

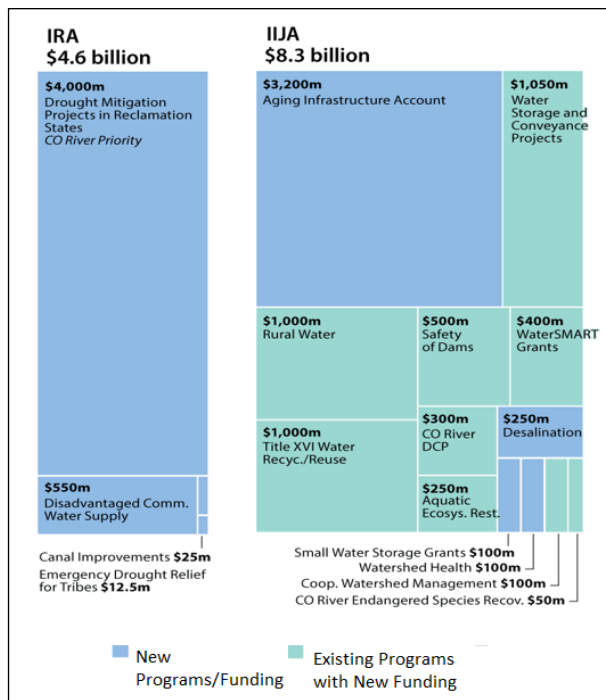
June 27, 2023

Bureau of Reclamation Funding in the Inflation Reduction Act (P.L. 117-169)

In August 2022, Congress enacted P.L. 117-169, popularly known as the Inflation Reduction Act (IRA). Among its funding provisions, the law provided approximately \$4.6 billion in mandatory appropriations for four new authorities of the Bureau of Reclamation (Reclamation, part of the Department of the Interior). IRA mandatory appropriations are available from FY2022 through FY2026 or FY2031 (depending on the provision). The majority of IRA funding is for drought mitigation in Reclamation States and territories, with priority given to the Colorado River and areas experiencing “long-term drought.”

Congress provided Reclamation’s IRA funding in addition to another major emergency supplemental appropriation, the Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58), enacted in November 2021. For its part, the IIJA included \$8.3 billion in emergency supplemental appropriations for Reclamation, in equal installments from FY2022 to FY2026. The IIJA provided funding for 13 new and existing Reclamation authorities (Figure 1).

Figure 1. Bureau of Reclamation Funding in the Inflation Reduction Act (P.L. 117-169) and Infrastructure Investment and Jobs Act (P.L. 117-58)



Source: CRS, based on P.L. 117-169 and P.L. 117-58.

Notes: IRA = Inflation Reduction Act; IIJA = Infrastructure Investment and Jobs Act; m = millions; CO River = Colorado River; DCP = drought contingency plan.

Previous Reclamation updates on IRA implementation have been compiled on Reclamation’s IRA website (<https://www.usbr.gov/inflation-reduction-act/>) and in the January 2023 *White House Inflation Reduction Act Guidebook* (<https://www.whitehouse.gov/wp-content/uploads/2022/12/Inflation-Reduction-Act-Guidebook.pdf>).

The remainder of this In Focus discusses Reclamation IRA funding for each of the four authorities receiving funds.

Drought Mitigation

Section 50233 of the IRA provided \$4.00 billion in funding, available through FY2026, to mitigate drought in the 17 semiarid western *Reclamation States* (as authorized in the Reclamation Act of 1902). Reclamation is to make this funding available to public entities and Indian tribes in the form of grants, contracts, or financial assistance agreements. Congress also specified that priority for these funds shall be provided to the Colorado River Basin and other areas experiencing comparable “long-term drought.” Congress specified several potential uses of these funds:

1. Compensation for a temporary or multiyear voluntary reduction in diversion of water or consumptive water use.
2. Voluntary system conservation projects that achieve verifiable reductions in use of or demand for water supplies or provide environmental benefits in the Lower Basin or Upper Basin of the Colorado River.
3. Ecosystem and habitat restoration projects to address issues directly caused by drought in a river basin or inland water body.

Colorado River Basin System Conservation and Efficiency Program

Reclamation has announced several programs in the Colorado River Basin to be funded by Section 50233 (Table 1). In October 2022, the bureau announced a new program, the Lower Colorado River Basin System Conservation and Efficiency Program, that expands on previous pilots of this concept. The first component (referred to as *Component 1a*) will pay Colorado River or Central Arizona Project (CAP) water delivery contract or entitlement holders a set amount per acre-foot over the next one to three years for efforts that will result in additional water in Lake Mead. Under the program, one-year agreements receive \$330 per acre-foot, two-year agreements receive \$365 per acre-foot, and three-year

agreements receive \$400 per acre-foot. Reclamation also announced a component for contractor-proposed prices and terms. As of June 2023, Reclamation had allocated \$17 million for these projects in 2023 and expected to allocate \$125 million for these projects through 2026.

In May 2023, Reclamation announced a second component for this program, for “long-term” contractor-proposed agreements. It would similarly pay Lower Colorado River Basin contractors a set price per acre-foot for consumptive use reduction, based on contractor-proposed prices, duration, and verification methodologies. Contractors must provide economic justifications for their terms, which will be reviewed and finalized by Reclamation. The announcement is open until the end of July 2023.

Table 1. Lower Colorado River Basin Conservation and Efficiency Program

Potential Payments to Contract Holders

Component	Description (Term)	Funding (\$ per Acre-Foot (af))
1a.	Set price agreements (one year)	\$330/af
1a.	Set price agreements (two years)	\$365/af
1a.	Set price agreements (three years)	\$400/af
1b.	Contractor-proposed agreements	TBA
2.	Contractor-proposed long-term agreements	TBA

Source: CRS, based on information from the Bureau of Reclamation, at <https://www.usbr.gov/lc/LCBCConservation.html>.

Note: TBA = to be announced.

Reclamation announced other Colorado River allocations for this funding, including \$250 million for Salton Sea restoration and \$250 million for system conservation efforts in the Upper Colorado River Basin. Further, Reclamation has stated that it will soon develop programs for this funding to help mitigate the effects of drought in other Reclamation river basins. To date, it has not announced funding allocations for other basins.

Funding under this section of the IRA would supplement other Reclamation funding to mitigate drought in the Colorado River Basin, including funding available in the IIJA and through annual appropriations. To date, it is the only instance of funding for Reclamation contractors to *forgo* deliveries of federally delivered water. It is unclear whether the approach of paying contractors to forgo water deliveries will entail additional long-term funding (i.e., beyond that appropriated in the IRA). For more information on Colorado River drought mitigation, see CRS Report

R45546, *Management of the Colorado River: Water Allocations, Drought, and the Federal Role*.

Disadvantaged Community Domestic Water Supply Projects

Section 50231 of the IRA contained \$550.0 million, available through FY2031, for Reclamation to provide up to 100% of the cost for the planning, design, and/or construction of water projects where the primary purpose is to provide domestic water supplies to disadvantaged communities or households. Pursuant to this authority, Reclamation is to establish and adopt criteria to identify applicable disadvantaged communities or households in a Reclamation state or territory that do not have reliable access to domestic water supplies (43 U.S.C. §391). The funding mechanism may be via grants, contracts, or financial assistance agreements at a cost share determined by the Commissioner. In May 2023, Reclamation announced \$5.5 million available to the U.S. territories of American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands for projects to provide domestic water supplies to communities that do not have reliable access to potable water. As of June 2023, Reclamation stated that it is developing a program for the remainder of this funding.

Solar Canal Improvements

Section 50232 of the IRA contained \$25.0 million, available through FY2031, for the design, study, and implementation of pilot projects that would cover water conveyance facilities with solar panels. To date, these projects have not been implemented on a large scale in the United States, but they may have potential to meet dual goals of reducing evaporative losses and generating energy. Reclamation has stated that it is identifying pilot projects for this funding and expects to issue a funding announcement in summer 2023.

Emergency Drought Relief for Tribes

Section 80004 of the IRA included \$12.5 million, available through FY2026, for near-term relief actions to mitigate drought for Indian tribes “impacted by the operation of a Reclamation project.” Congress authorized Reclamation to make available funds in the form of direct financial assistance to (1) address drinking water shortages and (2) mitigate the loss of tribal trust resources, with no cost share required. Reclamation stated it will issue funding announcements under this authority in summer 2023 through its Native American Affairs Technical Assistance Program.

Charles V. Stern, Specialist in Natural Resources Policy

Anna E. Normand, Analyst in Natural Resources Policy

IFI2437

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.