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APPROVED

OCT 27 1974

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

OCT 25 1974

*Statement
used 10/29/74*

*To ARCHIVES
10/29*

MEMORANDUM FOR THE PRESIDENT

**Subject: Enrolled Bill H.R. 15736 - Reclamation Develop-
ment Act of 1974
Sponsor - Rep. Johnson (D) California and 21
others**

Last Day for Action

October 29, 1974 - Tuesday

Purpose

Authorizes the Secretary of the Interior to build, repair, study and take other actions with regard to 16 water resources projects.

Agency Recommendations

Office of Management and Budget

Approval (Signing Statement attached)

Department of the Interior
Department of the Army
Environmental Protection Agency
Department of Agriculture
Department of the Treasury
Council on Environmental Quality

Approval
Defers to Interior
Defers to Interior
No objection
Disapproval
Disapproval

Discussion

The enrolled bill would authorize the construction, repair, or carrying out of 16 Bureau of Reclamation projects and other authorizations located in ten States, at a total cost

of approximately \$204 million. Each of the projects was originally the subject of separate legislation on which Interior and OMB provided views to the Congress.

The bill contains six projects and authorizations to which we have significant objections, and these are described in Appendix A. Two of these are briefly highlighted here:

Fryingpan-Arkansas Project, Colorado (Title XI)

First authorized in 1962, this project provides water and electricity to Colorado Springs and other communities. Among other things, Title XI would add \$62 million for construction of municipal and industrial water supply facilities. Such municipal water systems are generally built by local authorities, and we do not believe that their construction should be a Federal responsibility.

Nueces River Project, Texas (Title X)

\$50 million would be authorized to build a dam, reservoir and associated recreational facilities as a source of water supply for Corpus Christi and neighboring Coastal Bend communities. The customary feasibility study has not been reviewed, and the Executive Branch consistently refuses to endorse authorization of projects until their economic viability has been established through such a study.

There are ten other projects and authorizations in the bill to which we have only minor or no objection. All of these are described in Appendix B, but the two most noteworthy ones may be briefly summarized here as follows:

Incorporation of Page, Arizona (Title I)

H.R. 15736 provides for conversion of this Federally-owned town to an autonomous local body, the transfer of certain rights, properties and responsibilities, and the payment by the Secretary of the Interior of \$550,000 to assist the town in becoming independent.

Cibolo Project, Texas (Title II)

This Title would authorize \$24.1 million for the construction of a dam and reservoir to supply water to San Antonio and two other municipalities.

In the past, Bureau of Reclamation projects were generally authorized individually in separate bills. Recently, however, the omnibus approach reflected in the enrolled bill has been adopted, following the practice used for Corps of Engineers projects in rivers and harbors bills. The reason for this trend is obvious -- rivers and harbors bills containing objectionable projects have generally been approved because authorization of the desirable or acceptable projects is considered to outweigh the drawbacks of the objectionable ones.

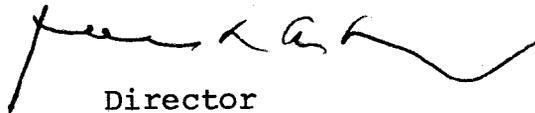
We gave thorough consideration to recommending disapproval of H.R. 15736 because of the objectionable projects and authorizations it contains. But, again, we are forced to conclude that the desirable features of this bill outweigh its undesirable ones -- we reached a similar conclusion in March of this year when we recommended approval of a rivers and harbors bill which contained a greater number of both desirable and undesirable projects than the present measure.

In its enrolled bill letter Treasury states it would concur in a recommendation for veto, primarily because of its concern over certain interest rate provisions in the bill. While we agree with Treasury in substance, we do not believe that this aspect of the bill warrants disapproval -- out-moded interest rates are only one aspect of a number of overall deficiencies in water resources policies and procedures now the subject of a broad study by the Water Resources Council.

In its enrolled bill letter, CEQ bases a recommendation of veto primarily on the undesirable environmental impact of two projects -- Cibolo Creek and Nueces River, both of which were briefly described above. The first was supported by the Administration after consideration of the requisite environmental impact statement prepared in connection with its authorization, and an environmental statement will be considered in connection with our review of the feasibility study relating to the second project. Further review of environmental considerations can be undertaken in the course of post-authorization planning on these projects. Consequently, we do not believe that a veto is justified on these grounds.

In concluding to recommend approval of H.R. 15736, we believe very strongly that you should issue a signing statement regarding funding of the objectionable projects and authorizations. We have prepared the attached statement for this purpose. It indicates that you do not intend to recommend funding for certain undesirable projects and authorizations to which the Administration objected. Reflecting the new bars to impoundments, it also urges the Congress to join in supporting such an approach at a time when attainment of the \$300 billion ceiling in the 1975 budget will require rescission or deferral of appropriations for worthwhile projects now actually under construction.

For information purposes, Appendix C lists the sponsors of the various projects and authorizations contained in the bill.

A handwritten signature in black ink, appearing to read "Frank A. ...", written over the printed name "Director".

Director

Enclosures

APPENDIX A

Projects to which there are major objections

1. Fryingpan-Arkansas Project, Colorado

This project, authorized in 1962, provides water to Colorado Springs and nearby communities, and also provides electricity from seven pumped-storage powerplants. Title XI of the enrolled bill would authorize Interior to build an additional 100-megawatt generating unit (adjacent to an existing one), and would also amend the original Act to increase total authorization for project appropriations from \$170 million to \$432 million.

\$172 million of the increased authorization is due to inflation and \$28 million is for the generating units. We have no objection to these amounts, but do object to the authorization of the remaining \$62 million for construction of municipal and industrial facilities which should not be built by the Federal government.

Municipal water systems are generally built by local authorities. These particular facilities were originally authorized by the 1962 Act under which the rest of the project has been built, but they were never funded. That original legislation required Interior to make a determination before building them that the local communities involved could not afford the costs themselves.

Such a finding was indeed made in 1969, but we believe that changed economic conditions in the Colorado Springs area over the intervening five years would serve to make that finding unreliable. In any event, we feel strongly that construction of municipal facilities should not be a Federal responsibility, and see no reason to authorize \$62 million for this purpose.

2. Nueces River Project, Texas

Title X would authorize Interior to construct and operate a dam and reservoir and associated recreational facilities on the Frio River in Texas to supply water to Corpus Christi and neighboring communities. \$50 million would be authorized for appropriation, provided that "a qualified local entity" agreed to advance not less than \$15 million as a non-Federal contribution. Users would repay costs within 40 years at an interest rate to be determined by the Secretary of the Treasury, and the \$15 million advance would be credited toward repayments.

We recommended deferral of this project pending completion and review of the customary feasibility study. Interior has now completed that study and submitted it to OMB for review. The Executive Branch consistently refuses to endorse authorization of projects until their economic viability is established by analysis and review of a feasibility study. We do not believe this key procedure in the water resources field should be departed from in this case. It may be noted that a preliminary review of the study has raised some questions about the project, and that a mineral evaluation of the project site still must be undertaken.

3. Casitas Reservoir Open Space, California

Title IV would authorize the Secretary of the Interior to acquire specified privately-owned lands in the vicinity of Lake Casitas, California, in order to keep them in their natural state as permanent open space. \$10 million is authorized for purchase, and private landowners who choose to sell would retain the right to occupy the property until the death of the owner or spouse, whichever occurred later, but not longer than 25 years. Lands owned by the State or by local governmental authorities could be acquired only by donation.

The area specified includes about 3,100 acres of privately-owned land held by 43 owners within the watershed surrounding the lake. This land has become quite attractive for residential development, but substantial development would lead to severe pollution and eutrophication of the lake,

which would in turn have serious consequences for the water supply of Ventura, California, and adjacent municipalities. State and local governments already hold additional lands in the area for the purpose of protecting the lake.

There are other alternatives which are preferable to direct purchase of the lands using Federal funds. In its reports to the Senate and House Interior Committees, Interior outlined two of them: local land use planning, including zoning restrictions, and State or local government acquisition as an addition to the present protective landholdings. Among other things, such acquisition could be assisted through the Federal Land and Water Conservation Fund, which could provide up to 50 percent of the funding.

4. Savage Rapids Fishway, Oregon

Title XII would direct Interior to construct the necessary facilities at Savage Rapids Dam, Oregon, for the passage of anadromous fish, and would authorize \$851,000 for this purpose.

Built in 1921 and privately-owned, the Savage Rapids Dam included fish passage facilities, but these have proven to be inadequate. The Senate Interior Committee's report states that the Rogue River, on which the dam is located, is world-renowned for its fishery resources, but that the inadequacy of present facilities has a significant adverse impact on them. Interior and OMB recommended against enactment in reports to the Congress, stating that there is no basis for Federal financing since the dam is not Federally-owned, and pointing out that Federal assistance for fish passage construction would be available under the existing Anadromous Fish Conservation Act.

5. Glendo Unit Road Reconstruction, Wyoming

Title IX would authorize \$284,000 for Interior to relocate and reconstruct a portion of a road that was originally built in 1958 by the Bureau of Reclamation in connection with construction of a dam. Upon completion, the road was turned over to local authorities for maintenance, in

accordance with the contract for its construction. The road has since deteriorated because of slides and weathering. Interior and OMB reports to the Congress stated that authorization would be unjustified since reconstruction is clearly and properly a local responsibility.

6. Feasibility Study, Apple Creek Unit, North Dakota

Title XIII would authorize Interior to carry out feasibility studies of three potential water resource development programs. Two of these are not objectionable, but further study of the project named above is not considered justified in view of other priorities. The Apple Creek study would examine the potential for irrigation of an area comprising several-hundred-thousand acres in three North Dakota counties. Moreover, such studies once completed develop a momentum for construction of the project which is hard to resist, even if the benefit-cost ratio for such project is very low.

APPENDIX B

Projects authorized which are not basically objectionable

1. Incorporation of Page, Arizona

The Reclamation townsite of Page, Arizona was established in 1958 on public lands to house workers during the construction of the Glen Canyon Dam. Municipal services have been provided by the Bureau of Reclamation, but withdrawal of Federal administration was anticipated from the very outset. The terms of withdrawal provided in Title I resulted from many years of negotiation, and this Title of the enrolled bill is based in large part on an Administration proposal.

Upon incorporation of Page as a municipality under Arizona law, H.R. 15736 provides for the transfer of publicly-owned lands and municipal facilities and functions. It would also provide rights for a stated quantity of water of the town in return for the transfer in trust to the Navajos of 808 acres, once part of their reservation, and for other considerations to the Navajos spelled out in the bill. In addition, it provides for the completion of a number of municipal projects by the Bureau, and authorizes a grant of \$550,000 to the town pending establishment of a local tax base and to help with reconstruction of the local hospital.

2. Cibolo Project, Texas

Title II would authorize construction of a dam and reservoir on Cibolo Creek, Texas, primarily to furnish water to San Antonio, Karnes City and Kenedy, Texas, and authorize the appropriation of \$24.1 million for the Federal share of costs. Pursuant to an agreement with Interior, the San Antonio River Authority would advance funds for construction. While the enrolled bill would authorize a higher amount than desired, with repayment at a lower interest rate, the project is nonetheless considered desirable in view of the joint financing arrangement, and enactment would help to establish such arrangements as a principle.

3. Mountain Park Project, Oklahoma

Title III would amend a 1968 law to include the City of Frederick, Oklahoma, among the municipalities to be served by the Mountain Park Dam and Reservoir, the construction of which is scheduled to be completed in 1975. This Title would also increase the amount authorized for the project by approximately \$6 million.

4. Klamath Project Right-of-Way, Oregon

5.4 acres of lands were acquired in 1912 for a canal associated with the Klamath project, but the canal was never built. During the 60 years since the land was acquired, developments have encroached upon the right-of-way, and the Government still owns about 3 acres which have been encroached upon by some 20 holdings. The enrolled bill would direct the Secretary to convey these lands to the owners of lots contiguous to them upon payment of fair market value but not more than \$100 per parcel.

5. Solano Project Recreational Facilities, California

Title VI, based primarily on a bill which the Administration offered to the Congress as a substitute for other bills, would authorize Interior to develop and operate certain recreation facilities in the area of Lake Berryessa, California. \$3 million would be authorized to develop water, sanitation, parking and roads, which should contribute significantly to overcoming what Interior characterizes as "widespread public dissatisfaction" concerning access to the lake and lack of adequate public facilities.

6. Miscellaneous Drainage Construction, Utah

Water is being delivered from two existing Reclamation projects in Central Utah to a number of farms in the area, but 4,000 acres now in agricultural production are jeopardized by lack of sufficient drainage facilities, and some farm operators have consequently been unable to continue making full payments for the water. Title VII would authorize the construction of additional drainage facilities and amend the original contracts so that repayment is based on the ability of the individual users to pay, as determined by the Secretary.

7. Belle Fourche Dam Rehabilitation, South Dakota

Built by the Bureau of Reclamation in 1914, the Belle Fourche Dam is considered inadequate by modern standards. It has also been damaged by extreme wave action. For these reasons, it is now considered unsafe, and failure could cause a major disaster. Title VIII would authorize \$3.6 million to rehabilitate a spillway and protect the upstream slope of the dam.

8. Elephant Butte Recreation Pool, New Mexico

Under certain conditions set forth in Title XIV, Interior would be authorized to permit releases from an existing reservoir in order to establish a pool to support recreation in a second reservoir. The second reservoir, Elephant Butte, is a popular regional recreational attraction located between Albuquerque and El Paso, but its level has been decreasing in recent years, lessening its value for recreational purposes. Provisions are included in the enrolled bill to protect water rights to Indian tribes and other existing obligations for use of the water.

9. and 10. Feasibility Studies, Solano County, California and Yuma, Arizona

These are the other two studies authorized by Title XIII, which was described in connection with the Apple Creek study. The first would authorize a total water management study to coordinate and add to the existing water studies for Solano County, and the second would authorize the study of a municipal and industrial water supply system for the city of Yuma.

APPENDIX C

Sponsors of Titles of H.R. 15736
(As Separate Legislation)

<u>TITLE</u>	<u>PROJECT NAME</u>	<u>SPONSOR</u>
I	Page, Arizona	Sens. Fannin and Moss Reps. Steiger of Arizona, McKay, Johnson of Calif., Roncalio of Wyoming and Evans of Colorado
II	Cibolo, Texas	Sen. Bentsen Reps. Kazen, Gonzalez and Fisher
III	Mountain Park, Oklahoma	Sen. Bartlett and Bellmon Rep. Steed
IV	Casitas, California	Sens. Cranston and Tunney Reps. Teague of Calif. and Lagomarsino
V	Klamath, Oregon	Sen. Hatfield Rep. Ullman
VI	Solano Recreation Area, California	Sens. Cranston and Tunney Rep. Don H. Clausen
VII	Drainage Construction, Utah	Sen. Moss Reps. McKay and Johnson of California
VIII	Belle Fourche Dam, South Dakota	Sens. McGovern and Abourezk Reps. Abdnor and Denholm
IX	Glendo Road, Wyoming	Sens. McGee and Hansen Rep. Roncalio
X	Nueces River, Texas	Sen. Tower Reps. de la Garza, Young, and Kazen
XI	Fryingpan - Arkansas, Colorado	Sens. Haskell and Dominick Rep. Evans of Colorado

<u>TITLE</u>	<u>PROJECT NAME</u>	<u>SPONSOR</u>
XII	Savage Rapids, Oregon	Sens. Hatfield and Packwood Rep. Dellenback
XIII	(a) Solano County, Calif.	Rep. Leggett
	(b) Yuma, Arizona	Sen. Fannin Rep. Steiger of Arizona
	(c) Apple Creek, North Dakota	Sens. Young and Burdick Rep. Andrews
XIV	Elephant Butte, New Mexico	Sen. Montoya Rep. Runnels

10/29 - No statement
for Staff Secretary's Office

THE WHITE HOUSE

ACTION

WASHINGTON

Last day - Tuesday, October 29

October 26, 1974

10/27

MEMORANDUM FOR

THE PRESIDENT

FROM:

KEN COLE

SUBJECT:

Enrolled Bill: Reclamation Development
Act of 1974, H.R. 15736

BACKGROUND

This bill, as indicated in the attached enrolled bill memorandum, would fund sixteen Bureau of Reclamation projects and other authorizations located in ten States, at a total cost of approximately \$204 million.

ARGUMENTS FOR SIGNING

Interior and OMB have indicated to Congress approval of ten of these projects when each was originally the subject of separate legislation. Although the bill contains some bad projects, in balance the good outweighs the bad and some of these worthwhile projects have considerable support, both in the Congress and in their respective States.

ARGUMENTS FOR VETO

The Treasury Department argues that the bill's outmoded interest rate provisions warrant a veto. However, OMB points out that this is not a particularly significant problem and it is the subject of a broad study by the Water Resources Council. The Council on Environmental Quality objects to the environmental impact of two projects, both in Texas. However, there are environmental safeguards such as the Environmental Impact Statement which would still apply and provide necessary environmental protection.

STAFF AND AGENCY POSITIONS

The following recommend signature:

Roy Ash (with a signing statement strongly urging Congress to support your request for rescission or deferral of appropriations for projects now actually under construction)

Department of Interior
Ken Cole
Bill Timmons
Phil Areeda (defers to OMB)

The following recommend veto:

Department of Treasury
CEQ

DECISION - H.R. 15736

_____ Sign (Tab B)

_____ Veto



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

October 21, 1974

Honorable Roy L. Ash
Director
Office of Management and Budget

Dear Mr. Ash:

This is in reply to the request from your office of October 17, 1974, for views and recommendations of this Department on enrolled bill, H.R. 15736, "To authorize, enlarge, and repair various Federal reclamation projects and programs, and for other purposes."

This Department has no objection to approval of the enrolled bill.

We hope however in making the feasibility studies under Title XIII, Section 1301, the Secretary will appropriately coordinate with the Department of Agriculture especially in studies carried out under paragraph (1) of Section 1301, since we have developed considerable data on water and land related resources in the Central Valley of California.

Sincerely,

A handwritten signature in cursive script, reading "J. Phil Campbell".

J. Phil Campbell
Under Secretary

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OFFICE OF
MANAGEMENT & BUDGET



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

OCT 22 1974

Dear Mr. Ash:

This responds to your request for our views on the enrolled bill H.R. 15736 "To authorize, enlarge, and repair various Federal reclamation projects and programs, and for other purposes" which is before the President for approval.

We recommend that the President approve the bill.

H.R. 15736 is omnibus legislation embracing fourteen matters relating to this Department's Bureau of Reclamation, each of which has previously been the subject of separate legislation on which the Department's views have been furnished to the Congress. The items in the bill, together with the previous legislation and date of our report thereon, are as follows:

<u>Item</u>	<u>Previous Legislation</u>	<u>Date of Departmental Report and Position</u>
1. Incorporation of Page, Arizona - transfers Reclamation owned townsite and facilities to new municipality organized under Arizona law, thereby eliminating Federal and project costs attributable to maintaining town.	H.R. 1194 H.R. 9936 S. 1261 S. 767	March 15, 1974 to House and June 6, 1974 to Senate. Favored enactment of substitute bill carrying out transactions relating to Indians and modifying financial arrangements.
2. Cibolo Project, Texas - authorizes construction, operation and maintenance of Cibolo Project at overall cost of \$50,242,000 (June 1973 prices) of which \$20,867,000 would be met by Federal appropriations.	H.R. 1406 H.R. 11177 S. 3568	March 6, 1974 to House and July 15, 1974 to Senate. Favored enactment of S. 3568 (and H.R. 11177 with amendments)



Save Energy and You Serve America!

1. The first part of the report deals with the general situation of the country and the position of the various groups of the population. It is a very interesting and informative study of the social and economic conditions of the country.

2. The second part of the report deals with the financial situation of the country and the various sources of revenue. It is a very detailed and comprehensive study of the financial situation of the country.

3. The third part of the report deals with the budget and the various items of expenditure. It is a very clear and concise study of the budget and the various items of expenditure.

4. The fourth part of the report deals with the various departments and the various items of expenditure. It is a very detailed and comprehensive study of the various departments and the various items of expenditure.

5. The fifth part of the report deals with the various departments and the various items of expenditure. It is a very detailed and comprehensive study of the various departments and the various items of expenditure.

6. The sixth part of the report deals with the various departments and the various items of expenditure. It is a very detailed and comprehensive study of the various departments and the various items of expenditure.

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3. Mountain Park Project, Oklahoma - authorizes extension of water supply facilities to Frederick, Oklahoma at cost of \$6,067,000 (January 1974 prices). H.R. 8192
S. 3704
January 15 and April 22, 1974 to House and July 15, 1974 to Senate.
Favored enactment with understanding that project interest rate in year construction commences will apply.
4. Casitas Reservoir Open Space, California - authorizes Federal acquisition of lands or interests therein around Lake Casitas for protection of water quality and for preservation and enhancement of public outdoor recreation, fish and wildlife and environmental values, with appropriations up to \$10 million. H.R. 1922
S. 3813
April 19, 1974 to House.
Opposed enactment.
5. Klamath Project Right-of-Way, Oregon - directs conveyance of unused Reclamation right-of-way crossing lots in subdivisions of Klamath Falls, Oregon, to adjoining lot owners at maximum price of \$100 per lot plus administrative costs. H.R. 2185
s. 1582
June 22, 1973 to House and October 9, 1973 to Senate.
Favored enactment with amendment requiring payment of fair market value plus administrative costs.
6. Solano Project Recreational Facilities, California - authorizes provision of short-term recreation facilities at Lake Berryessa, California and improved administration of Federal land and water areas. Cost of facilities would be non-reimbursable and \$3 million (April 1974 prices) would be authorized plus administration and operation and maintenance expenses. H.R. 13890
June 28, 1974 to House.
Favored enactment with amendment to provide for cost sharing.

7. Miscellaneous Drainage Construction, Utah - authorizes construction of drainage works for Vernal Unit of Central Utah project and Emery County project at estimated cost of \$2,535,000 (Jan. 1974 prices) H.R. 14634 S. 2779 June 14, 1974 to House. Favored enactment with minor amendments.
8. Belle Fourche Dam Rehabilitation, South Dakota - authorizes rehabilitation of dam at cost of \$3,620,000 (April 1974 prices), all of which is non-reimbursable except estimated operation and maintenance expense saving to irrigation district. H.R. 10410 May 8, 1974 to House; June 6, 1974 to Senate. Favored enactment with amendment providing for repayment based on ability to repay.
9. Glendo Unit Road Reconstruction, Wyoming - authorizes reconstruction of Wyoming road originally relocated for Glendo Dam at Federal expense estimated at \$284,000 (January 1974 prices). H.R. 13589 S. 3223 May 8, 1974 to House; June 6, 1974 to Senate. Opposed.
10. Nueces River project, Texas - authorizes construction of project with \$50 million Federal appropriations and \$15 million initial local prepayment. H.R. 13879 S. 3513 June 21, 1974 to House; July 15, 1974 to Senate. Recommended deferral pending completion of studies.
11. Fryingpan - Arkansas project, Colorado - increases authorized appropriations to \$432 million to include additional water supply facilities and authorized second unit of Mount Elbert pumped storage powerplant. H.R. 13816 S. 3740 June 25, 1974 to House; July 17, 1974 to Senate. Favored enactment if amended to delete funds for additional water supply facilities (\$62 million).
12. Savage Rapids Fish Way, Oregon - authorizes construction of fish passage facilities at estimated cost of \$851,000 (April 1974 price levels). H.R. 14755 S. 3529 Opposed enactment since facilities could be constructed under the Anadromous Fish Conservation Act with appropriate cost sharing arrangements.

- | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>13. Feasibility Study Authorization - authorizes feasibility studies for (a) Solano County, California; (b) municipal and industrial water supply for Yuma, Arizona and (c) Apple Creek unit, North Dakota.</p> | <p>H.R. 13890
(Solano County)</p> <p>H.R. 13954
(Yuma, Ariz.)</p> | <p>June 28, 1974 to House.
No objection to enactment.</p> <p>June 27, 1974 to House.
Favored enactment if amended to provide for advance payment to Bureau of Reclamation.</p> |
| <p>14. Elephant Butte Recreation Pool, New Mexico - authorizes releases of 50,000 acre feet plus up to 6,000 acre feet per year from Heron Reservoir to Elephant Butte Reservoir for permanent recreation pool</p> | <p>H.R. 1677</p> | <p>June 17, 1974 to House and Senate; supplemental report of September 19, 1974 to Senate. Favor enactment with amendments to require 50 percent cost sharing and to protect Indian water rights.</p> |

Our views with respect to each of these items is as follows:

Incorporation of Page, Arizona. Transfer of the land and facilities used by the town of Page from the Federal government will eliminate significant Federal costs and responsibilities and place them properly on the municipality and its people. We object, however, to several features in the transfer as set forth in the bill. It provides for several additional expenditures for the town beyond those which we believe are desirable and raises the overall limit of such expenditures from \$1.5 to \$4 million. Specific added expenditures are for a paved road from U.S. Highway 89 to the site of a new sanitary landfill, an increased lump sum payment of \$500,000 instead of the \$330,000 we recommended to assist the municipality in meeting its organizational costs, and funds for purchase of electric distribution facilities at Page.

Cibolo Project, Texas. The bill authorizes \$24,160,000 based on July 1973 prices with repayment of the Federally financial portion at a 5-5/8 percent interest rate. The administration had approved authorized appropriations of \$20,867,000 to be repaid at 6-7/8 percent. This change is appropriate since it is a more accurate estimate of costs and is in conformity with that currently applicable to other projects under existing law. Notwithstanding these differences, we believe the

Cibolo project is desirable particularly in view of the joint financing arrangement provided between the Federal government and project beneficiaries. Establishing it as principle should enhance our ability to reduce the currently unmanageable backlog of authorized but unfunded construction of water resource projects.

Mountain Park Project, Oklahoma. Authorization of this work is desirable and in accord with the Department's views.

Casitas Reservoir Open Space, California. We continue to oppose authorization of property purchases to solve the water quality and other problems at Lake Casitas. Other preferable alternatives, such as land-use planning and zoning, are available. The enrolled bill modifies provisions of the originally introduced legislation which allows landowners to transfer or assign retained rights to use the property for up to 25 years. We believe that permitting the transfer or assignment of such rights is not in accord with the purpose of a retained rights provision-viz. to permit continued limited use by present residents.

Klamath Project Right-of-Way, Oregon. In authorizing transfer of the Klamath Falls right-of-way to adjoining lot owners, the bill would facilitate the desirable goal of disposal of real property for which the Bureau of Reclamation has no present or anticipated use while at the same time permitting elimination of local title difficulties for individual property owners. Although we would have preferred that the price of the property conveyed would be based on fair market value without limit, the Bureau of Reclamation estimates that in most instances the \$100 per lot limit established by the bill would be in excess of the value of the property conveyed.

Solano Project Recreational Facilities, California. The facilities and actions which the bill authorizes will contribute significantly to the solution of existing problems at Lake Berryessa which include a shortage of short-term recreational facilities and management difficulties.

Miscellaneous Drainage Construction, Utah. Authorization of the drainage work for the Vernal Unit and the Emery County project was necessitated by virtue of no longer customary provisions of the repayment contracts limiting the amount of drainage work. Carrying out this work will save a substantial existing investment in irrigation facilities and farms. Repayment of the costs of such work would be based on the customary test of irrigators ability to repay.

Belle Fourche Dam Rehabilitation, South Dakota. While we favor authorization of the Belle Fourche rehabilitation work, we would have preferred that costs be reimbursed based on a determination by the Secretary of the Interior rather than limited to the estimated operation and maintenance savings for upstream slope protection as the bill provides.

Glendo Unit Road Reconstruction, Wyoming. We continue to believe authorization of funds for work on the Glendo Road is unjustified. This work is properly a local responsibility.

Nueces River Project, Texas. The Department originally recommended deferral of action on this project until the feasibility study and environmental impact statement are completed. The Department has now forwarded the feasibility study to the Office of Management and Budget with a recommendation that the project be authorized. A draft environmental impact statement has also been filed with the Council on Environmental Quality and the final statement is in the process of preparation. We will not undertake construction of this project until completion of a mineral survey and a determination that the project will not involve undue loss of mineral resources.

Fryingpan - Arkansas Project, Colorado. We favor authorization of the entire amount provided by the bill.

Savage Rapids Fishway, Oregon. Authorization of funds for the Savage Rapids Fishway is highly desirable and we believe the unique situation at the Savage Rapids dam justifies full Federal funding as provided by the bill. This work will provide substantial protection of fishing values and will protect other investments in fish facilities along the river, including those of the Federal government. Although the dam is a private one, it is an old one for which the Federal government has provided assistance in the past.

Feasibility study authorities. We continue of the view that the Solano County, California, and Yuma, Arizona studies are not objectionable, but that further study of the Apple Creek unit is not justified in view of other priorities.

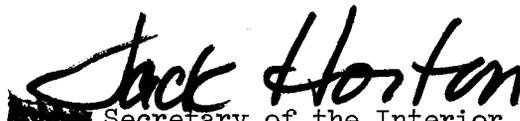
Elephant Butte Recreation Pool, New Mexico. While creation of the recreation pool in Elephant Butte Reservoir with specified excess water from Heron Reservoir is desirable, we would have preferred a stronger provision to protect Indian water rights in accordance with

our supplemental September 19, 1974 report to the Senate which would have made explicit the power of the Secretary to eliminate or reduce releases which would result in a loss of water to which the Indians are entitled. Despite this, we believe the Secretary has such power as incidental to the exercise of his Indian trust responsibilities.

X X X X X

In summary, the Department believes that the advantageous provisions of the enrolled bill outweigh in objectionable features and we recommend that the President sign the bill.

Sincerely yours,


Secretary of the Interior

Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C. 20503



DEPARTMENT OF THE ARMY
WASHINGTON, D.C. 20310

22 OCT 1974

Honorable Roy L. Ash
Director
Office of Management and Budget

Dear Mr. Ash:

This is in reply to your request for the views of the Department of the Army on enrolled enactment H.R. 15736, 93d Congress, "To authorize, enlarge, and repair various Federal reclamation projects and programs, and for other purposes."

The Department of the Army has no objection to approval of the enrolled enactment. We defer, however, to the views of the Department of Interior as the agency having primary interest in the merits of the Act.

This Act is an omnibus measure comprised of multiple Titles which affect the Federal Reclamation Program administered by the Department of Interior.

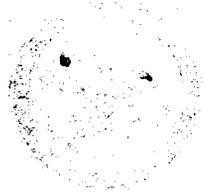
Sincerely,

A handwritten signature in black ink that reads "Howard H. Callaway".

Howard H. Callaway
Secretary of the Army

DEPARTMENT OF THE ARMY

Washington, D.C. 20315



[Faint, mostly illegible text, possibly a memorandum or letter body]

OFFICE OF
MANAGEMENT & BUDGET

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

October 23, 1974

OFFICE OF THE
ADMINISTRATOR

Dear Mr. Ash:

This is in response to your request for a report on H.R. 15736, an enrolled bill "To authorize, enlarge, and repair various Federal reclamation projects and programs, and for other purposes."

The bill contains 14 Titles, each of which provides for the authorization, enlargement, or repair of a Federal project under the jurisdiction of the Secretary of the Interior.

The Environmental Protection Agency has no objection to the enrolled bill, and defers to the Department of the Interior as to the merits of the enrolled bill.

Sincerely yours,

A handwritten signature in cursive script that reads "Russell E. Train".

Russell E. Train
Administrator

Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D.C. 20503



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

OCT 24 1974

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 15736, "To authorize, enlarge, and repair various Federal reclamation projects and programs, and for other purposes."

The enrolled enactment would authorize to be appropriated amounts in excess of \$500 million for 14 reclamation projects. Under most reclamation projects certain costs, such as those attributable to flood control, are not reimbursable while others (usually costs attributable to municipal and industrial water supplies and generation of electricity) are reimbursable over a forty or fifty year period at interest rates which are substantially below current market rates.

The interest rate formula prescribed in titles I, II and X of the enrolled enactment, for example, is the so-called water resources rate; i.e., the computed average rate payable by the Treasury upon its marketable public obligations which are neither due nor callable for redemption for fifteen years from date of issue. The water resources interest rate formula produces an arbitrary subsidy interest rate which bears no relationship to current Treasury borrowing costs. The water resources formula currently produces a rate of 4-3/8 percent, compared with a current estimated cost of long-term Treasury borrowing of about 8-1/2 percent. Thus, assuming level payments over a fifty-year repayment period, the present value of the Federal interest rate subsidy would be about 40 percent of "reimbursable" project costs. In other words, permitting repayment of \$1 of reimbursable costs over 50 years at 4-3/8 percent interest is equivalent to providing an initial lump sum grant of about 40 cents and a loan of 60 cents repayable at 8-1/2 percent. These interest subsidies, of course, would be in addition to the nonreimbursable portion of project costs.

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OFFICE OF
MANAGEMENT & BUDGET

Titles II and X of the enrolled enactment would authorize the Secretary of the Interior to construct, operate, and maintain projects which would be financed under an arrangement under which local entities would advance funds, presumably obtained in the tax-exempt bond market, to the Department of the Interior in order to accelerate construction by Interior of the authorized projects. The Senate Committee report indicates that this device will negate the need for initial total Federal financing. Thus the proposal would circumvent the normal budget review/appropriations process.

From the standpoint of debt management policy, the Department sees no justification for shifting from Treasury financing of these Federal projects to the more costly financing which would necessarily result from the proposal. Also, the proposed method of financing would be contrary to long-standing Federal policy against financing Federal activities in the tax-exempt bond market. The obvious attraction of the tax-exempt borrowing rate has prompted a number of similar proposals in other areas, but such financing would involve excessive costs to the Federal Government, because of the revenue losses, and would also result in higher borrowing costs to States and local governments because of the added burden on the tax-exempt bond market. Moreover, it would be more difficult for the Administration to maintain its policy against Federal guarantees of tax-exempt obligations if Federal agencies were permitted to arrange for tax-exempt financing of the Government's own facilities.

The Department of the Interior in reports to the Congress opposed two of the proposed reclamation projects and recommended that action on the two largest projects (a portion of the Fryingpan - Arkansas Project and the Nueces River Project) be deferred until the customary feasibility studies have been completed.

In view of the foregoing, the Department would concur in a recommendation that the enrolled enactment not be approved by the President.

Sincerely yours,


Richard R. Albrecht
General Counsel

Date: October 25, 1974

Time: 5:30 p.m.

FOR ACTION: Michael Duval
Phil Buchen
✓ Bill Timmons
Paul Theis

cc (for information): Warren Hendriks
Jerry Jones
Norm Ross

FROM THE STAFF SECRETARY

DUE: Date: Saturday, October 26, 1974 Time: 9:00 a.m.

SUBJECT: Enrolled Bill H.R. 15763 - Reclamation Development Act of 1974

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing or call in your recommendation to Warren Hendriks on ext. 6570.

Thank you.

May sign

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 716

Date: October 25, 1974

Time: 5:30 p.m.

FOR ACTION: Michael Duval
 ✓ Phil Buchen
 ✓ Bill Timmons
 Paul Theis

cc (for information): Warren Hendriks
 Jerry Jones
 Norm Ross

FROM THE STAFF SECRETARY

 DUE: Date: Saturday, October 26, 1974 Time: 9:00 a.m.

SUBJECT: Enrolled Bill H.R. 15763 - Reclamation Development Act of 1974

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing
 or call in your recommendation to Warren Hendriks
 on ext. 6570.

Thank you.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
 For the President

Date: October 25, 1974

Time: 5:30 p.m.

FOR ACTION: Michael Duval
Phil Buchen
Bill Timmons
Paul Theiscc (for information): Warren Hendriks
Jerry Jones
Norm Ross

FROM THE STAFF SECRETARY

DUE: Date: Saturday, October 26, 1974 Time: 9:00 a.m.

SUBJECT: Enrolled Bill H.R. 15763 - Reclamation Development
Act of 1974

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing
or call in your recommendation to Warren Hendriks
on ext. 6570.

Thank you.

No objection
D.C.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a
delay in submitting the required material, please
telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

Date: October 25, 1974

Time: 5:30 p.m.

FOR ACTION: Michael Duval
Phil Buchen
Bill Timmons
✓ Paul Theis

cc (for information): Warren Hendriks
Jerry Jones
Norm Ross

FROM THE STAFF SECRETARY

DUE: Date: Saturday, October 26, 1974 Time: 9:00 a.m.

SUBJECT: Enrolled Bill H.R. 15763 - Reclamation Development Act of 1974

PLEASE RETURN TO:
RESEARCH
ROOM 121 E. O. B.

ACTION REQUESTED:

_____ For Necessary Action

XX For Your Recommendations

_____ Prepare Agenda and Brief

_____ Draft Reply

_____ For Your Comments

_____ Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing
or call in your recommendation to Warren Hendriks
on ext. 6570.

Thank you.

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PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

October 26, 1974

MEMORANDUM FOR W. H. ROMMEL, ASSISTANT DIRECTOR FOR
LEGISLATIVE REFERENCE
OFFICE OF MANAGEMENT AND BUDGET

ATTENTION: Mrs. Garziglia

RE: H.R. 15736, The Reclamation Development Act of 1974

The Council has reviewed this proposed legislation, which deals with authorizations and appropriations for a number of existing or proposed Federal projects of the Bureau of Reclamation.

We have one general objection to this bill, which is that the price base set for construction cost appropriations is not current or consistent. The basis ranges from July 1973 (Title II) to January 1974 (Titles III, IX, X, and XI) to April 1974 (Titles IV, VI, VIII, and XII). It is our position that in all cases the most current basis possible should be used to determine project costs in order to reveal the extent of Federal support being committed. This is called for in the Principles and Standards for planning established by the Water Resources Council (WRC) on September 10, 1973.

We have a number of specific objections to Title II of this bill.

(The Bureau has prepared and circulated a final environmental impact statement on this project, which has as its primary purpose the provision of increased municipal and industrial water supplies for San Antonio, Texas and other smaller cities in the San Antonio river basin via a dam and reservoir on Cibolo Creek.)

1. The project has a very low benefit-cost ratio (1.28) and that calculation is not based on current discount rates as specified by Section IV. D. of the WRC Principles and Standards.

2. The Title is in further noncompliance with the same Administration standard in that the last sentence in Section 205 does not refer to the current WRC announcement cited above but to an earlier announcement, and thus apparently conflicts with Section 202 of the same Title.

3. The proposed project will induce industrial and urban population growth in the absence of any associated land and water use plans that would control such growth; the result will be that the area will expand its water use until it once again faces shortages, but with the added problems of an increased volume of municipal and industrial discharges, loss of natural habitat including aquifer recharge areas, and reduction of sport and commercial fisheries yields from the San Antonio Estuary.

4. Flood control benefits associated with the project are negative (B/C ratio: 0.3), and the project does not include or require needed controls on undesirable floodplain development.

5. The project as proposed does not implement desired water policies as to ground water management, pricing practices, and conservation and reuse as recommended in Chapter 7 of the Final Report of the National Water Commission, submitted in June 1973.

We have a number of similar objections to Title X of this bill. (A revised draft environmental impact statement has been filed for this project, which proposes a dam and reservoir in the Nueces river basin, adjacent to above-mentioned Cibolo Project, to provide additional municipal and industrial water supply to the Corpus Christi-Coastal Bend area of Texas.)

1. When estimates of estuarine fishery losses are included, the Bureau computes the benefit-cost ratio to

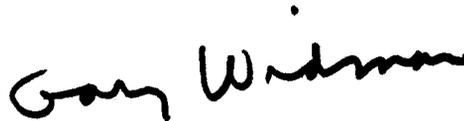
be 1.36; this is apparently not based on current WRC Principles and Standards; project cost estimates are not based on current data.

2. According to the Bureau's own environmental statement, studies of the project's impacts on estuarine fisheries, archeological and historical sites, and urban and industrial growth are either incomplete or absent. The Environmental Protection Agency has also requested additional water quality data before the acceptability of the proposed lake as a domestic water supply source can be determined.

3. Our comments regarding growth-induced problems resulting from the Cibolo Project apply to this project as well. EPA has urged the Bureau to participate with others in developing a land use plan for the reservoir area.

4. The proposed project does not implement the water management and conservation recommendations of the National Water Commission.

The Council would like to see these two projects restudied, and their combined impacts fully evaluated, by the Bureau before they are authorized by Congress. We recommend that this bill be vetoed and that the President express support for substitute bill which omits Titles II and X.



Gary L. Widman
General Counsel

STATEMENT BY THE PRESIDENT

I have approved H.R. 15736, the Reclamation Development Act of 1974.

This bill contains many desirable and needed Reclamation program authorizations. For example, it will transfer the town of Page, Arizona -- currently owned by the Federal government -- to non-Federal interests, thereby permitting it to function as a viable community with most residential and commercial property in private ownership. The bill will also provide for inclusion of additional hydroelectric power facilities in an existing major Colorado project.

On the other hand, H.R. 15736 contains some features which represent undesirable departures from established Federal water resource policies. In particular, several authorizations would impose on the Federal government costs that properly should be borne by State and local interests. In addition, there are unresolved questions regarding the environmental impacts of several projects.

On balance, I have concluded that the desirable features of H.R. 15736 outweigh the undesirable ones. However, I have directed the Executive agencies concerned, as part of the post-authorization review process, to carefully examine those program authorizations which depart from established policies or involve unresolved environmental problems.

On the basis of this review, I will determine whether corrective legislation is necessary, or whether funding for questionable projects should be requested.

I earnestly hope that proposals to vitiate unjustified program authorizations will have the full support of the Congress at a time when attainment of a \$300 billion budget in fiscal year 1975 will require rescission and deferral of funds already appropriated to carry out work on projects now under construction.