



The Reclamation Fund

The Reclamation Act of 1902 authorized the Secretary of the Interior to construct irrigation works in western states and established the Reclamation Fund to pay for these projects. The Reclamation Fund was established as a special fund within the U.S. Treasury. (Special funds are fund accounts for receipts and spending with specific taxes or revenues earmarked for a specific purpose. See CRS Report R41328, *Federal Trust Funds and the Budget*, by Mindy R. Levit, for more information.) The Reclamation Fund was designated to receive receipts from the sale of federal land in the western United States, as well as other sources.

All moneys received from the sale and disposal of public lands in ... [the western United States] ... shall be, and the same are hereby, reserved set aside, and appropriated as a special fund in the Treasury to be known as the “reclamation fund,” to be used in the examination and survey for and the construction and maintenance of irrigation works for the storage, diversion, and development of waters for the reclamation of arid and semiarid lands in the said States and Territories, and for the payment of all other expenditures provided for in this Act.

The fund was conceived as a revolving fund, with receipts from existing project repayments expected to be sufficient to fund new projects. The 1902 Act made funding from the Reclamation Fund available for the purposes outlined in the legislation without further appropriation by Congress. However, subsequently Congress required appropriations to utilize the funds.

Early Issues with the Reclamation Fund

During its early years, the Reclamation Fund was unable to operate as a “revolving” fund. Due in part to difficulties maintaining the fund’s solvency, Congress provided advances and made changes to the fund over time. Following its earliest construction projects, the fund received advances from Congress via the General Fund in 1910 (\$20 million) and 1931 (\$5 million). In an effort to avoid future funding shortfalls, Congress in 1914 limited Reclamation’s ability to carry out the 1902 act to those items for which Congress made annual appropriations to Reclamation (thereby rescinding Reclamation’s ability to build projects without further appropriation). Despite these changes, the Reclamation Fund was not sufficient to fund many of the large investments in water infrastructure throughout the West that were initiated beginning in the 1930s. Thus, construction of some large projects (e.g., Hoover and Glen Canyon dams) was funded by the Treasury’s General Fund.

Expanded Revenue Sources

Receipts accruing to the Reclamation Fund are shown below in **Table 1**. Originally the Reclamation Fund was expected to be funded by three main revenue sources: public land and timber sales in the western United States, Reclamation Project repayment, and Reclamation Project water contracts and sales. As a result of the aforementioned shortfalls in the fund, over time Congress directed additional receipts toward the Reclamation Fund in the form of 40% of onshore royalties from mineral and natural resource leasing on public lands (authorized in 1920) and the full amount of Reclamation Project power revenues (authorized in 1938). The latter change, known as the Hayden-O’Mahoney amendment, was enacted to secure power revenues from projects under construction at the time such as Grand Coulee Dam and Shasta Dam. Later projects such as the Pick-Sloan Missouri Basin Program and the Central Valley Project also provided significant hydropower revenues. Several other Reclamation projects, (e.g., the Boulder Canyon Project, the Colorado River Storage Project, and the Colorado River Basin Project) are deposited into separate special funds in accordance with congressional direction.

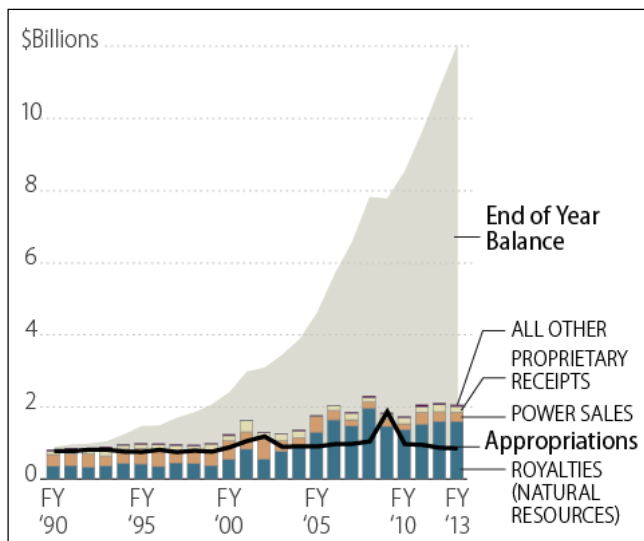
Table 1. Major Sources of Reclamation Fund Revenue

Source	Description	Year Authorized
Public Land Sales	95% of proceeds from public land sales in western states	1902
Reclamation Project Repayments	100% of receipts	1902
Reclamation Project Water Contracts/Sales	100% of proceeds	1902
Reclamation Project Power Revenues	100% of proceeds	1938
Natural Resource/Mineral Royalties	40% of bonuses, royalties, and rentals from onshore public lands	1920

Recent Trends

After the early financial issues between the Reclamation Fund’s establishment in 1902 and the supplemental funding from the General Fund in the 1930s, the fund maintained a relatively stable balance through the early 1990s. Beginning in the mid-1990s, the fund’s balance began to increase significantly as revenues from power sales and natural resource royalties significantly exceeded appropriations from the fund. For every year since FY1994, receipts going into the Reclamation Fund have exceeded appropriations made from it by more than \$100 million, and in some years receipts have exceeded appropriations by more than \$1 billion. The exception to this trend was FY2009, when the American Recovery and Reinvestment Act (P.L. 111-5) appropriated funding for Reclamation from the Reclamation Fund. Trends in the fund credits and appropriations are shown below in **Figure 1**.

Figure 1. Reclamation Fund Receipts and Appropriations, FY1990-FY2012



Source: CRS, with Bureau of Reclamation data.

Appropriations. The largest recipient of the fund’s appropriations is Reclamation’s Water and Related Resources Account, which funds operations and maintenance and construction of qualifying Reclamation projects (other projects are funded by the General Fund, or individual project funds). These appropriations have been declining in real terms in recent years.

Receipts. Natural resource royalties and hydropower revenues are the largest sources of receipts accruing to the fund and are the primary reason for the fund’s recent imbalance between receipts and appropriations. From FY1990 to FY2011, an average of 87% of the Reclamation Fund’s receipts came from these two sources. Data on the source (by state) of the natural resource receipts going into the Reclamation Fund indicated that from FY2006 to FY2011, an average of 93% of these receipts came from five western states: Wyoming, New Mexico, Colorado, California, and Utah. Two states, Wyoming and New Mexico, accounted for about 64% of these receipts.

Understanding “Surplus” Fund Balances

Similar to other special funds that are subject to appropriation, the Reclamation Fund is an accounting mechanism within the larger federal budget, and it is important to note that the fund’s apparent “surplus” does not represent real resources available for spending. Instead, it reflects the status of the intended uses of the fund compared to actual appropriations. It shows that in recent years, receipts credited to the fund have significantly outstripped its expenditures. Some point out that this runs contrary to the congressional intent of the Reclamation Act of 1902 and subsequent acts affecting the Reclamation Fund. However, Congress’s direction that the fund’s expenditures be subject to annual appropriations means that the final say on the fund’s expenditures rests with congressional appropriators. That is, Congress may at any time choose to increase or decrease appropriations from the fund to match incoming receipts, and/or dedicate these funds to other purposes.

Recent Proposals

Some have proposed increasing appropriations from the Reclamation Fund, either by funding new projects or as a supplement to ongoing authorized expenditures. Such a change could take one or more forms, each of which may have associated budget scoring impacts. For instance, Congress could increase appropriations from the Reclamation Fund in annual discretionary appropriations, but such an increase would have to compete with other appropriations (including General Fund appropriations) subject to congressional 302 (b) allocations. Congress could also dedicate a stream of revenue from the Reclamation Fund for a subset of specific projects and make it available, with or without further appropriations (i.e., discretionary funding or mandatory funding). Congressional PAYGO requirements might necessitate offsets in spending corresponding to some of these changes.

Congress in 2009 enacted changes to the Reclamation Fund. Title X of the Omnibus Lands Act (P.L. 111-11) redirected \$120 million per year of Reclamation Fund receipts for FY2020-FY2034 toward Indian water rights settlement projects, without further appropriation. In the 113th Congress, the Authorized Rural Water Projects Completion Act (S. 715) proposed to direct funds that would otherwise be credited to the Reclamation Fund to a set of newly established accounts for water projects, including new accounts for rural water projects, Indian irrigation projects, and other purposes. This proposal would have directed the status quo approach, in which these funds would have been subject to appropriations (i.e., appropriated as discretionary funds). However some have advocated for making this funding available for expenditure without further appropriations (i.e., mandatory funds). To date, these proposals have not been enacted.

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