

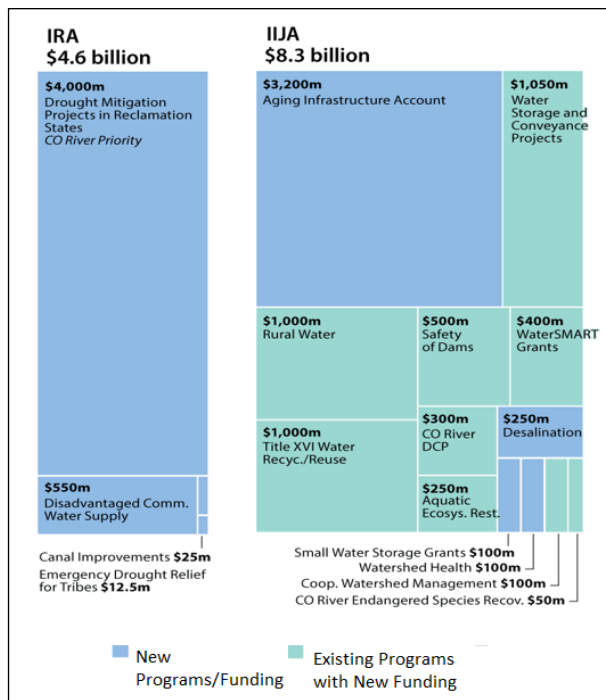
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Bureau of Reclamation Funding in the Inflation Reduction Act (P.L. 117-169)

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 mandatory 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.

Updates on Reclamation’s IRA implementation have been compiled on Reclamation’s IRA website and in the January 2023 White House IRA guidebook. 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:

- Compensation for a temporary or multiyear voluntary reduction in diversion of water or consumptive water use.
- 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.
- 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*) is to pay Colorado River or Central Arizona Project (CAP) water delivery contract or entitlement holders a set amount per acre-foot (AF) over the next one to three years for efforts that are to result in additional water in Lake Mead. Under the program, one-year agreements receive \$330 per AF, two-year agreements receive \$365 per AF, and three-year agreements receive \$400 per AF. Reclamation also announced a separate component for short-term, consumptive use reduction agreements proposed by contractors (*Component 1b*). As of March 2024, 24 conservation agreements across California (6) and Arizona (18) were expected to conserve up to 1.58 million AF of water through 2026. These agreements are based on up to \$670.2 million in IRA funding.

Table 1. Lower Colorado River Basin Conservation and Efficiency Program

Potential Payments to Contract Holders

Component	Description (Term)	Funding (\$ per AF)
1a	Set price agreements (one-three years)	\$330-400/AF
1b	User-proposed consumptive use reduction agreements	Varies
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; AF = acre-foot.

Reclamation has also announced a program component for long-term, contractor-proposed water conservation agreements. It would similarly pay Lower Colorado River Basin contractors a set price per AF for consumptive use reduction, based on contractor-proposed prices, duration, and verification methodologies. Contractors must provide economic justifications for their terms, which are to be reviewed and finalized by Reclamation.

Reclamation has announced other Colorado River allocations for this funding, including \$250 million in November 2022 for Salton Sea restoration and \$500 million for system conservation efforts in the Upper Colorado River Basin. Reclamation also has stated that it will develop programs for this funding to help mitigate the effects of drought in other western river basins and that it plans to award some of this funding in FY2024.

Funding under this section of the IRA is expected to supplement other Reclamation funding available in the IJA and through annual appropriations to mitigate drought in the Colorado River Basin. To date, this program 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 funding 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. Using the Section 50231 authority, Reclamation announced that \$320 million is available to assist tribes under a new Tribal Domestic Water Supplies Program. Funding is limited to up to \$3 million for planning studies, up to \$5 million for design projects, and up to \$50 million for construction projects. Reclamation also supported eligible proposals for WaterSMART Planning and Project Design Grants and the WaterSMART Drought Resiliency Projects in FY2024 at above the usual 50% federal cost share. Reclamation has stated that it continues to evaluate other funding options to implement Section 50231.

Solar Canal Improvements

Section 50232 of the IRA provided Reclamation with \$25.0 million, available through FY2031, for the design, study, and implementation of pilot projects that would cover water conveyance facilities with solar panels. They may have potential to meet dual goals of reducing evaporative losses and generating electricity. To date, these projects have not been implemented on a large scale in the United States. Reclamation announced awards of \$5.65 million in December 2023 and \$19 million in April 2024 for this funding.

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 issued its first solicitation for this funding in December 2023 through its Native American Affairs Technical Assistance Program.

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