayment obligation of about

\$70.7 million and also have invested over \$24 million in a distribution system.

The Nueces project was authorized in 1974 by P.L. 93-493 which authorized the Bureau to construct the Choke Canyon Reservoir on the Frio River near three Rivers, Texas. The Bureau estimated that the project would provide a firm yield of 252,000 acre feet and would meet the water needs of the area until 2040. Construction was completed in 1982 and operation was turned over to Corpus Christi in 1983. As a result of lower-than-estimated flows into Lake Corpus Christi and requirements for fresh water releases for fish and wildlife, the project is only providing an incremental yield of about 88,000 acre feet. Of the original \$81.3 million in estimated project costs, the local sponsors provided \$24.5 million in advance payments during construction. The sponsors now have a repayment obligation of about \$77 million based on estimated current project costs of \$133 million, which are 64% higher than originally estimated.

While the long-term goal of the water authorities is to transfer title to the facilities, the most pressing need now is to provide financial relief to Corpus Christi and its water suppliers so that alternative water supply systems can be constructed.

SUMMARY OF MAJOR PROVISIONS

S. 1719 would provide emergency drought relief to Corpus Christi and the Nueces River Authority by directing the Secretary of the Interior to defer all principal and interest payment toward the Nueces River Project without penalty or accrued interest for a period of five years.

If the construction of alternative water supplies requires a federal permit for use of Bureau of Reclamation lands or facilities, the Secretary is required to issue such permit within 90 days after enactment of this Act, taking into account the environmental impact statement and environmental assessment relating to the Lavaca-Navidad River Authority Pipeline permit.

As to the Canadian River Project, S. 1719 would declare that all obligations and associated debt under contract for land and related locations transferred to the National Park Service to form the Lake Meredith National Recreation Area, in the amount of \$4 million, shall be non-reimbursable. The Secretary is required, within one year after enactment, to recalculate the repayment schedule of the Canadian River Municipal Water Authority to reflect the nonreimbursability of the obligations and debt. The Secretary also is required to defer all principal and interest payments by the Canadian River Municipal Water Authority toward the Canadian River Project for a period of three years.

LEGISLATIVE HISTORY

The Committee held a hearing on related legislation dealing with the Nueces project, S. 2236, during the last Congress. Senator Hutchison introduced S. 1719 on May 1, 1996. The Subcommittee on Forests and Public Land Management held a hearing on September 3, 1996.

The Committee ordered S. 1719, as amended, favorably reported at the business meeting on September 12, 1996.

COMMITTEE RECOMMENDATIONS AND TABULATION OF VOTE

The Senate Committee on Energy and Natural Resources, in open business session on Thursday, September 12, 1996, by a unanimous voice vote of a quorum present, recommended that the Senate pass S. 1719 as described herein.

SECTION-BY-SECTION ANALYSIS

Section 1—Short title

The title of the Act is the “Emergency Drought Relief Act of 1996”.

Section 2—Emergency drought relief

Subsection 2(a)(1) directs the Secretary of the Interior to defer all principal and interest payments involving the Nueces River Project without penalty or accrued interest for a period of five years for the city of Corpus Christi, Texas, and the Nueces River Authority, Texas. Subsection 2(a)(2) requires the city of Corpus Christi to use all of the funds made available as a result of the deferral exclusively for the acquisition of or construction of facilities related to alternative sources of water supply. Subsection 2(a)(3) provides that, if the construction of alternative water supplies requires a federal permit for use of Bureau of Reclamation lands or facilities, the Secretary is required to issue such permit within 90 days after enactment of this Act, taking into account the environmental impact statement and environmental assessment relating to the Lavaca-Navidad River Authority Pipeline permit.

Subsection 2(b)(1)(A) declares that all obligations and associated debt under contract for land and related relocations transferred to the National Park Service to form the Lake Meredith National Recreation Area, in the amount of \$4 million, shall be non-reimbursable. Subsection 2(b)(1)(B) requires the Secretary, within one year after enactment, to recalculate the repayment schedule of the Canadian River Municipal Water Authority to reflect the nonreimbursability of the obligations and associated debt.

Subsection 2(b)(2) requires the Secretary to defer all principal and interest payments by the Canadian River Municipal Water Authority toward the Canadian River Project for a period of three years to enable construction of additional water supply and conveyance facilities.

COST AND REGULATORY CONSIDERATIONS

The Congressional Budget Office estimate of the costs of this measure follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 13, 1996.

Hon. FRANK H. MURKOWSKI,
Chairman, Committee on Energy and Natural Resources,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1719, the Emergency Drought Relief Act of 1996.

Enacting S. 1719 would affect direct spending. Therefore, pay-as-you-go procedures would apply to the bill.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JAMES L. BLUM,
(For June E. O'Neill).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 1719.
2. Bill title: Emergency Drought Relief Act of 1996.
3. Bill status: As ordered reported by the Senate Committee on Energy and Natural Resources on September 12, 1996.
4. Bill purpose: S. 1719 would direct the Secretary of the Interior acting through the Bureau of Reclamation to:
 - defer all principal and interest payments without penalty or accrued interest for 5 years for the city of Corpus Christi, Texas, and the Nueces River Authority;
 - defer all principal and interest payments without penalty or accrued interest for 3 years for the Canadian River Municipal River Water Authority; and
 - designate \$4 million of the remaining principal balance of the Canadian River Municipal Water Authority's repayment contract as non-reimbursable.
5. Estimated cost to the Federal Government: Assuming enactment by the beginning of fiscal year 1997, CBO estimates that S. 1719 would shift the collection of \$28 million in offsetting receipts from the 1997–2002 period until after 2017. The bill also would result in a loss of offsetting receipts totaling less than \$500,000 a year over the 2003–2017 period. These receipts represent a portion of the receipts received by the Treasury under repayment contracts managed by the Bureau of Reclamation. The total of such payments for 1997 through 2002 is shown in the following table, along with the expected change in payments under S. 1719.

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
DIRECTOR SPENDING							
Spending under current law:							
Estimated budget authority	-186	-161	-163	-163	-174	-172	-171
Estimated outlays	-186	-161	-163	-163	-174	-172	-171
Proposed changes:							
Estimated budget authority		7	7	7	4	4	(¹)
Estimated outlays		7	7	7	4	4	(¹)
Spending under S. 1719							
Estimated Budget Authority	-186	-154	-156	-156	-170	-168	-167
Estimated Outlays	-186	-154	-156	-156	-170	-168	-167

¹ Less than \$500,000.

The costs of this bill fall within budget function 300.

6. Basis of estimate: Assuming that S. 1719 will be enacted by the beginning of fiscal year 1997, the city of Corpus Christi, Texas, the Nueces River Authority, and the Canadian River Municipal Water Authority would be able to withhold payment of principal

and interest beginning in 1997. All three contractors have already made or are in the process of making their 1996 payments.

The city of Corpus Christi, Texas, and the Nueces River Authority would resume payments to the Treasury beginning in 2002 and the Canadian River Authority would resume payments to the Treasury beginning in 2000. All contractors would be required to repay all deferred amounts at the end of their current repayment periods. Annual payments by the Canadian River Authority would reflect a \$4 million reduction in the outstanding principal balance of the contract and would therefore be lower than they are under current law.

The terms of repayment contracts for water projects managed by the Bureau of Reclamation, such as the projects affected by this bill, are essentially equivalent to the terms of a loan as defined in the Federal Credit Reform Act of 1990. To date, however, neither CBO nor the Office of Management and Budget (OMB) have treated new contracts as loans or changes in such contracts as loan modifications under the provisions of credit reform. Such provisions call for recording the cost of a new loan or any change in cost in the case of modification—on a present value basis, as opposed to cash basis reflected in this estimate. CBO and OMB are reviewing the budgetary treatment of Federal water projects with repayment contracts, and may decide to treat such transactions as loans for the purpose of scoring future legislation.

7. Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. CBO estimates that enacting S. 1719 would affect direct spending by reducing offsetting receipts. Therefore, pay-as-you-do procedures would apply to the bill. The following table summarizes the estimated pay-as-you-go impact.

[By fiscal year, in millions of dollars]

	1996	1997	1998
Change in outlays	0	7	7
Change in receipts		Not applicable	

8. Estimated impact on State, Local and Tribal Governments: In accordance with the Unfunded Mandates Reform Act of 1995 (Public Law 104-4), CBO has determined that this bill contains no intergovernmental mandates and would impose no costs on State, local, or tribal governments.

9. Estimated impact on the private sector: In accordance with Public Law 104-4, CBO has determined that this bill would impose no private-sector mandates.

10. Previous CBO estimate: On August 28, 1996, CBO prepared an estimate for H.R. 3910, the Emergency Drought Relief Act of 1996, as ordered reported by the House Committee on Resources on August 1, 1996. The two bills are identical, and so are the estimates.

11. Estimate prepared by: Federal cost estimate: Gary Brown; Impact on State, local, and tribal government: Marjorie Miller, Impact on the private sector: Patrice Gordon.

12. Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

FEDERAL MANDATE EVALUATION

The Congressional Budget Office determined that S. 1719 contains no private sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (Public Law 104-4), and would impose no costs on State, local, or tribal governments.

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in implementing S. 1719. The bill is not a regulatory measure in the sense of imposing government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact on person privacy.

There are likely to be significant paperwork requirements for the Department of the Interior.

EXECUTIVE COMMUNICATIONS

A Statement of Administration Position has not been submitted as the date this report was filed. When the SAP is available, the Chairman will request that it be printed in the Congressional Record for the advice of the Senate.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by the bill S.1719, as ordered reported.